



UPPSALA
UNIVERSITET

Department of Law
Spring Term 2019

Master Programme in Intellectual Property Law
Master's Thesis 30 ECTS

Should European Trade Mark Law Include an Explicit Parody Exception as a Limitation to Trade Mark Rights?

A focus on consumers of trade marks with reputation

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ABSTRACT

This thesis seeks to determine whether or not the inclusion of an explicit parody exception would be beneficial for EU trade mark law. The thesis presents all the variables that need to be taken into account in the decision, putting a special emphasis in the importance of considering the negative effects that a hypothetical inclusion can have on the consumers of the parodied reputed trade marks as this variable has been widely disregarded among scholars. Moreover, in this thesis it is considered that an explicit inclusion of the parody exception in EU trade mark law might be recommended for cases of non-commercial expression and mixed expression but not for cases of merely commercial expression.

KEY WORDS

Trade mark law, freedom of expression, European Union, trade mark owner, trade mark, parodist, parody, consumer, society, economic efficiency.

ABBREVIATIONS

CFREU	Charter of Fundamental Rights of the European Union
CJEU	Court of Justice of the European Union
CTM	Community Trade Mark
EC	European Commission
EP	European Parliament
EUTMR	Regulation (EU) 2017/1001
EUTMD	Directive (EU) 2015/2436
OHIM	Office for Harmonization in the Internal Market

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I. INTRODUCTION

A) Importance of the topic for the society

Parodies are one of the most powerful ways of laughing and criticizing in our society. They fall under the right to freedom of expression, essential in democracies promoting cultural and political processes as well as the self-development of citizens by enhancing their freedom to express and communicate.¹ Moreover, the more freedom of expression a society enjoys, the better informed consumers within that society are. Therefore, it is argued that in a free market economy as the one in which we operate today, consumers should be able to receive as much information as possible to avoid the restrictions posed by market agents.²

The right to freedom of expression can be invoked in vertical relations between the state and the individual and in horizontal relations between private parties.³ Therefore, third parties can invoke freedom of expression if trade mark owners use or attempt to use their exclusive rights over their registered signs to curtail their right to freedom of expression.

However, trade marks are also beneficial for society since they enhance the transparency in modern markets.⁴ They guarantee that the information circulating in the market is truthful which benefits both producers and consumers when they conduct their market transactions.⁵ Trade mark rights fall under the right to property and they are closely related to the freedom to conduct business. Trade mark owners wish to use their power to exclude third parties from using their signs without authorization when such use can prevent them from recovering the investment they made in their trade marks and from making the profits they consider appropriate in accordance with what they invested.⁶ Additionally, trade mark owners want to have the power to choose which third parties can use their signs and wish to receive an economic reward in return e.g. through a

¹ Sakulin, W. (2011). *Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European law*. Alphen aan den Rijn: Kluwer Law International, 1-2.

² Ibid., 143-144.

³ Ibid., 119-120.

⁴ Ghidini, G. (2018). *Rethinking Intellectual Property: Balancing Conflicts of Interests in the Constitutional Paradigm*. Cheltenham: Edward Elgar Publishing, 3.

⁵ Ibid., 5.

⁶ Ibid., 10.

license.⁷ Those are the reasons why trade mark owners interfere with the right to freedom of expression of third parties if they consider that a parody can damage their trade mark and they can do so by relying on the exclusive rights that their registered signs confer them.

Since both rights play an important role in society, courts use to balance them considering if allowing freedom of expression will have more positive consequences or negative consequences to the society as a whole.⁸ Nevertheless, we will see that this balancing task is not easy since there are many interests at stake that need to be taken into account.

B) Personal interest in the research

I became interested in the parodying of trade marks after discovering that clothes from the brand “Fuck Your Fake” were being sold at a store known for selling quality products of well-known brands in my hometown. What called my attention is that these clothes portray different signs protected by trade mark law that belong to high end fashion brands, such as Chanel, Louis Vuitton, Prada, Gucci or Fendi, and that most likely “Fuck your Fake” is not using the protected signs after acquiring a license from the different trade mark owners. Further on, I noticed that this brand was also being sold by numerous online retailers and that it was using a wide variety of channels to market its clothes, so I started to wonder how was it possible that many different undertakings had accepted to sell items from a brand that was using signs that do not own combined with other motifs.⁹

After a bit of research online, I found the U.S. case *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*¹⁰ In this case, LV filed a suit against MOB due to the fact that the latter was selling canvas tote bags that portrayed Louis Vuitton’s bags as well as other high end fashion brands’ bag designs. The court considered that the cartoon depictions of LV’s different trade marks contained in the bags combined with the word “MOB” amounted

⁷ Ibid., 11.

⁸ Scanlon, T. (1972). A theory of freedom of expression. *Philosophy & Public Affairs*, 1(2), 204-226, 205.

⁹ Today, 13 may 2019, the “Fuck your Fake” clothes are still being sold online (see e.g. <http://carnaby.es/fabricantes/fuck-your-fake>). Nevertheless, it is impossible for me to find the official “Fuck your Fake” website and Instagram account that I found when I got to know about the brand. I do not know the reason for the disappearance, however, it could mean that “Fuck your Fake” and trade mark owners have reached an agreement so that the former stops selling clothes portraying their trade marks or that there is a legal process going on.

¹⁰ *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 430 (S.D.N.Y. 2016).

for parody and that, therefore, this commercial expression was fair use.¹¹ The court held that confusion among consumers was not likely since it was possible to notice the difference in quality among the products sold by the concerned undertakings and that a prudent consumer would not consider that LV approved the parodies in any way.¹² Nevertheless, LV has recently won the last battle against MOB,¹³ after the court held that it did not have to pay the legal bills of the defendant. The court held that LV's action was reasonable and not part of a systemic bullying. In my opinion, a different solution, i.e. sentencing LV to award legal fees to MOB, would have upheld MOB's claim that LV is a trade mark bully and would have left trade mark owners unprotected when deciding to enforce their exclusive rights over their trade marks.¹⁴

Since I am passionate about high end fashion brands and their protection, after realizing that third parties' uses of trade marks they do not own, such as the use made by "Fuck your Fake", would fall under the fair use exception for parodies found in U.S. trade mark law, I wanted to deepen my knowledge in parodies and trade marks in the EU and determine if a similar exception should be included in EU trade mark law.

C) Purpose of the thesis

The objective of this thesis is to investigate whether or not EU trade mark should include an explicit parody exception as a limitation to trade mark rights.

¹¹ In Sakulin (n 1) 319, the author argues that not all parodies need to be humorous and that humor should not be used as a normative requirement for assessing if the parody exception applies or not. Considering this argument that makes the scope of parodies very wide, it is easier to understand why the court considered MOB's use of LV's trade marks as a parody.

¹² Molano Lozano, D. (2017). The Parody Defense Against Trademark Bullies: Analysis of the Louis Vuitton vs. MOB case. *Revista La Propiedad Inmaterial*, 24(24), 213-221, 217.

¹³ *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 18-293-cv (2d Cir. 2019).

¹⁴ The earlier case *Hermès International v. Thursday Friday Inc.*, 11cv0580 (S.D.N.Y. Jan. 28, 2011) is very similar to the just described case, nevertheless, it had a different outcome. Hermès International filed a complaint against Thursday Friday because the latter was commercializing bags similar to those of MOB, where a photograph of the iconic Hermès bag Birkin was affixed. Therefore, it may have looked that the canvas tote bag was from Hermès or licensed by it. The plaintiff claimed that the defendant wanted to take advantage of the reputation of the senior trade mark. This case was settled by the parties out of court and Thursday Friday stopped selling the bag object of the controversy, we do not know how they reached that agreement. However, after the later judgement in *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.* third parties using trade marks they do not own may be less likely to stop using them unless the court pronounce so.

The answer to this question is key for trade mark owners since the fate of their business is affected by how much protection do their intangible assets get.¹⁵ This is due to the fact that in the global markets where undertakings operate today, intellectual property rights give a competitive advantage since they make possible that trade mark owners recover from their investments in creating strong trade marks.¹⁶

D) Current state of research

Recent trends in EU case law have led to an enlargement of trade mark protection beyond the traditional limit of protecting its origin function,¹⁷ especially after the *L'Oréal v Bellure* case in which the court protected also the brand dimension of the trade mark.¹⁸ While those changes have not been reflected in EU trade mark legislation, they can affect the balancing of rights made by judges when trade mark rights and freedom of expression are at stake.

Many scholars have already addressed the balance between trade mark owners' rights and the right to freedom of expression and have suggested the inadequacy of the enlargement of trade mark owner rights (as we will see in Chapter 8). Nevertheless, my thesis seeks to raise awareness of the importance that trade marks have for the consumers of the trademarked product or service, not only for economic reasons as the lowered search cost that all scholars acknowledge, but for personal reasons since they enhance the self-fulfilment of consumers.

Most studies have noted the shift from trade marks to brands and have verified that the latter convey a lot of meanings (this will also be covered in Chapter 8). However, they do so to justify the use of third parties' trade marks for the purpose of freedom of expression and they fail to see the other side of the coin, i.e. that this meanings also exist for the consumers of the trade mark and that allowing third parties to use both the trade mark and

¹⁵ Ghidini (n 4) 26.

¹⁶ *Ibid.*, 41.

¹⁷ Senftleben, M. (2013). Adapting EU Trademark Law to New Technologies-Back to Basics? *Constructing European Intellectual Property: Achievements and New Perspectives*, C. Geiger, ed., Edward Elgar Publishing, 137.

¹⁸ Gangjee, D. S. (2013). Property in Brands. 'Property in Brands: The Commodification of Conversation' in H. Howe and J. Griffiths (eds) *Property Concepts in Intellectual Property Law* (Cambridge: CUP 2013), Forthcoming, 1.

their meaning for the purpose of freedom of expression can undermine the satisfaction of the consumers that purchase the trade mark.

Overall, previous studies err in comparing private interests with collective interests, as they do not consider that the private interests of the trade mark owner can be parallel to collective interests or different private interests.¹⁹ In my study, I consider that trade mark owners do not only protect their exclusive rights when defending their trade marks, but the private interest of the consumers that purchase their products or services too.

Moreover, when answering my research question, I make recommendations on how could an hypothetical parody exception be implemented in EU trade mark law in the most advantageous way for the implicated parties. By doing so, the chilling effects parodists suffer for not having an exception clearly defined within EU trade mark law will be reduced.²⁰ Additionally, trade mark owners and parodists will be able to do a better allocation of resources by avoiding long costly suits with unpredictable outcomes.

E) Method and materials

I have used two different approaches under the rationale that this thesis will benefit from including both the qualitative research approach that will provide us with a more empirical understanding and the law and economics approach that will provide us with rationality assumptions.²¹

On the one hand, I have used the qualitative research approach for analysing the current legal framework regarding EU Trade Mark Law and parody, the impact of the law on the involved parties as well as the principles that have informed the law-making process as this approach is more effective for this purpose than e.g. focusing merely on the letter of the law. For the design of the qualitative empirical research study,²² I chose documentary analysis as method. I examined documents already in existence such as legislation, case

¹⁹ Ghidini (n 4) 25.

²⁰ Sakulin (n 1) 327-328.

²¹ For further details about the used method see Winship, C., & Rosen, S. (1988). Introduction: Sociological and Economic Approaches to the Analysis of Social Structure. *American Journal of Sociology*, 94, S1-S16. Available from <http://www.jstor.org/stable/2780240>, 5-7.

²² For further information about qualitative empirical research studies see Webley, L. (2010). Qualitative Approaches to Empirical Legal Research. (Ed.), *The Oxford Handbook of Empirical Legal Research*: Oxford University Press, 932.

law, scholarly articles and other artefacts that have been my source material for generating data since these documents have provided me with evidence of the legislative intent of the lawmakers as well as the shortcomings and strengths of the legislation.²³ It is worth noting that most of the mentioned documents are regarding EU Trade Mark Law. Nevertheless, I have also used documents from the U.S. to help me explain some parts of my study since e.g. there are many cases regarding trade marks and parodies in the U.S., always having into account that the trade mark legal framework is different from the EU. Finally, as I have used the content analysis method, I have focused on a smaller amount of documents and I have examined them in depth.²⁴ This has been useful for producing a detailed description of the different views of the involved parties.²⁵

On the other hand, I have used the law and economics approach, apart from the sociological approach, for assessing whether or not EU Trade Mark Law would profit from the inclusion of an explicit parody exception. The reason why I have included this approach for answering this question is to avoid the pitfalls that disregarding the economic implications of the inclusion of an explicit parody exception can have for the affected parties. Specifically, I have used Ronald Coase's approach and Richard Posner's approach.

