JUDGMENT OF THE COURT

12 November 2002 *

In Case C-206/01,

REFERENCE to the Court under Article 234 EC by the High Court of Justice of England and Wales, Chancery Division, for a preliminary ruling in the proceedings pending before that court between

Arsenal Football Club plc

and

Matthew Reed,

on the interpretation of Article 5(1)(a) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1),

* Language of the case: English.

THE COURT,

composed of: G.C. Rodríguez Iglesias, President, J.-P. Puissochet, M. Wathelet, C.W.A. Timmermans (Rapporteur) (Presidents of Chambers), C. Gulmann, D.A.O. Edward, P. Jann, V. Skouris, F. Macken, N. Colneric and S. von Bahr, Judges,

Advocate General: D. Ruiz-Jarabo Colomer,

Registrar: L. Hewlett, Principal Administrator,

after considering the written observations submitted on behalf of:

— Arsenal Football Club plc, by S. Thorley QC and T. Mitcheson, Barrister, instructed by Lawrence Jones, Solicitors,

— Mr Reed, by A. Roughton, Barrister, instructed by Stunt & Son, Solicitors,

— the Commission of the European Communities, by N.B. Rasmussen, acting as Agent,

— the EFTA Surveillance Authority, by P. Dyrberg, acting as Agent,

having regard to the Report for the Hearing,

after hearing the oral observations of Arsenal Football Club plc, represented by S. Thorley and T. Mitcheson; Mr Reed, represented by A. Roughton and S. Malynicz, Barrister; and the Commission, represented by N.B. Rasmussen and M. Shotter, acting as Agent, at the hearing on 14 May 2002,

after hearing the Opinion of the Advocate General at the sitting on 13 June 2002,

gives the following

Judgment

1 By order of 4 May 2001, received at the Court on 18 May 2001, the High Court of Justice of England and Wales, Chancery Division, referred to the Court for a preliminary ruling under Article 234 EC two questions on the interpretation of Article 5(1)(a) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1, 'the Directive').

2 Those questions were raised in proceedings between Arsenal Football Club plc ('Arsenal FC') and Mr Reed concerning the selling and offering for sale by Mr Reed of scarves marked in large lettering with the word 'Arsenal', a sign which is registered as a trade mark by Arsenal FC for those and other goods.

Legal background

Community legislation

3 The Directive states, in the first recital in its preamble, that national trade mark laws contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market. According to that recital, it is therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of the Member States. The third recital in the preamble states that it is not necessary at present to undertake full-scale approximation of national laws on trade marks.

4 According to the 10th recital in the preamble to the Directive:

'... the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services...'.

5 Article 5(1) of the Directive provides:

'The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

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

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.'

6 Article 5(3)(a) and (b) of the Directive provides:

'The following, *inter alia*, may be prohibited under paragraphs 1 and 2:

(a) affixing the sign to the goods or to the packaging thereof;

(b) offering the goods, or putting them on the market or stocking them for these purposes...'

7 Under Article 5(5) of the Directive:

'Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.'

8 Article 6(1) of the Directive reads as follows:

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

(a) his own name or address;

(b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;

(c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

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

National legislation

9 In the United Kingdom the law of trade marks is governed by the Trade Marks Act 1994, which replaced the Trade Marks Act 1938 in order to implement the Directive.

10 Section 10(1) of the Trade Marks Act 1994 provides:

'A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.'

11 Under Section 10(2)(b) of the Trade Marks Act 1994:

'A person infringes a registered trade mark if he uses in the course of trade a sign where because —

...

(b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.'

The main proceedings and the questions referred for a preliminary ruling

12 Arsenal FC is a well-known football club in the English Premier League. It is nicknamed 'the Gunners' and has for a long time been associated with two emblems, a cannon device and a shield device.

13 In 1989 Arsenal FC had *inter alia* the words 'Arsenal' and 'Arsenal Gunners' and the cannon and shield emblems registered as trade marks for a class of goods comprising articles of outer clothing, articles of sports clothing and footwear. Arsenal FC designs and supplies its own products or has them made and supplied by its network of approved resellers.

