

MATERIAL RIGHTS OF THE TRADEMARK HOLDER AND ANALYSIS OF SPORTS TRADEMARK CASES

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Abstract:

This work focuses on the material rights of the trademark holder in theory and in the Macedonian legislation. An accent is put on the function of the trademarks as an industrial property right including the distinctive function, competitive and guarantee function of the mark. The work also focuses on certain aspects of acquisition procedure, including issues on priority right, complaint and exhaustion of right. The principle of specialty, according to which the mark owner has an exclusive right to use it for marking goods and service, is also defined. The collective and certification marks are analyzed, with a reference to their advantages. For the purpose of illustration of the significance for certain sport product, several cases where a famous trademark was involved (Adidas) are presented. Several conclusions are given regarding the concept of Macedonian trademark law.

Key words: *industrial property, sports law, priority right, Nice classification, three stripes, Adidas*

INTRODUCTION

Trademarks as phenomenon that one faces in everyday life are of core significance to a variety of individuals: consumers, legal practitioners, scientists, general audience. All of them are capable and eager to grasp more information on trademarks due to their popularity, functions and significance. The mark, as an industrial property right, is assigned many functions: a function for appellation of origin, distinctive function, competitive and guarantee function of the mark. The IPL of the Republic of Macedonia acknowledges also the advertising, but also the competitive function of the mark, because it has been standardized that the mark may be used to protect the packaging means, catalogues and other that usually serves for propaganda and marketing purposes (Polenak Akimovska, Dabovic Anastasovska, Buckovski and Pepeljugoski (Поленак-Акимовска, Дабовиќ - Анастасовска, Бучковски, и Пепелјугоски, 2004).

METHODS

The basic features of trademarks as one of the pillars of intellectual property, from the

Aspect of Macedonian legislation is analysed. The significance of trademarks for branding of sport products is examined.

TRADEMARKS RIGHTS CONTENT

The contents of the right to a mark are property and legal authorizations of the trademark owner to use it on the market for indicating his goods or services. This is a monopoly right, as it gives him an exclusive right to use. The right to a mark means a right to use it on packaging, catalogues, promotional materials, print items and letterheads. This means that the registered trademark gives its owner an exclusive right to use on products and services, as well as a right to legal protection from everyone impeding the trademark owner by using a similar goods or service mark for marking the same or similar kind of products or services.

All these rights come from the principle of speciality, according to which the mark owner has an exclusive right to use it for marking goods and services listed in the application, (Baumbach & Hefermehl, 2002) and to forbid its use on the market by third parties without his consent. So, a sign may not be used if it is identical or similar to the sign that has already been protected, but this also includes a prohibition for protection of a sign that associates to a sign already protected. The material rights of the trademark owner also incorporate the doctrine on the protection of the well-known marks, only because the trademark owner has the right to prohibit use of a sign on the market by third parties without his consent, if the sign is identical or similar to the trademark for different products or services, provided that the trademark is famous in the Republic of Macedonia and the use of the pertinent sign is considered disloyal competition or harms the distinctive character or reputation of the trademark.

The contents of the right to a mark has also negative authorizations, such as a prohibition to place the sign on the products and their packaging, prohibition to provide services or release products with the particular sign on the market, the sign for correspondence, advertising and marketing.

The content of the right to a mark does not have any personal legal authorizations for the subject of the protection. The reason is that the right to a trademark is not an expression of emanation of the person who is a trademark owner (Marković, 2000). One of the novelty is the tolerance of trademark use. This is a parallel existence of an earlier and later trademark, a legal and factual co-existence of two identical or similar trademarks, registered in favour of two different proprietors, which represents an exception to the rule of an unique trademark owner. The reasons of this legal safety require that the earlier trademark proprietor is limited in his right, provided that he consciously put up with the abuse for five consecutive years, unless the later trademark was protected unconscientiously. The passive behaviour of the trademark proprietor who has suffered use of the trademark by the proprietor of the later mark is contrary to the principle of consciousness and honesty and the general provision *venire contra factum proprium*. Therefore, provisions were introduced for sanctioning the harmful

consequences for the inactive trademark proprietor (*Verwirung, Estoppel*) from the German or Anglo-Saxon law. In contemporary law it has been contained in the First Council Directive in 1988, Article 9 paragraph 1, which approximates the regulations of the Member States (89-104 EEC) (First Council Directive 89/104/EEC).