F) The structure of the thesis

The remaining part of the thesis has been divided in 11 chapters. Chapter 1 begins with laying out the last EU trade mark reform. The reform sparked off the controversy of how to interpret the newly introduced reference to freedom of expression and whether or not third parties were granted enough room to use signs protected by trade mark law. Chapter 2 analyses the scope of trade mark rights so as to define which are the exclusive rights granted to trade mark owners that parodists cannot infringe. Chapter 3 presents the rights of constitutional rank that protect the rights of parodists and the rights of trade mark owners so as to show that both are equally important to protect. Chapter 4 explains the different trade mark functions so as to have a good overview of the trade mark owners'

²³ Ibid., 939.

²⁴ Webley (n 22) 934.

²⁵ Lewis-Beck, M. S., Bryman, A., & Liao, T. F. (2004). *The sage encyclopedia of social science research methods: Q-Z, index / vol. 3*. Thousand Oaks, Calif: Sage, 893.

interests at stake when seeking a wide protection for their trade marks. Chapter 5 is concerned with the different kind of parodies and notes that the term parody can be very wide. Chapter 6 continues explaining the three kinds of expression (non-commercial, mixed or commercial) in which parodies can fall. Chapter 7 presents the three damages (free-riding, blurring and tarnishment) that trade marks can suffer due to the previously mentioned kinds of expression. Chapter 8 sets forth the scholars' arguments for advocating for a trade mark law reform widening the rights of parodists and the scholars' arguments for supporting a rigid maintenance of trade mark owners' rights so they can defend against parodists. Chapter 9 and chapter 10 are concerned with the application of the law and economics approach for drawing conclusions about the benefits of including or not including the parody exception, which is useful for answering my research question from an economic perspective. They present Ronald Coase's approach and Richard Posner's approach respectively. Finally, chapter 11 presents the conclusions of the thesis.

CHAPTER 1. THE EU TRADEMARK LEGISLATIVE REFORM: A REFERENCE TO FREEDOM OF EXPRESION

1.1. The previous legislation

Before the European Union Trademark Legislative Reform Package entered into force, the legal framework on trade marks encompassed the Directive 2008/95/EC,²⁶ which harmonized national trade mark laws, and the Council Regulation (EC) No 207/2009,²⁷ which established the Community Trade Mark (CTM) and the Office for Harmonization in the Internal Market (OHIM). There were not references to freedom of expression in any of the mentioned pieces of legislation.

1.2. The reform process

On 16 July 2008, the European Commission (EC) informed that they were going to evaluate the legal framework for trade marks. The evaluation was carried out by the Max Planck Institute for Intellectual Property and Competition Law and it was published in March 2011.²⁸ The EC proposed a reform package in March 2013 which included a recast of the Directive and a new Regulation. Similarly, there were not references to freedom of expression in any of the proposed pieces of legislation.

After an initial appraisal made by the European Parliament (EP) in July 2013,²⁹ the package was referred from the EP to the Legal Affairs Committee. Its rapporteur, Cecilia Wikström, adopted two reports on the package: the first one, on the proposal for a Directive,³⁰ was issued on 16 January 2014 and the second one, on the proposal for a Regulation,³¹ was issued on 12 February 2014. Among the recommendations found in the reports, amendment 29 tackling Article 12(1)(c) of the proposal for a Regulation

²⁶ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version).

²⁷ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark.

²⁸ Max Planck Institute for Intellectual Property and Competition Law (2011). *Study on the Overall Functioning of the European Trade Mark System*. Munich.

²⁹ European Parliament (2013). *Initial appraisal of a European Commission Impact Assessment. European Commission proposals on the EU trade mark regime*. Brussels.

³⁰ Committee on Legal Affairs (2014). *Report on the proposal for a directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (recast)*.

³¹ Committee on Legal Affairs (2014). *Report on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 on the Community trade mark*.

suggested the inclusion of 5 new subparagraphs, being the fifth one relevant for freedom of expression as it stated that:

A European Union trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (c) the trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of the trade mark, in particular where the use of the trade mark: (v) is made for the purposes of parody, artistic expression, criticism or comment.

Cecilia Wikström made a similar suggestion in the report for the proposal for a Directive, it can be found in amendment 33 tackling Article 14(1)(c)(v).

It is to be noted that before the report from the Legal Affairs Committee was issued, the rapporteur Regina Bastos, in the Opinion of the Committee on the Internal Market and Consumer Protection for the Committee on Legal Affairs issued on 7 November 2013,³² recommended in its amendment 6 the inclusion of a new recital on the proposal for a Regulation:

15 (b) When determining whether the main function of a trade mark is adversely affected, it is necessary to interpret this provision in light of Article 11 of the Charter of Fundamental Rights of the European Union and Article 10 of the European Convention on Human Rights in order to guarantee the fundamental right of freedom of expression.

Furthermore, in its amendment 18, Regina Bastos recommended a new Article 12(2)(b), it stated the following:

The trade mark shall not entitle the proprietor to prohibit a third party from using the trade mark for due cause in connection with: (b) identifying and parodying, criticizing, or commenting upon the trade mark proprietor or the goods or services of the trade mark proprietor; [...].

Regina Bastos made similar suggestions in her opinion on the proposal for a Directive for the Legal Affairs Committee,³³ they can be found in amendment 3, which recommends the inclusion of a new Recital 19(b) and amendment 15 tackling Article 14(3a)(b).

³² Committee on the Internal Market and Consumer Protection (2013). *Opinion of the Committee on the Internal Market and Consumer Protection for the Committee on Legal Affairs on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 on the Community trade mark.*

³³ Committee on the Internal Market and Consumer Protection (2013). *Opinion of the Committee on the Internal Market and Consumer Protection for the Committee on Legal Affairs on the proposal for a*

The amendments proposed by both Wikström and Bastos sought to ensure the right to freedom of expression within EU trade mark legislation, specifying clearly that parody is an exception to the exclusive rights granted to trademark owners. The amendments proposed guaranteed the effective implementation of the Charter of Fundamental Rights of the European Union (CFREU).³⁴

It is one of the EC's goals to take the CFREU into account during the whole legislative process, from Commission proposals to amendments from co-legislators. Therefore, the latter must be subject to an inter-institutional dialogue in case they are not compatible with the CFREU.³⁵

The EP endorsed the two reports submitted by Cecilia Wikström and adopted its position on the proposals on 25 February 2014 including several amendments. As final steps of the process, once the European Council and the European Parliament endorsed the texts of the new legislation, on 23 December 2015 and on 24 December 2015 the final texts of the Directive and the Regulation were respectively published.

1.3. The current legislation

Finally, the European Union Trademark Legislative Reform Package comprised, on the one hand, the Regulation (EU) 2015/2424 which entered in force on 23 March 2016.³⁶ Subsequently, it was repealed by its codified version, the Regulation (EU) 2017/1001 (EUTMR), which entered in force on 1 October 2017.³⁷ The package comprised, on the other hand, the Directive (EU) 2015/2436 (EUTMD), which entered in force on 23 March

directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (recast).

³⁴ European Union, *Charter of Fundamental Rights of the European Union*, 26 October 2012, 2012/C 326/02.

³⁵European Commission (2010). *Communication from the Commission. Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union*. Brussels.

³⁶ Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs).

³⁷ Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark.

2016.³⁸ There were no references to freedom of expression in any of the Articles of the mentioned pieces of legislation. However, it was mentioned in the recitals of both.³⁹ Specifically, Recital 21 EUTMR stated that:

[...] Use of a trade mark by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. Furthermore, this Regulation should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.

A similar statement can be found in Recital 27 of the EUTMD. The fact that these recitals are the only reference to freedom of expression in the EUTMR and the EUTMD means that there is only a glimmer of the proposed amendments regarding the inclusion of the fundamental right in the final texts of the legislation and that legislators refused to clearly limit the rights of trade mark owners through a parody exception.

Therefore, the attention should be drawn to the EC's "Strategy for the implementation of the Charter of Fundamental Rights by the European Union" where the function of the recitals is explained. It is stated that since trade mark law has a particular link with the right to freedom of expression, it is a requirement that the recitals explain which is the affected fundamental right and how the legislation complies with the Charter. The recitals determine the scope of the provisions and ensure that the limitation of the fundamental right is justified.⁴⁰ According to Recital 21 EUTMR, the limitation of the fundamental right would be lawful if the use of the trade mark is not considered to be fair and is not made in accordance with honest practices. Overall, despite the non-existence of an Article explicitly allowing third parties to use trade marks they do not own for the purpose of freedom of expression, the inclusion of these recitals in the reform package can imply changes in the assessment of alleged infringement actions by trade mark owners depending on how the Court of justice of the European Union (CJEU) and national courts decide to interpret them. Moreover, fair use and honest practices will also have to be interpreted in relation to freedom of expression.

³⁸ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.

³⁹ For a summary of the changes introduced by the European Union Trademark Legislative Reform Package visit https://euipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/contentPdfs/law_and_practice/legal_reform/Overview_changes_en.pdf

⁴⁰ European Commission (n 33) 7-8.

CHAPTER 2. THE SCOPE OF TRADE MARK RIGHTS AS GRANTED IN EU TRADE MARK LEGISLATION.

2.1. Article 9 EUTMR

Article 9 EUTMR determines the scope of trade mark rights as it states the rights conferred by an EU trade mark. In particular, Article 9(2) states the following:

Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of that EU trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

(a) the sign is identical with the EU trade mark and is used in relation to goods or services which are identical with those for which the EU trade mark is registered;

Article 9(2)(a) protects the identity of a trade mark. I will not extend more in this section of the Article since parodists use to change the registered signs so as to make fun of them. Therefore, it is not likely to find a case of parody where the signs as well as the goods or services are identical.

(b) the sign is identical with, or similar to, the EU trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the EU trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

Article 9(2)(b) protects trade marks against confusing use. Therefore, courts have to assess if there is the degree of similarity -visual, phonetical or conceptual- necessary to determine that there is likelihood of confusion between the signs for the relevant section of the public.⁴¹ For this assessment courts have to engage in determining the distinctive character of a trade mark, the similarity between the trade marks and the similarity between the goods.⁴² Nevertheless, even if the degree of similarity is low, on account of

⁴¹ Judgement of the Court (Eighth Chamber) of 20 November 2014, *Intra-Press v Golden Balls*, joined cases C-581/13 P and C-582/13 P, ECLI:EU:C:2014:2387, para 75; Judgement of 23 October 2003, *Adidas-Salomon and Adidas Benelux*, C-408/01, ECLI:EU:C:2003:582, para 25; Judgement of 11 November 1997, *SABEL v Puma, Rudolf Dassler Sport*, C-251/95, ECLI:EU:C:1997:528, para 23.

⁴² Sakulin (n 1) 35.

relevant factors such as the repute of the senior trade mark or its recognition, there can be likelihood of confusion or a link can be established between the marks on the part of the relevant public.⁴³ While it is possible to find likelihood of confusion in the case of parodies when they are not effective, i.e. the audience cannot recognize that is a distorted replica of the original, I will not consider these cases in my thesis since likelihood of confusion is an absolute prohibition for third parties using trade marks that they do not own.

(c) the sign is identical with, or similar to, the EU trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union 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 EU trade mark.

Finally, Article 9(2)(c) protects trade marks with a reputation. I will focus in this section of the Article since parodists normally target trade marks with reputation so that the parodies are effective. Firstly, it is not necessary to find likelihood of confusion under this article.⁴⁴ This section of Article 9 aims to protect the brand dimension of trade marks, i.e. the rest of messages that a trade mark convey apart from the source of origin, therefore, it protects the investment made by the trade mark owner and the rest of trade mark functions.

2.2. How is Article 9 EUTMR infringed?

For finding infringement under this Article the relevant public should establish a link between the marks.⁴⁵ The relevant public in cases in which protection is going to be extended to non-similar products or services is “a significant part of the public concerned by the products or services which it covers”.⁴⁶ Additionally, while it is not necessary that the reputation extends throughout the territory of a Member State, in practice, proof of the injury cannot be found in cases in which the reputation is only limited to the territory

⁴³ *Intra-Press v Golden Balls* (n 41) para 73.

⁴⁴ *Ibid.*, para 72.

⁴⁵ Judgement 27 November 2008, *Intel Corporation*, C-252/07, ECLI:EU:C:2008:655, para 41-57; *Adidas-Salomon and Adidas Benelux* (n 41) para 29.

⁴⁶ Judgement of 14 September 1999, *General Motors*, C-375/97, ECLI:EU:C:1999:408, para 31.

of the Member State.⁴⁷ In the case of parodies, the link is generally established, as for the parody to be effective people have to recognize the previous work. Therefore, parodies constitute use of a trade mark in the sense of the Article 9(2)(c) EUTMR, even if the use is non-commercial.