14 Since its commercial and promotional activities in the field of sales of souvenirs and memorabilia under those marks have expanded greatly in recent years and provide it with substantial income, Arsenal FC has sought to ensure that 'official' products — that is, products manufactured by Arsenal FC or with its authorisation — can be identified clearly, and has endeavoured to persuade its supporters to buy official products only. The club has also brought legal proceedings, both civil and criminal, against traders selling unofficial products.

15 Since 1970 Mr Reed has sold football souvenirs and memorabilia, almost all marked with signs referring to Arsenal FC, from several stalls located outside the grounds of Arsenal FC's stadium. He was able to obtain from KT Sports, licensed

by Arsenal FC to sell its products to vendors around the stadium, only very small quantities of official products. In 1991 and 1995 Arsenal FC had unofficial articles of Mr Reed's confiscated.

16 The High Court states that in the main proceedings it is not in dispute that Mr Reed sold and offered for sale from one of his stalls scarves marked in large lettering with signs referring to Arsenal FC and that these were unofficial products.

17 It also states that on that stall there was a large sign with the following text:

'The word or logo(s) on the goods offered for sale, are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are official Arsenal merchandise.'

18 The High Court further states that when, exceptionally, he was able to obtain official articles Mr Reed, in his dealings with his customers, clearly distinguished the official products from the unofficial ones, in particular by using a label with the word 'official'. The official products were also sold at higher prices.

19 Since it considered that by selling the unofficial scarves Mr Reed had both committed the tort of 'passing off' — which, according to the High Court, is conduct on the part of a third party which is misleading in such a way that a large number of persons believe or are led to believe that articles sold by the third party are those of the claimant or are sold with his authorisation or have a commercial association with him — and infringed its trade marks, Arsenal FC brought proceedings against him in the High Court of Justice of England and Wales, Chancery Division.

20 In view of the circumstances in the main proceedings, the High Court dismissed Arsenal FC's action in tort ('passing off'), essentially on the ground that the club had not been able to show actual confusion on the part of the relevant public and, more particularly, had not been able to show that the unofficial products sold by Mr Reed were all regarded by the public as coming from or authorised by Arsenal FC. In this respect, the High Court observed that it seemed to it that the signs referring to Arsenal FC affixed to the articles sold by Mr Reed carried no indication of origin.

21 As to Arsenal FC's claim concerning infringement of its trade marks, based on section 10(1) and (2)(b) of the Trade Marks Act 1994, the High Court rejected their argument that the use by Mr Reed of the signs registered as trade marks was perceived by those to whom they were addressed as a badge of origin, so that the use was a 'trade mark use'.

22 According to the High Court, the signs affixed to Mr Reed's goods were in fact perceived by the public as 'badges of support, loyalty or affiliation'.

23 The High Court accordingly considered that Arsenal FC's infringement claim could succeed only if the protection conferred on the trade mark proprietor by section 10 of the Trade Marks Act 1994 and the provisions of the Directive implemented by that statute prohibits use by a third party other than trade mark use, which would require a wide interpretation of those provisions.

24 On this point, the High Court considers that the argument that use other than trade mark use is prohibited to a third party gives rise to inconsistencies. However, the contrary argument, namely that only trade mark use is covered, comes up against a difficulty connected with the wording of the Directive and the Trade Marks Act 1994, which both define infringement as the use of a 'sign', not of a 'trade mark'.

25 The High Court observes that it was in view of that wording in particular that the Court of Appeal of England and Wales, Civil Division, held in *Philips Electronics Ltd v Remington Consumer Products* ([1999] RPC 809) that the use other than trade mark use of a sign registered as a trade mark could constitute an infringement of a trade mark. The High Court observes that the state of the law on this point still remains uncertain.

26 The High Court also rejected Mr Reed's argument on the alleged invalidity of the Arsenal FC trade marks.

27 In those circumstances, the High Court of Justice of England and Wales, Chancery Division, decided to stay proceedings and refer the following questions to the Court for a preliminary ruling:

'1. Where a trade mark is validly registered and

(a) a third party uses in the course of trade a sign identical with that trade mark in relation to goods which are identical with those for [which] the trade mark is registered; and

(b) the third party has no defence to infringement by virtue of Article 6(1) of [Directive 89/104/EEC];

does the third party have a defence to infringement on the ground that the use complained of does not indicate trade origin (i.e. a connection in the course of trade between the goods and the trade mark proprietor)?