EXHAUSTION OF RIGHT

A novelty is also the institution called *exhaustion of right*, which limits the exclusive right of the trademark proprietor. It was introduced in accordance with the TRIPS Agreement. According to this institution, the trademark proprietor has no right to prohibit use of the trademark for goods and services he placed on the marked himself or were placed with his agreement, unless the condition of the goods is changed or impaired after they have been put on the market. This is a case of limited consent for putting products with a trademark on the market. This legal institution is based upon the doctrine of exhaustion of rights according to which it is sufficient for exhaustion of the right to place goods with a trademark on the market, both domestic and international. This means that a proprietor of a domestic trademark recognized in some country may not prohibit third parties to import in that country a product marked with the said trademark, which the person bought abroad from the trademark proprietor or a person authorized by him.

This institution is applied in the European legislation and the international business practice (Council Directive from 1989 – 89 – 04 EEC). The application of the provisions for exhausting of rights means that the trademark proprietor or another person with his permission may place goods on the market of the European Economic Area and it is considered that this does not harm the use of the trademark connected to the goods. The proprietor may not recall his right to trademark in order to prevent future circulation of the goods under the “umbrella” of the pertinent mark.

ACQUISITION PROCEDURE

A trademark is acquired in a strictly formal administrative procedure conducted in SOIP. The trademark application procedure begins by submitting an application to SOIP. It is basically a one-sided procedure and participants are the applicant

and SOIP. In the appeals procedure, the one-sided procedure becomes multi-sided, as it involves stakeholders, such as the appellant. The application contains a request for acknowledging the trademark and other essential elements prescribed by IPL. A separate application is filed for each sign that needs to be protected.

Priority right

The priority right appears as national and international priority right (union and convention priority right, which are minimum rights).

The priority right has double meaning. First, the applicant has a priority right from the day of submitting the application in reference to all other subsequent applicants with the same or similar contents (identical or similar sign, identical or similar products or services); and second, the fulfilment of the conditions for acknowledging a right are assessed from the moment the priority right is acquired.

The national priority right occurs on the day of submitting an application to SOIP. Exceptions are the union and convention priority.

The content of the application has been developed in a special form, as per IPL and the Rulebook on the Trademark. The following are important elements of the application: a petition for acknowledging a trademark, information on the applicant, the appearance of the sign for which protection is sought, divided by classes in accordance with the International Classification and the Nice Classification of goods and services (Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, of June 15, 1957, as revised at Stockholm on July 14, 1967, and at Geneva on May 13, 1977, and amended on September 28, 1979). It should be pointed out that the sign needs to be of good quality and done in a clear manner; additional deleting, striking through, gluing or colouring is forbidden.

Next, the submission date is established, which is a novelty in IPL. A submission date is considered the day of receiving a complete application upon which the applicant acted, in accordance with the notification, in terms of the application content pursuant to IPL. If date may not be established on the trademark application, SOIP will call the appli-

cant to remove the deficiencies found. On the contrary, the application will be rejected with a conclusion. The trademark application, which application date has been established in accordance with IPL, is entered in the trademark applications register.

The formal inspection of the application is done after its entry in the applications register. The inspection is in terms of whether the application contains the formal legal requirements in accordance with IPL (for example, whether it contains all elements necessary for assessing the right for which protection is sought, whether the prescribed tax has been paid, whether evidence for the payment has been attached, whether there is a valid power of attorney in case the application was filed by a proxy). If needed, SOIP calls the applicant to formally correct the application within 60 days (with a possibility for extending the deadline for additional 60 days) or on the contrary, the application is rejected with a conclusion.

The second phase of recognizing the right to a trademark involves a material and substantive inspection of the application. The existence of these conditions is inspected from the day of submitting the application, as a day from which the priority right begins. In this phase of the procedure, SOIP examines the absolute rejection reasons and if some of the rejection reasons are found, SOIP rejects the application with a decision. If absolute rejection reasons do not exist, if the trademark application is in order and the publication fees have been paid, the application data is published in SOIP's official journal – Glasnik. The application is then published on SOIP's website.

COMPLAINT

A significant novelty is also the legal remedy – complaint. This makes the procedure for recognizing the trademark right more objective, simpler and faster. The complaint was accepted as a modern solution in almost all trademark right related European laws. The complaint enables faster and more efficient protection of the owner and his violated rights in a special complaint procedure, during the trademark registration procedure.

SOPI does not pay attention to the relative rejection reasons by official duty, but the actively identified persons may also act upon them within 90 days of the publication of the application.

The complaint is a legal protection means which is filed against a trademark indicated in the published trademark application. It is a suspending legal mean, as it postpones the recognition of the trademark registration. It is a two-sided legal means, because the complaint is submitted to the complainant and the applicant, but it is also an autonomous legal means, as it is decided upon independently from the other trademark protection means. The complaint submission deadline is within 90 days from publishing the application in the official journal of the Office. The deadline is preclusive. It may not be extended. A separate complaint is filed for each application. Parties in the complaint procedure are the complainant and the applicant.