Moreover, for finding infringement it is necessary that the establishment of the link causes or that there is a serious likelihood that it causes free riding on the reputation of the senior trade mark, blurring or tarnishment. These 3 damages will be explained in Chapter 7, in relation with the kinds of expression that can cause them.

⁴⁷ *Ibid.*, para 18.

CHAPTER 3. RIGHTS OF CONSTITUTIONAL RANK PROTECTING PARODISTS AND TRADE MARK OWNERS

Whether or not including an explicit parody exception within EU trade mark law is being highly debated among scholars. It is being discussed if trade mark functions and the rights conferred to trade mark owners are expanding far beyond the scope of the origin function and how can it affect freedom of expression and, consequently, parodists. It is important at this point to delineate the state of the law regarding freedom of expression and property rights to have a better understanding of exactly which rights are conferred to both parties and where is the problem focused. I will describe the rights granted by both the CFREU and the European Convention on Human Rights (ECHR).⁴⁸ The relation between these two is stated in Article 52(3) CFREU in which it is affirmed that the rights that are contained both in the ECHR and the CFREU should be interpreted according to the meaning and scope granted to the given right by the former, even though the Union can provide higher protection.⁴⁹

3.1. Freedom of expression in the CFREU and the ECHR

On the one side, the CFREU grants the right to freedom of expression in its Article 11(1) that states the following:

1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.

Additionally, the right to freedom of expression is granted in Article 10 ECHR. It states the following:

1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This Article shall not prevent States

⁴⁸ Council of Europe, *European Convention for the Protection of Human Rights and Fundamental Freedoms, as amended by Protocols Nos. 11 and 14*, 4 November 1950, ETS 5.

⁴⁹ See also European Union, *Treaty on European Union (Consolidated Version)*, Official Journal of the European Union C 202/19; 7 June 2016. A similar provision can be found in its Article 6 (2) where it is stated that the Union shall respect fundamental rights as guaranteed by the ECHR.

from requiring the licensing of broadcasting, television or cinema enterprises.

2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

3.2. Property rights in the CFREU and the ECHR

On the other side, the CFREU protects property rights in its Article 17(1) and, in concrete, intellectual property rights under Article 17(2). The following is stated:

1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.
2. Intellectual property shall be protected.

Moreover, Article 1 of the First Protocol to the ECHR also protects property rights.⁵⁰ It reads as follows:

Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.

The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.

⁵⁰ Council of Europe, *Protocol 1 to the European Convention for the Protection of Human Rights and Fundamental Freedoms*, 20 March 1952, ETS 9.

3.3. The rights are not absolute

From the literal nature of Article 10(2) ECHR, we can highlight that the right to freedom of expression is not absolute as it can be limited in favour of other rights such as property rights. This has been stated by the court in a number of cases such as *Laserdisken ApS v Kulturministeriet*, where it was held that the freedoms guaranteed in Article 10(1) ECHR can be subject to limitations in favour of the public interest.⁵¹ Similarly, from Article 1 of the First Protocol to the ECHR, we know that property rights can also be limited in favour of the public interest such as granting the right to freedom of expression to the society. This has also been stated by the court in different cases such as *Scarlet Extended v SABAM*, where it was stated that property rights are not inviolable.⁵²

Moreover, since both legislative pieces protect both the rights of parodists under the right to freedom of expression and the rights of trade mark owners under the right to property it means that both rights are of high constitutional rank and it will be necessary to balance them.

The explicit inclusion of a parody exception will mean that the right to freedom of expression outweighs the right to property. Therefore, the most appropriate is to apply the principle of hierarchy between the rights and interests of constitutional rank at stake and the principle of proportionality to decide which one should be protected in each case.⁵³ This is possible because not all rights are the same, consequently, some can suffer more restrictions than others. However, these restrictions must be based on general interest and cannot undermine the essential function of the “lesser” right.⁵⁴

⁵¹ Judgement of 12 September 2006, *Laserdisken*, C-479/04, ECLI:EU:C:2006:292, paras 62-64; See also Judgement of 25 March 2004, *Karner*, C-71/02, ECLI:EU:C:2003:208, para 50.

⁵² Judgement of 24 November 2011, *Scarlet Extended*, C-70/10, ECLI:EU:C:2011:771, paras 43-46; See also Judgement of 29 January 2008, *Promusicae*, C-275/06, ECLI:EU:C:2008:54, paras 62-68.

⁵³ Ghidini (n 4) 54.

⁵⁴ *Ibid.*, 57.

CHAPTER 4. TRADEMARKS AND THEIR FUNCTIONS

4.1. The essential function of origin

Trademarks have always served to identify the origin of goods and services as well as to provide consumers with information about the quality of the goods and services depending on the undertaking from which they are originated.⁵⁵

Therefore, trademark law has sought to protect both the interests of undertakings and consumers. However, the source of origin is rarely known by consumers as they use trade marks to identify which products and services -that have either satisfied or dissatisfied them- come from the same undertaking, disregarding the name and the location of the undertaking from which they come from.⁵⁶ Consequently, what trade mark owners seek to protect is the link between them and the consumer that has been created through their effort.⁵⁷

We can see a reflection of this origin function in the current EU trademark law. Article 8(1)(b) of the Regulation and Article 5(1)(b) of the Directive regarding the relative grounds for refusal of a trade mark application mention likelihood of confusion on the part of the public with an earlier trade mark as one of the causes for denying the registration of the trade mark applied for. Additionally, in early CJEU case law, for instance, in case *Pfizer v Eurim-Pharm*, the court stated that the essential function of a trade mark was to “guarantee the identity of the origin of the trade-marked product to the consumer or the final user to enable him to distinguish without any possibility of confusion between that product and products which have another origin”.⁵⁸ Thus, trade mark law protects trade mark owners since it helps them to effectively differentiate their products and services from those of other undertakings and thereupon it guides consumers in their choices.⁵⁹ At the same time, it protects consumers since they will be able to recognize which goods and services come from the same undertaking so it is easier for them to choose. Similarly, Article 9(2)(b) of the Regulation and Article 10(2)(b) of the

⁵⁵ Pila, J. & Torremans, P. L. C. (2016). *European intellectual property law*. Oxford, United Kingdom: Oxford University Press, 363.

⁵⁶ Schechter, F. I. (1927). The rational basis of trademark protection. *Harvard Law Review*, 40(6), 813-833, 815-816.

⁵⁷ *Ibid.*, 833.

⁵⁸ Judgement of 3 December 1981, *Pfizer v Eurim-Pharm*, Case C-1/81, ECLI:EU:C:1981:291, para 8.

⁵⁹ Pila, J. & Torremans, P. L. C. (n 55) 365.

Directive regarding the rights conferred by a trade mark mention likelihood of confusion as one of the reasons that the trade mark owner can invoke in order to prevent a third party from using a similar or identical sign in relation to similar or identical goods or services as those for which the trade mark is registered. These Articles, as the previous ones, are one more example of the fact that trade mark law offers protection for both trade mark owners and consumers.

4.2. The function of quality

While the source of origin is the primary function and it is the one clearly reflected in EU trade mark law, they have expanded throughout the years. When licensing and franchising became popular, the origin function was relegated to some extent.⁶⁰ Trade marks became an indicator of quality since it was thought that consumers cared more about the quality of the product or service that will satisfy their needs than about the origin.⁶¹ The fact that trade marks distinguish the goods or services from one undertaking from those of another undertaking is an incentive for undertakings to produce quality products as consumers will be able to find the products or services again easily.⁶²

4.3. The functions granted in *L'Oréal v Bellure*: communication, investment and advertising

Apart from the just mentioned ones, CJEU case law will serve us to identify which more new functions have trademarks acquire in the European Union and to further explain the previous ones.

In the *L'Oréal v Bellure* case,⁶³ the CJEU decided to expand the trade mark functions, reason why this has been a highly controversial judgement. In this case, *L'Oréal and Others*, proprietors of Trésor, Miracle, Anaïs-Anaïs and Noa Noa, which are well-known trade marks for fragrances contended that the comparison lists used by Bellure and Others, as well as the imitation of the bottles and packages of the fragrances, constituted an infringement of their trade marks. The Court of Appeal of England and Wales (Civil

⁶⁰ Obhrai, R. (2001). Traditional and contemporary functions of trademarks. *The Journal of Contemporary Legal Issues*, 12(1), 16, 17.

⁶¹ Idem.

⁶² Ibid., 17-19.

⁶³ Judgement of 18 June 2009, *L'Oréal and others*, C-487/07, EU:C:2009:378.

Division) referred to the CJEU several questions regarding the lawfulness of the lists of comparison highlighting that they did not jeopardized neither the essential function of origin nor the reputation of the well-known trade marks. In its judgement, the CJEU held that the trade mark owner must be able to ensure that the trade mark achieves its functions i.e. the essential function of indicating the origin of the products or services, the function of guaranteeing the quality of the products or services, the function of communication, the function of investment and the function of advertising instead of narrowing the right of the trade mark owner to the function of origin as the referring court had implied.⁶⁴ After mentioning all the functions, the CJEU concluded that the trade mark owners can prevent for the purpose of comparative advertising the use of signs identical to their trade marks in relation to the goods or services for which the trade marks are registered even when the use of the signs do not jeopardised the origin function but any of the other functions.⁶⁵ This statement supposed an extension of the scope of trade mark rights conferred to the trade mark proprietors.

The referring court, following the guidelines of the CJEU, had to determine whether in that specific case the use of L'Oréal and Others' trade marks was likely to affect their functions, particularly, the function of communication, investment or advertising. The judges of the referring court showed their dissatisfaction with the CJEU's judgement. In concrete, Lord Justice Jacob stated that it was difficult for him to accomplish the task of determining whether or not any of the trade mark functions were jeopardised since the new functions mentioned by the CJEU were distant from the primary function of origin and there was nothing in the legislation about them.⁶⁶ He stated that the new functions were not well defined conceptually and explained that while it is usual that the owners of well-known trade marks spend money to maintain them, the new trade mark functions such as advertising and investment can be affected by the advertising campaigns of competing products in the same way as they will be affected by comparative advertising, therefore, according the Jacob LR. the latter should be allowed as the former.⁶⁷ With these statements, Jacob LR. opposed the trend of enlarging trade mark functions by the CJEU through case law.

⁶⁴ Ibid., para 58.

⁶⁵ Ibid., para 65.

⁶⁶ *L'Oréal S.A. & Ors v Bellure NV & Ors* [2010] EWCA Civ 535, para 30.

⁶⁷ *Idem*.

Regarding the consequences of this ruling for parodies, it has been said as a critique to the CJEU's ruling in the *L'Oréal v Bellure* case that “[p]arodies of a trademark could be considered as illegal, especially if they are critical of the brand or the lifestyle associated with it”.⁶⁸ This lies under the logic that the expansion of the trade mark owners' rights goes in detriment of other rights such as freedom of expression.

⁶⁸ Mańko, R. (2013). Trademark law in the European Union. Current legal framework and proposals for reform. Library Briefing. Library of the European Parliament, 130592REV2.

CHAPTER 5. WHAT IS PARODY?

In order to determine whether trade mark owners' rights or parodists' rights are more important to protect and argue for or against the inclusion of an explicit parody exception within EU trade mark law, firstly, we need to define what is parody and which kinds of parody we have. This will help us to discern whether or not parodies are a public interest that should get that explicit protection from trade mark law.

5.1. The concept of parody in the EU: *Deckmyn*

The concept of parody has not been defined within the framework of EU trade mark law. However, in *Deckmyn* the CJEU considered parody for the first time in the context of EU copyright law after the *Hof van Beroep Brussel* requested a preliminary ruling and established the conditions that the concept of parody needs to meet, giving us a general concept of parody within EU law that does not have to be restricted to copyright law.

The CJEU held that the meaning of the word parody had to be determined “[w]ith regard to the usual meaning of the term ‘parody’ in everyday language” and that “the essential characteristics of parody are, first, to evoke an existing work while being noticeably different from it, and, secondly, to constitute an expression of humour or mockery.”⁶⁹ The first characteristic implies that there must be differences between the parody and the parodied work, consequently, a parody that presents a higher number of differences is more likely to fall within the scope of the parody exception.⁷⁰ Regarding the second characteristic, non-humorous parodies would be excluded from the scope of the parody exception.⁷¹ The CJEU chose to give a wide definition of parody since apart from requiring only two characteristics it also stated that “[i]t is not apparent [...] that the parody should display an original character of its own, other than that of displaying noticeable differences with respect to the original parodied work; could reasonably be

⁶⁹ Judgement of 3 September 2014, *Deckmyn and Vrijheidsfonds*, C-201/13, ECLI:EU:C:2014:2132, para 20.