2. If so, is the fact that the use in question would be perceived as a badge of support, loyalty or affiliation to the trade mark proprietor a sufficient connection?'

The questions referred for a preliminary ruling

28 The High Court's two questions should be examined together.

Observations submitted to the Court

29 Arsenal FC submits that Article 5(1)(a) of the Directive allows the trade mark proprietor to prohibit the use of a sign identical to the mark and does not make exercise of that right conditional on the sign being used as a trade mark. The protection conferred by that provision therefore extends to the use of the sign by a third party even where that use does not suggest the existence of a connection between the goods and the trade mark proprietor. That interpretation is supported by Article 6(1) of the Directive, since the specific limitations on the exercise of trade mark rights there provided for show that such use falls in principle within the scope of Article 5(1)(a) of the Directive and is permitted only in the cases exhaustively listed in Article 6(1) of the Directive.

30 Arsenal FC submits, in the alternative, that in the present case Mr Reed's use of the sign identical to the Arsenal trade mark must in any event be classified as trade mark use, on the ground that this use indicates the origin of the goods even though that origin does not necessarily have to designate the trade mark proprietor.

31 Mr Reed contends that the commercial activities at issue in the main proceedings do not fall within Article 5(1) of the Directive, since Arsenal FC has not shown that the sign was used as a trade mark, that is, to indicate the origin of the goods, as required by the Directive, in particular Article 5. If the public do not perceive the sign as a badge of origin, the use does not constitute 'trade mark use' of the sign. As to Article 6 of the Directive, nothing in that provision shows that it contains an exhaustive list of activities which do not constitute infringements.

32 The Commission submits that the right which the trade mark proprietor derives from Article 5(1) of the Directive is independent of the fact that the third party does not use the sign as a trade mark, and in particular of the fact that the third party does not use it as a badge of origin and informs the public by other means that the goods do not come from the trade mark proprietor, or even that the use of the sign has not been authorised by that proprietor. The specific object of a trade mark is to guarantee that only its proprietor can give the product its identity of origin by affixing the mark. The Commission further submits that it follows from the 10th recital in the preamble to the Directive that the protection provided for in Article 5(1)(a) is absolute.

33 At the hearing, the Commission added that the concept of 'trade mark use' of the mark, if found to be relevant at all, refers to use which serves to distinguish goods rather than to indicate their origin. The concept also covers use by third parties which affects the interests of the trade mark proprietor, such as the reputation of the goods. In any event, public perception of the word 'Arsenal', which is identical to a verbal trade mark, as a token of support for or loyalty or affiliation to the proprietor of the mark does not exclude the possibility that the goods concerned are in consequence also perceived as coming from the proprietor. Quite the contrary, such perception confirms the distinctive nature of the mark and increases the risk of the goods being perceived as coming from the proprietor. Even, therefore, if 'trade mark use' of the mark is a relevant criterion, the proprietor should be entitled to prohibit the commercial activity at issue in the main proceedings.

34 The EFTA Surveillance Authority submits that, for the trade mark proprietor to be able to rely on Article 5(1) of the Directive, the third party must use the sign to distinguish — as is the primary traditional function of a trade mark — goods or services, that is, use the mark as a trade mark. If that condition is not satisfied, only the provisions of national law referred to in Article 5(5) of the Directive may be relied on by the proprietor.

35 However, the condition of use as a trade mark within the meaning of Article 5(1) of the Directive, which must be understood as a condition of use of a sign identical to the trade mark for the purpose of distinguishing goods or services, is a concept of Community law which should be interpreted broadly, so as to include in particular use as a badge of support for or loyalty or affiliation to the proprietor of the trade mark.

36 According to the EFTA Surveillance Authority, the fact that the third party who affixes the trade mark to goods indicates that they do not come from the trade mark proprietor does not exclude the risk of confusion for a wider circle of consumers. If the proprietor were not entitled to prevent third parties from acting in that way, that could result in a generalised use of the sign. In the end, this would deprive the mark of its distinctive character, thus jeopardising its primary traditional function.

The Court's reply

37 Article 5 of the Directive defines the '[r]ights conferred by a trade mark' and Article 6 contains provisions on the '[l]imitation of the effects of a trade mark'.