⁷⁰ Machado Pontes, L. (2015) *Trademark and Freedom of Speech: A Comparison Between the U.S. and the EU System in the Awakening of Johan Deckmyn v. Helena Vanderteen*. Geneva: OMPI, 44.

⁷¹ *Idem*.

attributed to a person other than the author of the original work itself; should relate to the original work itself or mention the source of the parodied work”.⁷²

Conversely, the Opinion of the Advocate General Cruz Villalón delivered on 22 May 2014 differed from the CJEU’s judgement, since he interpreted that “the conditions set out in Article 5[(3)(k) InfoSoc] must generally be interpreted strictly”.⁷³ He highlighted both the structural and the functional features of parodies; regarding the first ones, he stated that they should display an original character of its own and that there should be a balance between the elements of imitation and the elements of originality.⁷⁴ Regarding the second ones, he argued that the concept of parody is confined to parodies that have meaning beyond the parodied work.⁷⁵

Additionally, the CJEU’s judgement puts its emphasis in the importance of the recitals of the InfoSoc since it held that according to Recital 3 “parody is an appropriate way to express an opinion”.⁷⁶ Recital 3 reads as follows:

The proposed harmonisation will help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest.

The mentioned recital means that expressing opinions is a public interest that should be safeguarded by means of the InfoSoc. Moreover, the CJEU, following the literal nature of Recital 31, held that a fair balance between the rights of the authors and the right of freedom of expression of the user of the parodied work should be achieved.⁷⁷ The mentioned recital states the following:

A fair balance of rights and interests between the different categories of rightholders, as well as between the different categories of rightholders and users of protected subject-matter must be safeguarded [...].

⁷² Ibid., para. 21.

⁷³ Opinion of 22 May 2014, *Deckmyn and Vrijheidsfonds*, C-201/13, ECLI:EU:C:2014:458, para. 43.

⁷⁴ Ibid., paras. 57-58.

⁷⁵ Ibid., para. 64.

⁷⁶ Judgement (n 69) para. 25.

⁷⁷ Ibid., paras. 26-27.

In other words, the interests of the copyright holder and the interests of the user of the protected work will have to be scrutinized and judges will decide, on a case by case basis which interest is more important to preserve.

5.2. Focusing now on trade marks and parodies: kinds of parodies

While I have just presented the concept of parody as defined in EU law, in my study I will use the term “parody” comprehensively to refer to all kind of categories mentioned by Stefan Martin, member of the Boards of Appeal at the EUIPO, in his video for the EUIPO’s learning portal.⁷⁸ I think my thesis will benefit from taking this broad definition as more kinds of parodies will fall under the study, instead of only humorous or mocker parodies. For the purpose of providing examples of each kind of parody and how they have been treated, I have used both EU case law and U.S. case law since a parody exception is already included in U.S. trade mark law and it gives us a better overview of how many creations could fall under the trade mark parody exception if it was explicitly included in EU trade mark law. Stefan Martin differences between 5 categories and highlights several examples of each through case law, they are the following.

5.2.1. Social message

The first one is a social message, which means that parody is used to make people aware of a situation for their own interest or for the interest of the society as a whole. In the case *Esso Française SA v Association Greenpeace France*,⁷⁹ the Paris Court of Appeal found that the use of the trade mark ESSO in Greenpeace’s website in the form of stop Esso, stop E\$\$O and E\$\$O was lawful under the right to freedom of expression. Greenpeace France launched a campaign against the multinational Exxon Mobil and its affiliated company Esso after they criticized the Kyoto Protocol of the United Nations Framework Convention on Climate Change. Greenpeace used Esso’s trade mark in order to denounce the company’s environmental policies, reason why Esso Française sued Greenpeace France for trade mark infringement. However, the Court held that Greenpeace can denounce the degradation of the environment and the risks to human health caused by

⁷⁸ Stefan Martin (2017) *Limits of Trade Marks: Parody*, 31 January 2017 (Basic level), EUIPO. Available from <https://euiipo.europa.eu/knowledge/course/view.php?id=2844>.

⁷⁹ Cour d’appel de Paris 4ème chambre, section A Arrêt du 16 novembre 2005, *Esso v Greenpeace France*.

certain industrial activities and that it did not constitute trade mark infringement for being parasitic or denigratory as Esso had alleged.

5.2.2. Political message

The second one is a political message, which means that parody is used to deal with “political issues, people, events, processes, or institutions”.⁸⁰ In the case *National Security Agency v McCall*,⁸¹ the designer Dan McCall filed a complaint for declaratory relief (which in U.S. law is “a judgement of a court which determines the rights of parties without ordering anything be done or awarding damages”)⁸² after both the NSA and the DHS, two federal agencies, sent him a cease and desist letter asking him to stop creating parodies of their seals for use in merchandise alleging that it was a violation of their trade mark rights. The parodist had substituted “Unites States of America” in the NSA’s seal for “peeping while you’re sleeping”. Additionally, in the merchandise it was written “the NSA, the only part of government that actually listens”. The designer was criticizing the institution for spying while suggesting that citizens are not being heard as they deserve by the Government. Therefore, he alleged that the parody was lawful under the right of freedom of expression. Finally, the plaintiff dismissed the action after the defendant’s acknowledged that the use of their seals was not forbidden for the purpose of commentary and that they were mistaken when they sent the cease and desist letters.⁸³

5.2.3. Consumer speech

The third one is a consumer speech, which means that parody is used to convey a message for the consumers. This message can seek to make the consumer aware of the characteristics of the product or service they are purchasing or aware of the practices of the undertaking from which they are purchasing so they can choose wisely what to buy

⁸⁰ Young, D. (2017). Theories and Effects of Political Humor: Discounting Cues, Gateways, and the Impact of Incongruities. In (Ed.), *The Oxford Handbook of Political Communication*: Oxford University Press, 872.

⁸¹ *National Security Agency v McCall*, 1:13-cv-03203, United States District Court for the District of Maryland.

⁸² According to USLegal in U.S. law is a declaratory relief is “a judgement of a court which determines the rights of parties without ordering anything be done or awarding damages”. Available from <https://definitions.uslegal.com/d/declaratory-relief/>.

⁸³ Notice of dismissal of *National Security Agency v McCall*, 1:13-cv-03203, United States District Court for the District of Maryland.

and where to buy it. In the case *Charles Smith v Wal-Mart Stores, Inc.*,⁸⁴ the parodist Smith asked the District Court for the Northern District of Georgia for a declaratory judgement.⁸⁵ Smith wanted to criticize Wal-Mart's business practices by selling merchandise that other people sharing his view could purchase. For his purpose he came up with two nicknames for Wal-Mart, Walocaust and WalQaeda and created several designs comprising them that could be purchased at a website dedicated to selling designs created by people expressing their political and cultural views. The court considered Smith's parodies non-commercial since he sought to criticize the company which is evident when looking at his very few advertising channels that were specifically directed to people who share his view. Therefore, it could not be proved that his intention was to make a profit and the court held that Smith's practices were not infringing. Parodies for non-commercial expression are protected under the fair use defense in the U.S., consequently, they are not subject to dilution claims which only apply to merely commercial expression.⁸⁶

5.2.4. Artistic expression

The forth one is an artistic expression, which means that parody is used to express the artist's emotions or ideas, represent something or merely play with colours.⁸⁷ In the case *The University of Alabama Board of Trustees v. New Life Art Inc. Daniel Moore*,⁸⁸ Moore produced paintings and prints of football game moments in which the University of Alabama's uniforms protected by trade mark law were depicted. Moore had been producing such paintings since 1979 without the University requesting any license or royalties. Additionally, the University had fostered such productions by giving Moore press credentials so he could obtain more material and they were displaying his paintings in various of their buildings. However, in 2002, the University requested Moore to license all his productions portraying University of Alabama's trade marks. The court, after

⁸⁴ *Charles Smith v. Wal-Mart Stores, Inc.*, Civil Action No. 1:06-cv-526-TCB, 537 F.Supp.2d 1302 (2008) United States District Court, N.D. Georgia, Atlanta Division, March 20, 2008.

⁸⁵ According to USLegal a declaratory judgement Law is a "a judgement of a court which determines the rights of parties without ordering anything be done or awarding damages". Available from <https://definitions.uslegal.com/d/declaratory-judgment/>.

⁸⁶ *Charles Smith v. Wal-Mart Stores, Inc.* (n 84).

⁸⁷ Hospers, J. (1954). The Concept of Artistic Expression. *Proceedings of the Aristotelian Society*, 55, new series, 313-344, 317-318.

⁸⁸ *The University of Alabama Board of Trustees v New Life Art, Inc., Daniel A. Moore*, United States Court of Appeals, Eleventh Circuit, June 11, 2012.

weighing the public interest in freedom of expression and the public interest in avoiding consumer confusion, held that protecting the artistic expression of Moore is more important than the consumer confusion that might exist. In other words, the court considered that the depiction of the uniforms was artistically relevant for a realistic portrayal of the football game moments and that it outweighed the risk of some members of the public drawing the conclusion that the University was involved in the productions. Additionally, despite Moore was selling the paintings, prints and calendars, the court held that they signified more than a mere proposal for a commercial transaction. The judgement meant that the court considered artistic expression fully protected by the First Amendment and that there was not violation of the Lanham Act.

5.2.5. Commercial parody

The fifth one is a commercial parody, which means that parody is created merely for achieving a commercial transaction. It is worth noting that I am not including here parodies that convey any of the previous messages apart from seeking a commercial transaction. I refer here to parodies that can even be fun but the main purpose of their authors is not to convey a message but to achieve a transaction. In the case *The Polo/Lauren Company vs OHIM*,⁸⁹ FreshSide Ltd. created a sign that represented a person riding a bicycle and holding a polo mallet in the air and filed an application to register it as a community trademark. The Polo/Lauren Company, which is owner of a sign that depicts a person riding a horse and holding a polo mallet, opposed the registration pointing out the similarities between the signs. The Second Board of Appeal of OHIM found that the signs were not similar and that therefore there was not likelihood of confusion. However, the court found that the Second Board of Appeal erred in its decision and upheld The Polo/Lauren Company statement's that FreshSide Ltd. was parodying its previous trademark. The court stated that despite the differences in FreshSide Ltd.'s sign there is a bicycle going towards the right and in The Polo/Lauren Company's sign there is a horse going towards the left, the similarities in symmetry, the persons holding the mallets, the impression that they are in motion and the fact that both are slightly in profile and at similar angles cannot be disregarded.⁹⁰ Consequently, the court found FreshSide Ltd. sign infringing under Article 8(5) of Regulation 207/2009. In the present case, the

⁸⁹ Judgement of 18 September 2014, *Polo/Lauren/OHIM-FreshSide*, T-265/13, ECLI:EU:T:2014:779.

⁹⁰ *Ibid.*, para 26.

parodist only sought to sell products under its trade mark parodying The Polo/Lauren Company's one without conveying any message.

As we have seen in this chapter, parodies can have many different purposes, they can be created to convey a message of social, political or consumer interest, they can be an artistic expression of its author or they can be created with the mere intention of being sold. The parody, depending on its kind and the purpose sought by its creator, will fall under one of the categories of kinds of expression presented in the following chapter, which is relevant as it will affect the level of protection that the parody is granted.

CHAPTER 6. THE DIFFERENT KINDS OF EXPRESSION: NON-COMMERCIAL, MIXED AND COMMERCIAL

6.1. Non-commercial expression

The rationale for granting the right to freedom of expression for non-commercial expression is the positive effects on the society as a whole of being able to criticize all the aspects related to trade marks, including trade marks as dominant symbols of economic power.⁹¹ This is highly valuable since it reinforces a dialogic mode of communication for the society to engage in dialogue.⁹² Additionally, it has positive effects for the self-fulfilment of individuals since it allows them to influence society and give meaning to their life.⁹³ Nevertheless, the right to freedom of non-commercial expression may be limited if it is disproportionately harmful for the trade mark owner.⁹⁴ As an example of the stated above we have the case *Steel and Morris v. The United Kingdom*, where it is stated that “expression on matters of public interest and concern, requires a high level of protection under Article 10 [ECHR]” and that “there exist a strong public interest in enabling [...] individuals outside the mainstream to contribute to the public debate by disseminating information and ideas on matters of general public interest”.⁹⁵ However, it is also stated that “there is a competing interest in protecting the commercial success and viability of companies, for the benefit of shareholders and employees, but also for the wider economic good”.⁹⁶ This means that even in the case of non-commercial expression the interests of the trade mark owners should be taken into account to some extent when weighing which one is worth protecting in the given case.

6.2. Commercial expression

The rationale for granting the right to freedom of expression for commercial expression is the interest that consumers have in receiving information from traders since the level of information between consumers and traders is asymmetric.⁹⁷ It is not as valuable as non-commercial expression since it is a monologic form of communications and it does

⁹¹ Sakulin (n 1) 131.

⁹² Sakulin (n 1) 145.

⁹³ Sakulin (n 1) 137.

⁹⁴ Sakulin (n 1) 136.

⁹⁵ ECtHR of 15 February 2005, *Steel and Morris v. The United Kingdom*, paras 88-89.

⁹⁶ *Ibid.*, para 94.

⁹⁷ Sakulin (n 1) 143-144.

not strengthen dialogue within the society,⁹⁸ even though it does not exclude individuals from responding to the commercial expression.⁹⁹ Therefore, this kind of expression is granted less protection than the previous one. We can find evidence in the case *X and Church of Scientology v. Sweden*, where the court held in relation to commercial expression that “the level of protection must be less than the accorded to the expression of ‘political’ ideas in the broadest sense” and that “the test of ‘necessity’ in the second paragraph of Article 10 should therefore be a less strict one”.¹⁰⁰ Which means that if the expression is merely commercial, its protection will be more difficult to achieve than if it was an expression conveying a valuable message for the society.

6.3. Mixed expression

Finally, mixed expression contains features from the two previous kinds of expressions. In the case of parodies, it is not uncommon to find a parody that conveys a message being sold in commercial mediums such as merchandising. Therefore, it is very important to properly examine the content of the expression so as not to be misguided and consider it a merely commercial expression for being expressed in a commercial medium and grant it a lower level of protection than the deserved one.¹⁰¹

As a conclusion, since these expressions can affect the value of trade marks, it is necessary to grant them protection at different levels depending of their worth. Therefore, it is necessary to discern in which situations it can be more important to protect the expression after considering the damages that it can cause or if, on the contrary, it is preferable to protect the trade mark. In the following Chapter 7 will present which are the damages that parodies can cause on trade marks.

⁹⁸ Sakulin (n 1) 145.

⁹⁹ Sakulin (n 1) 147.

¹⁰⁰ ECommHR of 5 May 1979, *X and Church of Scientology v. Sweden*, para 73.

¹⁰¹ Sakulin (n 1) 169.

CHAPTER 7. HOW CAN TRADE MARKS BE AFFECTED BY THE DIFFERENT KINDS OF EXPRESSION.

As explained in Chapter 2, most trade marks used in parodies are reputed trade marks. Therefore, I will present now the 3 damages that reputed trade marks protected under Article 9(2)(c) EUTMR can suffer due to parodies once the link between the senior and the junior trade mark is established.

7.1. Free riding

It consists on taking unfair advantage of the repute or distinctive character of the senior reputed trade mark by the use without due cause of the mark in cases where there is a clear exploitation and free-riding on the coat tails of the mark or an attempt to trade upon its reputation.¹⁰²

In the case of commercial parodies as defined in this thesis an image transfer is likely to occur when the goods or services are similar, mostly “if the goods are identical and the element of parody only takes a minor role”.¹⁰³ Nevertheless, using a sign for the purpose of parody but not seeking to register it as a trade mark is less likely to lead to unfair advantage. Therefore, in cases where the parodists uses the third party’s trade mark but does not try to register their own as a trade mark, which will be clearly for using it in the course of trade, courts are more smooth in the application of trade mark law.¹⁰⁴ For instance, the brand “Fuck Your Fake” can be a case of free-riding, with an image transfer of the attractiveness or the prestige of the senior trade mark, due to the fact that the goods are identical and that the parodist is benefiting from the reputed trade mark since it possible to establish a link between the protected signs and the signs used in the clothes. Nevertheless, if “Fuck Your Fake” has not tried to register any sign similar to the senior trade marks, trade mark law will not be applied as harsh.

¹⁰² Judgement of 22 March 2007, *Sigla v OHMI – Elleni Holding (VIPS)*, T-215/03, ECLI:EU:T:2007:93, para 40; Judgement of 25 May 2005, *Spa Monopole v OHIM – Spa-Finders Travel Arrangements (SPA-FINDERS)*, T-67/04, ECLI:EU:T:2005:179, para 51; *L’Oréal and others* (n 63) para 49.

¹⁰³ Sakulin (n 1) 272.

¹⁰⁴ Martin, S. (2017) Well known marks and parody: dilution and denigration? Unfair advantage? EUIPO, slide 100.

7.2. Blurring

It consists on a detriment to the distinctive character of the reputed senior trade mark. It occurs when both the senior mark's ability to identify the goods or services for which it is registered and the uses coming from the trade mark owner are weakened. This can happen when the junior trade mark leads to a dispersion of the identity of the senior trade mark, hindering the straight forward association of the senior trade mark with the goods and services for which it was registered.¹⁰⁵ Therefore, this section of the Article 9(2)(c) EUTMR assures that the reputed registered trade mark is protected against interferences in people's minds.¹⁰⁶

7.3. Tarnishment

It consists on a detriment to the reputation of the reputed senior trade mark. This happens when the power of attraction of the senior trade mark is diminished -or there is a serious likelihood that such change occurs in the future- as a consequence of the characteristics or quality of an identical or similar junior trade mark which may have a negative influence on the image of the senior reputed trade mark when used for non-similar goods or services. There can be a degradation of the senior trade mark even if consumers do not think that the non-similar products come from the same undertaking.¹⁰⁷

An example of tarnishment can be found in the case *Pucci International/OHIM v El Corte Inglés (Emidio Tucci)*.¹⁰⁸ The trade marks in conflict designated very different products and services directed to the general public. While the senior one designated clothing and shoes of the reputed Italian brand, the junior one designated colored and perfumed toilet paper. Since both were directed to the general public there was likelihood that the junior trade mark causes undesirable and disagreeable associations between the marks, and therefore, tarnish the senior trade mark.¹⁰⁹ Nevertheless, since the products were very different between them and they were directed to very different audiences, the court

¹⁰⁵ *Intel Corporation* (n 45) paras 29, 76-77; *Adidas-Salomon and Adidas Benelux* (n 41), para 37.

¹⁰⁶ *Sakulin* (n 1) 273.

¹⁰⁷ *VIPS* (n 102) para 39; *SPA-FINDERS* (n 102) para 46; Opinion of the Advocate General Jacobs in case C-408/01 delivered on 10 July 2003, para 38; Opinion of the Advocate General Jacobs in C-87/97 delivered on 17 December 1998, para 39;

¹⁰⁸ Judgement of 27 September 2012, *Pucci International/OHIM v El Corte Inglés (Emidio Tucci)*, T-357/09, ECLI:EU:T:2012:499.

¹⁰⁹ *Ibid.*, para 85.

considered that the establishment of a link between the senior and the junior trade mark was not likely, and therefore, that in those cases the use made by the junior trade mark does not amount to trade mark infringement.¹¹⁰

It is not necessary for the trade mark owner to suffer the 3 damages at a time to find infringement, it is enough to suffer one. The assessment must be global, taking into account all the relevant circumstances of the case.¹¹¹ These circumstances include the degree of similarity between the conflicting trade marks, the nature of the goods or services for which the trade mark was registered and the relevant section of the public, the strength of the senior mark with reputation, the degree of distinctive character of the senior mark whether inherent or acquired by use and the existence of likelihood of confusion.¹¹²

7.4. Economic rationale underlying Article 9(2)(c) EUTMR

Richard Posner gives us the economic logic under Article 9(2)(c) TMR. He affirms that even when there is not likelihood of confusion as to the source of origin of the product among consumers -that will forbid the parodist from using the trade mark since the more misled consumers, the likelier are the costs of confusion to exceed the costs of changing the second mark-¹¹³ it is still possible to prevent parodists from using trade marks without the owner's consent. As we have just seen, this is possible in cases when the use of the trade mark made by the parodist causes dilution, blurring or tarnishment of the trademark.¹¹⁴

The blurring of a trade mark implies that consumers will need to invest more time for associating the trade mark with the product due to the fact that the distinctiveness of the trade mark as an identifier would be reduced if other producers are able to use it.¹¹⁵ An example is the sentence "I like Cocaine" in a style as the "Coca-Cola" slogan. The trade mark owner has the remedy of tarnishment for protecting the good-will of the company.

¹¹⁰ *Ibid.*, para 86.

¹¹¹ *Intel Corporation* (n 45) para 68; *SABEL/Puma, Rudolf Dassler Sport* (n 41) para 22.

¹¹² *Intel Corporation* (n 45) para 42.

¹¹³ Landes, W. M., & Posner, R. A. (2003). *The economic structure of intellectual property law*. Cambridge, Mass: Harvard University Press, 205.

¹¹⁴ Landes & Posner (n 113) 206.

¹¹⁵ Landes & Posner (n 113) 207.

The tarnishment of a trade mark implies that the trade mark is used in a way that can damage the reputation of the trade mark for being associated with undesirable activities and the trade mark owner could face a negative effect on the revenues.¹¹⁶ However, it is difficult to explain on the economic assumption of rational behaviour why consumers that realize that the parody is not being made with the authorization of the trade mark owner would transfer the negative view to the owner. It is irrational that people do those associations but it is due to the fact that people tend to give disproportionate importance to salient features of a product, event or activity. Therefore, since trade marks are for economizing in consumer's information costs, if the trade marks have other associations the person will take longer to recognize it and the search costs of the consumer will increase.¹¹⁷

Additionally, well-known trade marks have made a substantial investment in creating their famous name through both advertising the name and producing a product of a quality known worldwide in some cases, even when the use is a joke and there is no blurring or tarnishment, if the benefits of the investment could be completely internalized by the trade mark owner the incentives for investing in the creation of prestigious names would be higher.¹¹⁸

Nevertheless, there are two economic reasons for allowing a parodist to use a trade mark when there is no blurring or tarnishment. The first one is that the number of well-known trade marks is so big that the possibilities to substitute one for another will render almost impossible for the trade mark owner to obtain a substantial license fee. Posner argues that parodist's costs of transacting with the trademark owner for permission to use the sign will often be prohibitive because the owner would fear that ridicule would diminish the value of the trade mark. Consequently, the trade mark owner will lose the license fee insisting in the necessity to pay it -if it is very expensive in comparison with what it is going to be borrowed- as it will be too burdensome for the parodist. This means that if the license fee is low it will do little good for the trade mark owner, but if it is too high it

¹¹⁶ Landes & Posner (n 113) 160-161.

¹¹⁷ Landes & Posner (n 113) 161.

¹¹⁸ Landes & Posner (n 113) 207-208.

will do a lot of harm to the parodist.¹¹⁹ The second reason is that trade mark owners are permanently engaged in policing activities to protect their trademarks.¹²⁰

However, Posner highlights a reason explaining why economically speaking is beneficial to protect trade marks against blurring and tarnishment that I consider of exceptional importance, is the fact that many consumers use trademarked products to impress others. People buy well known trade marks to tell the world who they are, that is people with a great taste or people with high income. If others can buy products portraying those trade marks the appearance that the consumers of the products of the trade mark owners give is also blurred. The confusion does not occur in the market for the trademarked good since the consumers of the good are still able to recognize the products they consume, but in the market where the owner of the products engage in personal transactions. This means that when trade mark law gives more protection to trade mark owners is promoting competition in the resale market as it make consumers more difficult to deceive the people with whom they are transacting and in the job market, but impairing it in the product market since it can reduce competition.¹²¹

¹¹⁹ Posner, R. A. (2005). Intellectual property: The law and economics approach. *The Journal of Economic Perspectives*, 19(2), 57-73, 63.

¹²⁰ Landes & Posner (n 113) 208.

¹²¹ Landes & Posner (n 113) 208-209.

CHAPTER 8. SHOULD A PARODY EXCEPTION BE INCLUDED IN EU TRADE MARK LAW?

8.1. Scholars for the inclusion of the explicit exception

Sakulin argues that the role of trade marks have changed from being an indicator of origin to a communicator. For instance, they signal the status of people and their sense of belonging to a certain group due to the investment of trade mark owners in advertising the signs. Therefore, since trade marks are able to convey so much information, he argues that trade mark law should focus on the interest of third parties using the signs rather than on the interests of trade mark owners, consequently, he welcomes a change in the legislation for this purpose.¹²² He supports the inclusion of an explicit parody exception for commercial expression, apart from a general non-commercial use exception, within EU trade mark law arguing that “it may point judges specifically to the importance of protecting uses of trademarks in parody”.¹²³

Professor Dreyfuss criticizes that courts are enlarging trade mark owners rights over uses that are not related to trade marks as origin indicators and argues that third parties interests in using the trademarks should be considered.¹²⁴ She recognizes that trade marks have two different functions, the signaling function that indicates the origin of the product and the expressive function that evoke concepts that are not related to the origin of the product.¹²⁵ Additionally, she highlights that there are intermediate functions among those and states that are the problematic ones since trade mark owners claim that they own them. Traditional trade mark law would not recognize that trade mark proprietors own these functions. Nevertheless, she affirms that since trade mark owners are receiving increasing protection in court, their claims might succeed. These functions are called by the author as the “surplus value” since they refer to the value of the trademark over and above the main function of origin. That surplus value is created when someone gives value to a trade mark apart from as a sign that accompanies the service or product that is being commercialized.¹²⁶

¹²² Sakulin (n 1) 4.