38 Under the first sentence of Article 5(1) of the Directive, the registered trade mark confers exclusive rights on its proprietor. Under Article 5(1)(a), that exclusive right entitles the proprietor to prevent all third parties, acting without his consent, from using in the course of trade any sign which is identical to the trade mark in relation to goods or services which are identical to those for which the trade mark is registered. Article 5(3) gives a non-exhaustive list of the kinds of use which the proprietor may prohibit under Article 5(1). Other provisions of the Directive, such as Article 6, define certain limitations on the effects of a trade mark.

39 With respect to the situation in point in the main proceedings, it should be observed that, as is apparent in particular from point 19 of and Annex V to the order for reference, the word 'Arsenal' appears in large letters on the scarves offered for sale by Mr Reed, together with other much less prominent markings including the words 'The Gunners', all referring to the trade mark proprietor, namely Arsenal FC. Those scarves are intended *inter alia* for supporters of Arsenal FC who wear them in particular at matches in which the club plays.

40 In those circumstances, as the national court stated, the use of the sign identical to the mark is indeed use in the course of trade, since it takes place in the context of commercial activity with a view to economic advantage and not as a private matter. It also falls within Article 5(1)(a) of the Directive, as use of a sign which is identical to the trade mark for goods which are identical to those for which the mark is registered.

41 In particular, the use at issue in the main proceedings is 'for goods' within the meaning of Article 5(1)(a) of the Directive, since it concerns the affixing to goods of a sign identical to the trade mark and the offering of goods, putting them on the market or stocking them for those purposes within the meaning of Article 5(3)(a) and (b).

42 To answer the High Court's questions, it must be determined whether Article 5(1)(a) of the Directive entitles the trade mark proprietor to prohibit any use by a third party in the course of trade of a sign identical to the trade mark for goods identical to those for which the mark is registered, or whether that right of prohibition presupposes the existence of a specific interest of the proprietor as trade mark proprietor, in that use of the sign in question by a third party must affect or be liable to affect one of the functions of the mark.

43 It should be recalled, first, that Article 5(1) of the Directive carries out a complete harmonisation and defines the exclusive rights of trade mark proprietors in the Community (see, to that effect, Joined Cases C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss* [2001] ECR I-8691, paragraph 39 and the case-law there cited).

44 The ninth recital of the preamble to the Directive sets out its objective of ensuring that the trade mark proprietor enjoys 'the same protection under the legal systems of all the Member States' and describes that objective as 'fundamental'.

45 In order to prevent the protection afforded to the proprietor varying from one State to another, the Court must therefore give a uniform interpretation to Article 5(1) of the Directive, in particular the term 'use' which is the subject of the questions referred for a preliminary ruling in the present case (see, to that effect, *Zino Davidoff and Levi Strauss*, paragraphs 42 and 43).

46 Second, the Directive is intended, as the first recital of the preamble shows, to eliminate disparities between the trade mark laws of the Member States which may impede the free movement of goods and the freedom to provide services and distort competition within the common market.

47 Trade mark rights constitute an essential element in the system of undistorted competition which the Treaty is intended to establish and maintain. In such a system, undertakings must be able to attract and retain customers by the quality of their goods or services, which is made possible only by distinctive signs allowing them to be identified (see, *inter alia*, Case C-10/89 *HAG GF* [1990] ECR I-3711, paragraph 13, and Case C-517/99 *Merz & Krell* [2001] ECR I-6959, paragraph 21).

48 In that context, the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality (see, *inter alia*, Case 102/77 *Hoffman-La Roche* [1978] ECR 1139, paragraph 7, and Case C-299/99 *Philips* [2002] ECR I-5475, paragraph 30).

49 The Community legislature confirmed that essential function of trade marks by providing, in Article 2 of the Directive, that signs which are capable of being represented graphically may constitute a trade mark only if they are capable of distinguishing the goods or services of one undertaking from those of other undertakings (see, *inter alia*, *Merz & Krell*, paragraph 23).

50 For that guarantee of origin, which constitutes the essential function of a trade mark, to be ensured, the proprietor must be protected against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it (see, *inter alia*, *Hoffmann-La Roche*, paragraph 7, and Case C-349/95 *Loendersloot* [1997] ECR I-6227, paragraph

22). In this respect, the 10th recital of the preamble to the Directive points out the absolute nature of the protection afforded by the trade mark in the case of identity between the mark and the sign and between the goods or services concerned and those for which the mark is registered. It states that the aim of that protection is in particular to guarantee the trade mark as an indication of origin.