¹²³ Sakulin (n 1) 335.

¹²⁴ Andreacola, S. (2001). Expressive genericity: Trademarks as language in the pepsi generation. *The Journal of Contemporary Legal Issues*, 12(1), 26.

¹²⁵ Andreacola (n 124) 27.

¹²⁶ Andreacola, (n 124) 28.

Moreover, Professor Dreyfuss claims that the situation in which trade marks “become the symbols of [trade mark owners] businesses” due to their attractiveness and fill a gap in our language can be compared with the situation in which trade marks become the signs for identifying products or services rather than their origin. Therefore, she states that the penalization should be the same, i.e. that they become generic and lose their distinctiveness.¹²⁷ On the contrary, I consider that these processes are quite different. According to her reasoning, trade mark owners will be in a constant fear for their signs becoming generic if the society fancy giving them any kind of expressive significance while, as things are right now, a trade mark is more likely to become generic if it accompanies an innovative and extremely successful product or service so that it can end up identifying it.

Martin Senftleben also advocates for a change in EU trademark law so as to make the limitations more flexible.¹²⁸ He argues that the marketing effort of trade mark owners should only be protected against confusion and not against blurring and tarnishment as the latter protection will give them full control over the use of their sign.¹²⁹ Trade mark owners seek protection for the brand image as they have realized the potential they have for making consumers pay more for a certain product.¹³⁰ Nevertheless, Ghidini claims against this argument that trade mark rights do not guarantee the imposition of differential prices due to the fact that if they distinguish a non-successful or poorly-successful product or service the trade mark owner will not be able to set the price of the product or service above the average market price.¹³¹ Senftleben continues stating that an enhanced protection will give trade mark owners a kind of exploitation right, such as the one granted by copyright law and patent law, when it is not straightforward that trade marks contribute to the welfare of the society as the former.¹³² The incentive rationale does not apply because it is not certain that the more protection a trade mark is afforded the more incentives the trade mark owner has to invest in it. Moreover, it might not be necessary to stimulate the investments in brands since it distracts from the real quality of the products and it will mean the privatization of words. Similarly, the reward rationale does not apply, because the works protected by copyright and patent law contribute to the

¹²⁷ Andreacola, (n 124) 30-31.

¹²⁸ Senftleben (n 17) 137.

¹²⁹ Senftleben (n 17) 142.

¹³⁰ Senftleben (n 17) 142.

¹³¹ Ghidini (n 4) 9.

¹³² Senftleben (n 17) 143.

society's welfare once they fall in the public domain, while trade marks can always be own by their owners.¹³³

Mark A. Lemley advocates for an amendment of EU trade mark legislation as well. He presents one of the most creative proposals in his article "Fame, Parody, and Policing in Trademark Law". He argues that parodies portraying trade marks should be considered a requirement for proving the reputation of the trade mark. Consequently, trade mark owners will perceive parodies like something positive instead of negative.¹³⁴ But, which would be the purpose of having a reputed trade mark if you do not get that extra protection that will forbid parodists from using the trade mark for their creations? None.

Finally, McCutcheon argues that trade mark owners whose trade marks enjoy considerable reputation should be willing to accept better the critics than other right holders.¹³⁵ If we do accept that trade marks have more meaning every time and that, therefore, the society as a whole should be able to use them, we should also recognize that this maximized meaning is equally -or even specially- true for those who purchase the brand and that the personal benefits they get from purchasing the product or service will be diminished if the trade mark is blurred or tarnished.

As a conclusion to this subchapter, I consider that the presented authors are not having into account the benefits that the consumers of this brands lose if trade mark law does not strongly protect the reputed trade marks. They have put the focus on third parties seeking to use the trade marks for e.g. parodies as they convey information and meanings and they have disregard the consumers of the trade marks. Consumers of reputed trade marks might buy them for reasons ranging from being able to trade with people with the same status to their uniqueness or opulence. If reputed trade marks can be used for parodies the people who consume them will not feel the same, they do not want brands that are continuously object to parodies and at everyone's reach. To prove whether or not my statement is mistaken, consumers of reputed trade marks could be asked in a survey if the presence of parodies in the market would make them change the feelings they have

¹³³ Senftleben (n 17) 143-144.

¹³⁴ Lemley, M. A. (2018). Fame, Parody, and Policing in Trademark Law, 1.

¹³⁵ McCutcheon, J. (2015) Designs, Parody and Artistic Expression – A Comparative Perspective of Plesner v Louis Vuitton. University of Western Australia-Faculty of Law Research Paper, 198.

towards the trademarked products they purchase. Consumers want exclusivity, therefore, I consider that if the sign they adore can be found extensively elsewhere, they will lose the incentive that made them buy it. There are already studies that confirm this statement regarding the effects of counterfeits products on the original ones.¹³⁶

8.2. Scholars against the inclusion of the exception

On the other side, we have the scholars that believe that not only the function of origin of the trade mark should be protected. Stefan Martin, states that “[t]his is not about stopping parody, but it cannot be right to grant protection to a sign that gains cachet by mocking the reputation of another. When the reputation of a brand is involved, trade mark law has no sense of humour”.¹³⁷

It has been problematic to find scholars supporting the current enlargement of trade mark functions for the purpose of protecting trade mark owners. Additionally, I have not find any scholar supporting -or mentioning, at least- the benefits of the enlargement for protecting the consumers of trade marks with reputation apart from Posner (explained in subchapter 7.4.).¹³⁸

¹³⁶ In Loken, B. & Amaral, N. (2010). ”Brand Dilution: the Impact of the User of Counterfeits on Original Brand Perception”. NA - Advances in Consumer Research Volume 37, eds. Margaret C. Campbell, Jeff Inman, and Rik Pieters, Duluth, MN: Association for Consumer Research, 859-860, it is discussed how the feelings of consumers towards a brand change with the presence of counterfeits portraying the trade mark they like to consume. I believe the same negative effects can appear in the case that parodies are allowed explicitly if the number of parodies grow. The inclusion will promote that people from social groups different from the targeted by the brand acquire products or services conveying the trade mark and will dilute the perception of the trade mark for its consumers.

¹³⁷ Martin, S. (n 104) slide 96.

¹³⁸ Nevertheless, authors like Lukasz Zelechowski in “Invoking freedom of expression and freedom of competition in trade mark infringement disputes: legal mechanisms for striking a balance” argue that the current legislation contains enough balancing tools so as to offer the adequate protection for all the parties in the conflict. See Zelechowski, L. (2018). Invoking freedom of expression and freedom of competition in trade mark infringement disputes: Legal mechanisms for striking a balance. *ERA Forum*, 19(1), 115-135.

CHAPTER 9. RONALD COASE'S REASONING

9.1. Introductory remarks: Ramello and Silva

Before proceeding with Ronald Coase's economic approach, I will rely on Ramello and Silva's article "Appropriating signs and meaning: The elusive economics of trademark" to make us acquainted with the economic purpose of trade marks and with how trademarks have evolved to the extent that today they have converted into brands, as they have started to convey more and more information.¹³⁹ On account of the changes that trade marks have suffered over the years as a consequence of the development of the market structure, I consider necessary to present the findings of these authors so as not to err in my economic analysis by focusing solely in the efficiency justifications of trade marks, i.e. a remedy to market failure useful for correcting information asymmetries, and bear in mind what trade marks are today, a very powerful tool for their owners.¹⁴⁰

While European case law has showed us the expansion of trade mark functions by the CJEU, Ramello and Silva show us the same enlargement of trade mark functions by the market, for instance, when they explain that enterprises have begun a process in which they are maximizing the profits from the information the signs give them and that thanks to digital and communication technologies that information can now be measured -and do not need to be considered an intangible good-.¹⁴¹ While the new information created by trademarks did not use to be the purpose of the exchange, but an accessory of the good or service that is going to be exchanged, they are now "a product and an object of consumption in its own right", which makes them more similar to the other IPRs.¹⁴²

9.1.1. The metamorphosis to brands

The primary requirement for registering trade marks is that the signs have to be distinctive or have acquired distinctiveness, which means that trade mark law acknowledges that trade marks are supposed to convey information. In the same fashion, when a registered trade mark becomes generic, i.e. loses its distinctiveness, the trade mark owner loses its

¹³⁹ Ramello, G. B., & Silva, F. (2006). Appropriating signs and meaning: The elusive economics of trademark. *Industrial and Corporate Change*, 15(6), 937-963.

¹⁴⁰ *Ibid.*, 939-942.

¹⁴¹ *Ibid.*, 938.

¹⁴² *Ibid.*, 941-942.

trade mark registration.¹⁴³ This is due to the fact that trade marks are used to distinguish the products or services of one undertaking from those of other undertakings. The distinction is possible as a result of trade marks portraying both a source distinctiveness which identifies the provenance of the good or service and a differential distinctiveness which depends on how strong the trademark is for the consumers in relation to the other competing trademarks.¹⁴⁴ The latter implies the metamorphosis of the sign from trade mark into brand. Therefore, the signs acquire an economic value independent from the product they accompany, which is fostered by practices such as brand extension, brand stretching or brand equity.¹⁴⁵ This means that consumers will choose a good or service considering the emotive experience they have with the brand, with which they might identify themselves to some extent and therefore, decide to pay more for it.¹⁴⁶

For the analysis hereunder, I will adopt Ramello and Silva's viewpoint that trade marks have a persuasive role rather than an informative one. By taking this stance, I emphasize the importance of trade marks for their proprietors, for whom the introduction of a parody exception will mean more than a mere detrimental effect for the trade mark function of conveying information about the source of origin and for the consumers of the trade mark, for whom the protected marks they purchase are specially meaningful.

9.2. Ronald Coase's reasoning

In "The Problem of Social Cost",¹⁴⁷ Ronald Coase provide us with a method for assessing which is the most desirable outcome of a problem in economic terms. In his article, he points out that situations are reciprocal. Simply put, in a situation where there are harmful effects, all the involved parties cause a damage to the others. Therefore, the optimal solution will be the one that increases the value of production or reduces it the minimum possible.

The solution to the problem presented in my research question depends on whether the parody exception adds more to the parodist income than it subtracts from the trade mark owner. For this assessment we have to take into account the change in the parodists and

¹⁴³ Ibid., 945-946.

¹⁴⁴ Idem.

¹⁴⁵ Ibid., 947-948.

¹⁴⁶ Ibid., 952.

¹⁴⁷ Coase, R. (1960). The Problem of Social Cost. *The Journal of Law & Economics*, 3, 1-44.

the trade mark owners' income if the parody exception is included, apart from its general impact in people's life, which means that the morality of the solution should also shape the final solution.

For applying this approach we will suppose that we are in cases in which trade mark owners oppose that parodists use their trade marks in parodies due to the fact that if they accept the use of their trade marks in parodies they will not sue the parodists and, therefore, there will be no trade mark infringement. In the case of parodists, we will have to evaluate how much do parodists earn making the parodies that feature third parties trade marks for commercial expression. We can also evaluate how much do parodists lose for not creating such parodies, which can be higher than what they do not earn. This is due to the fact that if parodists are better known for making parodies portraying trade marks they could lose sales in their other parodies that do not portray any trade mark as well. In the case of trade mark owners, we will have to evaluate how much do trade mark owners lose when parodies featuring their trade marks are created. After making this assessment, it will be desirable to include the parody exception within EU trade mark law if the value produced by the parodists was greater than the income lost by the trade mark owners. Conversely, it will not be desirable to include the parody exception if the value produced by the parodists was inferior than the income lost by the trade mark owners.

9.2.1. The 2 steps for applying the reasoning

The first step we need to take is finding out the nature of the economic problem having into account that situations are reciprocal. Consequently, we can make two statements:

1) There will be no damage to trade marks owners if a parody exception is not included within EU trade mark law; 2) There will be no damage to the parodists if a parody exception is included within EU trade mark law.

The second step is acknowledging that in terms of causation both parties cause damage:

1) The harmful effect that the option preferred by trade mark owners will cause is that parodists will experience a loss of income for not being allowed to create parodies for commercial expression portraying third parties' trade marks. Additionally, freedom of expression will be limited by the rights of trade mark owners, which can adversely affect

both parodists and the consumer interests; 2) The harmful effect that the option preferred by the parodists will cause is that trade mark owners will undergo a loss of income since parodies are likely to damage their trademarks e.g. when the trade mark is used by the parodist to attack the undertaking of the trade mark proprietor or something else. Moreover, the trade mark functions, namely, the function of origin, the function of guaranteeing quality, the function of communication, the function of investment and the function of advertising could be severely affected. The fact that trade mark functions can be affected means that trade mark owners will have to do a higher effort, probably increasing investment in the trade marks, so trade mark functions are accomplished with the same efficacy, -if it is possible to reverse the damaging effect of the parody for the trade mark functions-. If this is not possible, consumers of the trademarked products will also be affected.

Considering that trade marks have become brands poses a difficulty when applying Coase's reasoning to assess the harmful effects of both the option preferred by parodists and the option preferred by trade mark owners. Such difficulty is having into account not only parodists and trade mark owners interests but consumers interests, namely the effects in the allocation of their resources, so as to make the assessment the more sound possible. Nevertheless, relying again on Ramello and Silva, I consider that the inclusion of an explicit parody exception can have a detrimental effect in consumers of the reputed trade marks if the semiotic differentiation of the trademark is the most important for them.

The adverse effects that the trade mark can suffer is likely to affect the emotional connection that consumers feel with the trade mark and can lead to consumer stopping to purchase goods or services from the affected undertaking. These specific goods or services that can stop being consumed have an increased utility for the consumer due to the semiotic differentiation of their trade mark even if cheaper equivalent goods or services exist in the market. However, the not inclusion of an explicit parody exception can have a detrimental effect in consumers if the objective differentiation is the most important for them due to the fact that there will be less variety of goods or services from where to choose and can imply a less desirable allocation of consumers resources since they will be likely to pay a higher price for the offered goods and services.¹⁴⁸

¹⁴⁸ Ramello & Silva (n 139) 955.

9.2.2. How do we achieve the best outcome according to this reasoning?

For an optimum allocation of resources, it is desirable that parodists and trade mark owners take the harmful effects of their preferences into account when deciding if they advocate an inclusion of the parody exception or a not inclusion of the parody exception within trade mark law. Depending on the option they take they will have more or less factors of production, meaning rights that allow them to do something. They should seek to maximize the value of production properly allocating the mentioned factors of production, i.e. the right of parodists to use third parties' trade marks for commercial parodies or trade mark owners' right to prohibit parodists from using their trade marks. On the one side, the no inclusion of the parody exception will mean that the factor of production is being allocated to the trade mark owners since their exclusive right will not suffer a diminishing. On the other side, the inclusion of the parody exception will mean that the factor of production is being allocated to the parodist since they will be able to create a wider range of parodies using trade marks from third parties.

Supposing transaction costs are zero, a rearrangement of rights between the parodist and the trade mark owner will always occur if it leads to an increase in the value of production. However, given that normally they are very expensive, they will only be made if even having into account the expenses from the transaction there is an increase in the value of production. Since the solution concerns whether to include or not a parody exception within trademark law, transaction costs will include the cost in which the state will incur to amend the law, plus the cost in which the parties will incur for adapting to the legislative changes.

When we deal with situations that cause harmful effects, the solution is not simply to restrain one of the parties responsible for them, in this case either parodists or trade mark owners. To decide if the parody exception should be included or not we have to decide if the gain from preventing the harm is greater than the loss. What is gained if we prevent parodists from using trade marks in parodies is that trade mark functions will be preserved and trade mark owners will not incur in any economic loss as a consequence of the parodies. What is gained if we prevent trade mark owners from opposing the inclusion of the parody exception is that parodists will enjoy more freedom of expression. This means that parodists will be able to increase their profit as they will be able to commercialize a

wider amount of parodies which will also benefit the part of consumers that consider valuable having a higher amount of goods from which they can choose.

In his study, Ronald Coase also delves into how this rearrangements of rights should be done. For this purpose, he criticizes Pigou's article "The Economics of Welfare" where the author states that problems should be corrected through state action. On the contrary, Coase, as Ramello and Silva, argues that not necessarily the state will correct a problem in the most desirable way and that the natural conditions that would arise from private arrangements can be more suitable economically.

9.2.3. Is state action desirable in our case?

In our case, we have to consider if it is desirable to have a system that explicitly allows parodists to use trademarks. A state action introducing an explicit parody exception in trade mark law will suppose a change in the circumstances in which parodists and trade mark owners operate. While now trade mark owners have to deal with certain amount of parodists using their trade marks, if the exception was explicitly allowed for commercial expression, parodists will create even more parodies using third party's trade marks as their benefits are likely to increase. At the same time, trade mark owners may incur in a higher loss since it will not be uncertain anymore for parodist whether or not their parodies are infringing, therefore, they will feel there are no longer restrains for using third parties trade marks. Moreover, parodists will not think about the consequences that creating more parodies using third parties' trade marks will have for the trade mark owners which means that if the state fails to consider it too, the harm that the trade mark owners could suffer is comparable to the harm that parodists suffer if the explicit parody exception is not included. Ergo the new situation will not necessarily be better than the previous situation and the state should first compare the total social product produced by the two different arrangements. Nevertheless, state action could be desirable if correcting the situation of parodists not being able to use trade marks a 100% sure that they would not infringe the rights of trade mark owners would not cause a more serious harm for trade mark owners, without failing to consider that the transaction cost of including the parody exception will include the cost of all the factors involved in the policy making process, such as policy makers' salary, experts and stakeholders opinions, meetings, etc. that will ultimately pose a decrease of the value of production.

As a conclusion, applying Coase's reasoning I present the steps and variables that should be taken into account to reach the most desirable solution for my research question. Additionally, I highlight the importance of considering that the preferences of the trade mark owners might be aligned with the interests of the consumers of the reputed trade marks and that the preferences of the parodists might be aligned with the interests of the consumers in general. However, I cannot give a final opinion on whether or not it would be desirable to include an explicit parody exception within EU trade mark law applying his reasoning as I do not have the means or skills for finding out how much profit do parodists lose if they stop doing parodies using third parties' trade marks and how much do trade mark owners lose when parodists use their trade marks for parodies -if it actually result in a loss of income for trade mark owners-, which might be difficult to calculate since trade mark owners can face a loss of income for a wide variety of reasons ranging from more competitors entering the market, counterfeiting or a decline in the purchasing power of consumer salaries. Moreover, I suggest that surveying whether or not parodists will consider using third parties trade marks more extensively if the explicit parody exception is included would be suitable for better assessing the possible effects that the legislative change will have for trade mark owners.

CHAPTER 10. RICHARD POSNER'S APPROACH

Richard A. Posner has also examined the suitability of the parody exception within intellectual property law using an economic method. In his article, "When is parody fair use?", he argues that the fair use exception found in U.S. trademark law should only be applied restrictively by the courts.¹⁴⁹ At this point, it is necessary to briefly present the legal framework of parodies within U.S. trademark law before continuing with Posner's approach since it is different from the European.

10.1. Basic U.S. trade mark law to better understand Posner's approach

The U.S. Trademark Dilution Revision Act of 2006 (TDRA) includes a section which specifies which actions do not constitute dilution by blurring or tarnishment. It reads as follows:

(3)EXCLUSIONS-The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any non-commercial use of a mark.

As we can see, the parodying of famous marks for commercial expression is an explicit exclusion from dilution in section (3)(A)(ii) -apart from the parodying for non-commercial expression that will also be included as an exclusion in section (3)(C)-. For these exclusions to apply, two requirements need to be met: firstly, the use of the trade mark must be fair. The term "fair use", as it has not been defined in the Act, courts have

¹⁴⁹ Posner, R. A. (1992). When is parody fair use. *Journal of Legal Studies* 21(1), 67-78.

to interpret it according to the specific cases. Secondly, the trade mark cannot be used as a designation of source disregarding how humorous the parody might be.¹⁵⁰

10.2. How to adapt Posner's approach to answer my research question

I will address now my research question using Richard A. Posner's approach. In his article, the author claims that the economic method can explain the problematic between IPRs and the parody exception to IPRs. Although his study gives some insights of the problematic between U.S. trade mark law and its parody fair use, it is mainly focused in determining when a parody should be fair use under copyright law, arriving to the conclusion that the fair use as an exception to infringement should be applied restrictively.

Therefore, it is worth clarifying that I had to adapt Posner's approach to copyright fair uses and, subsequently, to parodies so as to be able to apply it properly to trade marks and parody. For this purpose, I have taken into consideration another article written by Posner, "Intellectual Property: The Law and Economics Approach" and William M. Landes and Richard A. Posner's book "The Economic Structure of Intellectual Property Law". I consider that relying on literature written by the same author of the approach I will use, I will get a more accurate adaptation in accordance with the author's take on trade marks.

10.3. How to reduce transaction costs?

According to Posner, an explicit parody exception as a limitation to IPRs will be better understood in economic terms. Landes and Posner state that the goal of intellectual property is to reduce transaction costs.¹⁵¹ Accordingly, Posner claims that when the cost of transacting with the trademark owner will exceed the benefits of the transaction, it should be allowed that the parodist uses the third party's trade mark without asking for permission. This is due to the fact that parodists' costs of transacting with trade mark owners for permission will often be prohibitive as the latter will fear that the use made by the former damages the value of their trade mark.¹⁵² Consequently, when the cost of the

¹⁵⁰ INTA does a good review of the changes introduced to the previous legislation. Available from <https://www.inta.org/INTABulletin/Pages/AnInsider'sGuidetotheUSTrademarkDilutionRevisionActof2006.aspx>.

¹⁵¹ Landes & Posner (n 113) 12-13.

¹⁵² Posner (n 119) 63.

resources employed in the transaction are higher than the benefits that the parodist will obtain appropriating the value of the creation after receiving the permission from the trade mark owner, the parodist should be allowed to use the trade mark without permission for the purpose of parody for commercial expression so as to foster the creation of intellectual property.¹⁵³ In other words, if the creation of the intellectual property is worth it and would not be created if the parodist was not allowed to use the trade mark without permission, the use without permission should be allowed.

Continuing with economizing in transaction costs, when trade mark owners will lose the license fee they insist to receive from those using their trade marks because it will be too burdensome for the parodist to pay and, at the same time, such fee will do too little good for the trade mark owner due to the fact that the trade mark might be interchangeable for the parodist, I consider that under Posner's approach it will be fair use to use the trade mark without permission too.¹⁵⁴

10.4. How should the parody fair use exception be applied to trade mark parodies?

Posner argues that while book reviews are a good fair use under copyright law, parodies cannot be treated the same way under this law. Nevertheless, I argue that trade mark parodies can, in some particular cases, be similar to book reviews. Posner presents 3 reasons to allow fair use referring to book reviews and subsequently tries to assess whether or not they hold for parodies. I will present how these 3 reasons for considering fair use can be applied to parodies in trade marks:

1. A parody is fair use if it increases the benefits of the owner of the parodied trade mark, i.e. if the parody is free advertising for the trade mark owner. Since trade marks are strong communicators they can be used for many purposes, if the parody does not damage any of the trade mark functions and promotes the trade mark, it can be fair use. According to Posner, this point does not hold for parody because parodies are not for making people acquainted of the characteristics of the parodied trade mark, the trade mark had to be already familiar to the public.¹⁵⁵

¹⁵³ Posner (n 149) 69.

¹⁵⁴ Posner (n 119) 63.

¹⁵⁵ Posner (n 149) 69-70.

However, a similar case to book reviews can be found in parodies as artistic expression using trademarks. One clear example is 60's pop up art in which the source material for the creation were mass-produced products.¹⁵⁶ The artist Andy Warhol used the Coca-Cola trade mark to do a series of paintings. They could be considered free advertising for Coca-Cola even though the trade mark already enjoyed big recognition worldwide. Additionally, Coca-Cola's headquarters have an exhibition of Andy Warhol's creations made later on in his career also related to Coca-Cola.¹⁵⁷ If the undertaking Coca-Cola does not plan to expand and start to commercialize paintings and photographs it should not be a problem that artists use their trade mark as part of their creations. Nevertheless, the use of trade marks for parodies as artistic expression will have to be considered case by case so as to differentiate when a creation is merely artistic expression -not likely to damage the trade mark owner- or when the artistic expression conveys a message that can be harmful for the trade mark owner.