51 It follows that the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.

52 The exclusive nature of the right conferred by a registered trade mark on its proprietor under Article 5(1)(a) of the Directive can be justified only within the limits of the application of that article.

53 It should be noted that Article 5(5) of the Directive provides that Article 5(1) to (4) does not affect provisions in a Member State relating to protection against the use of a sign for purposes other than that of distinguishing goods or services.

54 The proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions. Thus certain uses for purely descriptive purposes are excluded from the scope of Article 5(1) of the Directive because they do not affect any of the interests which

that provision aims to protect, and do not therefore fall within the concept of use within the meaning of that provision (see, with respect to a use for purely descriptive purposes relating to the characteristics of the product offered, Case C-2/00 *Hölterhoff* [2002] ECR I-4187, paragraph 16).

55 In this respect, it is clear that the situation in question in the main proceedings is fundamentally different from that in *Hölterhoff*. In the present case, the use of the sign takes place in the context of sales to consumers and is obviously not intended for purely descriptive purposes.

56 Having regard to the presentation of the word 'Arsenal' on the goods at issue in the main proceedings and the other secondary markings on them (see paragraph 39 above), the use of that sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor.

57 That conclusion is not affected by the presence on Mr Reed's stall of the notice stating that the goods at issue in the main proceedings are not official Arsenal FC products (see paragraph 17 above). Even on the assumption that such a notice may be relied on by a third party as a defence to an action for trade mark infringement, there is a clear possibility in the present case that some consumers, in particular if they come across the goods after they have been sold by Mr Reed and taken away from the stall where the notice appears, may interpret the sign as designating Arsenal FC as the undertaking of origin of the goods.

58 Moreover, in the present case, there is also no guarantee, as required by the Court's case-law cited in paragraph 48 above, that all the goods designated by the

trade mark have been manufactured or supplied under the control of a single undertaking which is responsible for their quality.

59 The goods at issue are in fact supplied outside the control of Arsenal FC as trade mark proprietor, it being common ground that they do not come from Arsenal FC or from its approved resellers.

60 In those circumstances, the use of a sign which is identical to the trade mark at issue in the main proceedings is liable to jeopardise the guarantee of origin which constitutes the essential function of the mark, as is apparent from the Court's case-law cited in paragraph 48 above. It is consequently a use which the trade mark proprietor may prevent in accordance with Article 5(1) of the Directive.

61 Once it has been found that, in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin of the goods and that the trade mark proprietor must be able to prevent this, it is immaterial that in the context of that use the sign is perceived as a badge of support for or loyalty or affiliation to the proprietor of the mark.

62 In the light of the foregoing, the answer to the national court's questions must be that, in a situation which is not covered by Article 6(1) of the Directive, where a third party uses in the course of trade a sign which is identical to a validly registered trade mark on goods which are identical to those for which it is registered, the trade mark proprietor is entitled, in circumstances such as those in

the present case, to rely on Article 5(1)(a) of the Directive to prevent that use. It is immaterial that, in the context of that use, the sign is perceived as a badge of support for or loyalty or affiliation to the trade mark proprietor.

Costs

63 The costs incurred by the Commission and by the EFTA Surveillance Authority, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the questions referred to it by the High Court of Justice of England and Wales, Chancery Division, by order of 4 May 2001, hereby rules:

In a situation which is not covered by Article 6(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, where a third party uses in the course of trade a sign

which is identical to a validly registered trade mark on goods which are identical to those for which it is registered, the trade mark proprietor of the mark is entitled, in circumstances such as those in the present case, to rely on Article 5(1)(a) of that directive to prevent that use. It is immaterial that, in the context of that use, the sign is perceived as a badge of support for or loyalty or affiliation to the trade mark proprietor.

Rodríguez Iglesias Puissochet

Wathelet Timmermans Gulmann Edward

Jann Skouris Macken

Colneric von Bahr

Delivered in open court in Luxembourg on 12 November 2002.

R. Grass G.C. Rodríguez Iglesias

Registrar President