2. A parody is fair use if as it is credible advertising, if it was controlled by the owner of the trade mark it would have negative effects, since it will just be as a regular paid advertising. According to Posner this point would not hold for trade mark parodies for the same reason as the above presented. I agree with this view, firstly, because I consider that in most cases involving trade marks and parodies, the latter do not accomplish an advertising function. Secondly, because trade marks have an investment function and an advertising function that trade mark owners control according to the undertaking's interests and they might consider that external influences can affect negatively their advertising campaigns. Notwithstanding, it would only be beneficial for the undertaking if the parody makes them some good as in the Warhol's case, but that might not be the most common case.
3. If a parody reduces the sales of the trade mark owner products or services but it does so not because it supplies the demand of the trade mark owner's products or services but because it points out their flaws, providing valuable information for the consumers, it should be considered fair use since only worthwhile intellectual

¹⁵⁶ The Warhol. Andy Warhol's Life. Available from <https://www.warhol.org/andy-warhols-life/>.

¹⁵⁷Ryan, T. (2013) Andy Warhol and Coca-Cola. Coca-Cola Journey. Available from <https://www.coca-colacompany.com/stories/andy-warhol-and-coca-cola>.

property should be rewarded. Therefore, the trade mark owners income will be in accordance with how worthwhile are their trade marks. According to Posner this point holds for parody because ridicule is a form of criticizing. I agree with this point since I consider that parodies that convey a message useful for the society in general should be granted more protection than merely commercial parodies.

In the economic method, the 3 requirements above mentioned need to be met so that it can be considered fair use. The outcome achieved meeting these requirements is that for a parody to be considered fair use not only the parodists should make a profit from the parody but also the trade mark owners. While it is not easy to meet the three requirements, I consider that it is possible, as in the Warhol's case, and that the assessment should be made case by case.

10.5. Which limitation should the fair use exception have for parodies?

Moreover, Posner claims that the fair use exception should have 3 limitations when parodies are concerned:

1. The parodied trade mark should be the target of the parody, and not the weapon to attack something else. According to this view, the artist Nadia Plesner in her painting "Darfurnica",¹⁵⁸ where she drew a malnourished child holding Louis Vuitton's Audra bag, would not have been able to depict Louis Vuitton's trade mark. In that particular case, Plesner wanted to protest for the high level of attention that celebrities get in comparison with the conflict in Darfur after she saw a newspaper giving more importance to Paris Hilton going to prison than to the conflict. Therefore, she aimed to raise awareness of the situation in Darfur depicting in the same painting the world of luxury and the world of poverty, Paris Hilton's favorite items (the bag and the dog) and the Darfurian child, but in any case she aimed to criticize Louis Vuitton. This means that Louis Vuitton trade mark was a weapon rather than the target, which should not be allowed according to Posner. This is due to the fact that in this case, Posner argues that the trade mark owner might not be reluctant to license the trade mark. However, I consider that

¹⁵⁸ Nadia Plesner. Simple Living & Darfurnica. Available from <http://www.nadiaplesner.com/simple-living--darfurnica1>.

since the transactions cost might be higher for Plesner than what she was going to earn and the painting might be beneficial for the creation of Intellectual Property and for the public interest, also according to Posner take on reducing transaction costs as a reason for the existence of intellectual property rights, Plesner's painting should be allowed.

2. The parodist cannot take that much of the trade mark so that it can be a substitute of the actual trade mark, the changes have to be significant. The similarity of the signs, even if it does not lead to likelihood of confusion, cannot lead to consumers opting for purchasing the parody as a substitute of the senior trade mark. In this regard, we can mention the clothes manufactured by "Fuck Your Fake". As mentioned in the introduction, "Fuck Your Fake" uses famous trade marks combined with other motifs for creating new designs. However, in all of them it is perfectly possible to recognize the famous trade mark they portray even though it is combined with other motifs. Since the change is not big enough and the trade mark is portrayed in the same kind of goods as the ones that the owner of the senior trade mark is selling, it can attract the members of the audience that are not really acquainted with the famous fashion brand and are attracted by the parodied version or member of the audience that being acquainted with the famous fashion brand prefer the most "humorous" version, and that part of the audience might be an important fraction of the potential audience of the reputed trade mark. In this case, "Fuck Your Fake" is not using the trade marks as a source of origin. However, this kind of parodying use should not amount for "fair use" according to Posner's approach. I agree with this point since such "substitutes" of the senior trade mark can be highly harmful for both trade mark owners and consumers of the trade marks involved.
3. The less the parodist appropriate, the less likely the infringement. Otherwise, the parodist will have an excessive allocation of resources for creating the parody, in this case in the form of rights, while third parties other than parodists, like licensees, will still have to pay for what they are using. In that situation, more third parties might end up adopting the form of parodies for using the famous trade marks instead of considering getting a license from the trade mark owner. Nevertheless, when the parody seeks e.g. to ridicule or convey a social message a

transaction with the trade mark owner might not be feasible, and therefore, it is justifiable that the parodist uses the trade mark without permission. In addition, parodies that convey a message can be worth to allow as they can affect positively the society. Nevertheless, when a parody is a mere commercial expression like in the “Fuck Your Fake” case exposed before, apart from not conveying any message worth protecting, it causes a negative externality for society. If we have into account the characteristics of the fashion industry where copying from one another is common and the fashion cycle is accelerated as a consequence, allowing this kind of parodies will have a negative externality since fashion brands will produce at a faster pace and cause more contamination and consumers of the trade marks will also renew their products at a faster pace.¹⁵⁹

10.6. Objections against Posner’s approach

Posner continues explaining that there are 4 objections that can be made against his view:

1. The first one is that since an effective parody requires that the trade mark is already known, trade mark owners must have already get profit from it, therefore, they should not profit from the parodies of the trade mark too. Posner argues that this objection disregards the ex-ante perspective which is the fact that trade mark owners have spent sunk amounts of money so the trade mark is as known as it is, without previously knowing if they will succeed. If this fact is ignored and the focus is put only on the ex-post perspective that is when the trade mark owner earns a lot of money thanks to the trade mark, trade mark owners might not have the incentive to create such strong trade marks.
2. The second one is that if the trademarked product or service was a fail and the parody of the trade mark is a success, what should be rewarded is the trade mark parody. Posner answer to the second objection with the same reasoning as to the

¹⁵⁹ It is worth noting that against points 2 and 3, where it is stated that the parody of the trade mark cannot take that much of the senior trade mark so as to be a substitute of it and that the less the parodists appropriates from the senior trade mark the less likely the infringement, Sakulin argues that the transformation does not have to be of the trade mark. He argues that it can be a transformation of the context in which the trade mark is used. Additionally, he claims that if is not interpreted in this way there will be a gap in the protection of parodies and that will mean overlooking the changes in meaning that a trade mark experiences when it is changed from its context. We can find these claims in Sakulin (n 1) 319.

first one, i.e. arguing that if this will happen only the ex-post perspective would be the one taken into account which would be unfair since it disregards the ex-ante perspective.

3. The third one is against excluding parodying fair use when the parodied trade mark is used as the weapon instead of the target. It is criticized that freedom of expression would be curtailed if the creation of parodies was burdened with both transaction costs and royalties. While Posner's admits that intellectual property is different from physical property rights due to the fact that it is a public good and if someone uses it the owner can still use it too, he argues that trade mark owners will have less incentives to create strong trade marks if they cannot make third parties using their intellectual property pay for it. He contends that while in the weapon cases the market could do the trade off between trade mark owners and parodists, in the target cases the trade off cannot be made since trade mark owners will look for their own interest, therefore, the parody fair use exception is only justified in this case. To further support this argument, he argues that if the parodists compensate trade mark owners in target cases, the social product will be diminished since trade mark owners will be compensated for truthful critics regarding their products, services or practices of their undertaking. This is in accordance with Posner's third reason for protecting parody as fair use presented earlier in this thesis, i.e. the revenues of the trade mark owner should be in accordance with the worth of their trade marks.

4. The fourth one is the general argument against broad trade mark protection. Posner counterargues that while some economists believe that trade marks are anticompetitive because trademarked brand-name products are sold at higher prices than their generic equivalents, they disregard the full price of the consumer good. This full price is the nominal price plus the consumer's search costs, and those costs are lower for branded goods, so that the full price need be no higher than that of a nonbranded substitute. Additionally, he states that heavy investments in trade marks create a situation in which the producer is strongly motivated to maintain quality, which depends not only on the formula, but on shelf life, quality control, packaging and lest consumer confidence erode.

Therefore, consumers will punish the brand if its quality drops since they will incur in higher search costs if they are not provided with reasonable assurance of the quality of the nominally higher-priced good.¹⁶⁰ Moreover, as I have already argued during this thesis, consumers of the trade marks object to parodies are likely to further punish the trade mark if the purchasing of the products or services does not give them the same benefits as if parodies were not in the market.

To conclude, I consider that using trade marks for non-commercial expression or mixed expression can be a good fair use if they have a positive repercussion in the society. For instance, the parody of McDonald's trade mark, McDiabetes, conveys a social message that can derive in consumers taking conscience of the health problems that eating fast food in abundance can have. Therefore, while in the short term McDonald's can lose profits, in the long term health care expenditure for e.g. obesity problems, will be reduced. If we do a comparison of what will be saved by the health care system and what will be lost by McDonald's, it could be worth it that McDonald's loses profits at the beginning. In this case McDonald's trade mark is the target and not the weapon. On the contrary, the parody of Coca-Cola's trade mark, "I like Cocaine", is merely a commercial expression that does not have a positive repercussion in the society as a whole since it is not criticising the product.¹⁶¹ What I mean with this is that when the parody is a positive externality for society, it can be fair use, mostly if it can have an effect on the trade mark owner adopting better strategies for not losing income and everyone ends up being better off. However, when the parody only has detrimental effects for the trade mark owner for the commercial purpose of the parodists, that appropriation should not be allowed.¹⁶²

¹⁶⁰ Posner (n 149) 67.

¹⁶¹ *Ibid.*, 69.

¹⁶² *Idem.*

CHAPTER 11. CONCLUSIONS

The purpose of the thesis was to determine whether or not EU trade mark law should include an explicit parody exception as a limitation to trade mark rights. This thesis has presented the basic grounds necessary for giving an answer to the question, such as the current state of the law, the interests of all the stake holders in the conflict -trade mark owners, parodists, consumers of the parodied trade marks and the society-, the different kinds of parody, the need for a varying level of protection depending on the kind of expression that the parody constitutes and the damages that the trade mark owner can suffer, including the fact that this damages also affect the consumers of the parodied reputed trade marks. Additionally, it has presented previous works from scholars, most of them against the enlargement of trade mark rights to allow more freedom of expression, and what would be the most suitable in economic terms.

The most obvious finding to emerge from this study is that the interests of the consumers of the parodied reputed trade marks are widely disregarded in the discussion. That is a big mistake since it means leaving outside of the weighing of rights how damaging can be for the consumers of the reputed trade marks the inclusion of an explicit parody exception. Since it has been established that trade marks convey a lot of meanings and that the protected signs are now a good in themselves, allowing their use by third parties that might blur their meaning can be detrimental for consumers both in economic terms -because they might be using the reputed trade marks to have certain position in the resale market- and psychological terms -due to the positive effects of brands in the self-fulfilment of individuals that consume them-.

Additionally, using Coase's approach, where the harmful effects of the inclusion or not inclusion of the explicit parody exception are examined, it is possible to acknowledge that a state action including the exception would not be desirable if all the parties at stake as well as all the possible damages are not considered. A limitation of this study is that I could not have in consideration all the possible damages myself so as to give the most accurate possible answer. Notwithstanding these limitations, the study suggest that a change in the conditions, i.e. the inclusion of the explicit exception, will imply that more parodists engage in using third parties trade marks, which would increase the harmful

effects. Therefore, if a parody exception is to be included we have to be cautious with the kinds of expressions for which it is included.

Moreover, using Posner's approach, it was possible to get some guidance in how an hypothetical explicit parody exception could be included. For instance, when the parody conveys a message beneficial for the society as a whole and that would not be heard if the parody was not allowed due to, in some cases, prohibitive cost of licenses. Especially, with Posner's approach we can claim that an explicit parody exception is suitable when it is not advantageous only for the parodists, but for the owners of trade marks or the whole society. Therefore, an explicit parody exception for merely commercial parodies that mainly benefits parodists would not be welcome under this approach as the economic damage they can cause might be higher than the profits of the parodist.

Finally, the contribution of this study has been to shed new light on the parties implied in the problem and that need to be taken into account so as to make a cautious inclusion of the explicit exception if it is to be included in EU trade mark law, which in my opinion might be desirable only for non-commercial expression and mixed expression when the latter is really valuable for society. This will save resources for the trade mark owners and the parodists in the conflict that will engage in litigation less often. Moreover, consumers in general will get valuable information and the consumers of the reputed trade marks will not be as adversely affected as if commercial parodies were explicitly allowed as well.

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