IPL pays special attention to the complaint and especially the procedural presumptions that need to be fulfilled in order for the trademark application complaint to be taken into meritorious consideration. This will happen if the complaint is allowed, timely and complete. The complaint is allowed if filed by an eligible person – identification document for filing according to IPL. The complaint is timely if filed within the deadline period. The complaint is complete if one can establish for which published trademark application it refers to, as well as other documentation. If the previously mentioned conditions are not met, if the complaint is not suitable for meritorious decision making upon his grounding, SOIP rejects it with a conclusion.

The complaint upon the published trademark

Table 1: Cases in which Adidas acted as plaintiff

Plaintiff	Defendant	Case specifications
Adidas America Inc.	Aldo Group Inc.	Portland federal court: Adidas claimed breach of out-of-court settlement. ., 3:09- cv-00056, U.S. District Court, District of Oregon (Portland).
Adidas-Salomon AG	Alysida	Supreme Court of Greece reviewed dilution and confusion in relation to the adidas three-stripes and remitted case to Athens court.
Adidas America, Inc and Adidas Solomon, AG	Payless ShoeSource Inc.	Damages granted to Adidas in the amount of 304.6 million 3:09- cv-00056, U.S. District Court, District of Oregon (Portland). 3:2001cv01655.
Adidas America, Inc.	Kmart	Adidas alleged counterfeiting, trademark infringement, unfair competition, trademark dilution and deceptive trade practices. 3:2005cv00120
Adidas	Marca Mode, C&A, H&M Hennes & Mauritz and Vendex KBB	European Court of Justice preliminary ruling was that "...First Council Directive 89/104/EEC
Adidas	Marca Mode II	Dutch Supereme Court (Ruling: Two stripes don't infringe the "three stripes" trademark
Marca Mode	Adidas AG, Adidas Benelux BV	European Court of Justice Case. Case C-425/98
Adidas America Inc.	Abercrombie & Fitch	Case before an Oregon District Court. Adidas claimed that Abercrombie and Fitch trousers and sweat shirts had two stripes similar to the three stripes. Case Number: 3:2004cv01866

application is a two-sided legal means. If all conditions are fulfilled (allowed, timely and complete), SOIP notifies the applicant of the reasons listed in the complaint and invites him to give an explanation within 60 days.

If the applicant does not submit an explanation of the reasons listed in the complaint, it is considered that he has no objections to the complaint, in which case SOIP decides upon the items in the complaint. What is the final SOIP decision? If SOIP determines that the complaint is unfounded, it shall reject it with a decision. If SOIP determines that the complaint is founded, it shall reject the trademark application, for which it submits a decision both to the applicant and the complainant.

Pursuant to IPL, the trademark right is based on registration and is acquired by bringing a decision for recognizing the right (after all expenses are paid) and by recording the trademark in the trademark register kept in SOIP. The date of recording the trademark in the trademark register is identical to date of the decision for recognizing the trademark. The trademark right is valid for 10 years from the day of submitting a complete application, with a right to unlimited extension.

The right to trademark terminates with the expiration of the validity; negation of the right; close-down of the owner if it is a legal person; death of a natural person who did not leave heirs; and publishing a decision for invalid.

RESULTS AND DISCUSSION

The importance of a trademark for sport products: some of the adidas® cases

Scholars have been dealing with the influence of intellectual property law to sport as one of the main pillars of sports law. For instance, D. Wilson in one of his surveys explains the role of Trademark in resolving disputes for trademark dilution (Wilson, by: Bachner, 2001).

Similarly, Bachner, mentions the sponsorship, marketing and trademark issues in sports in Asia, manifested through the role of numerous companies such as United Airlines®, Reebok®, Adidas®, Fila®, Spalding®, Nike®, Ford®, Budweiser®

and Motorola® (Bachner, 2001).

This tendency makes the issue of trademarks in sports law even more significant, having in mind the huge economic dimensions of sports and its character as a social phenomenon.

The jurisprudence in the United States and Europe is quite rich with sports trademark cases. Adidas® and its pertinent entities are among the leaders in these cases. The most familiar cases where this company has acted as a plaintiff and one case where it has been a defendant are presented on Table 1.

Most of the cases were launched due to the alleged violation of the famous, well known “three stripes” Adidas trademark, presented graphically at Picture 1.

*Picture 1: Adidas three stripes trademark
three stripes, Adidas*



(Source: Adidas, inc.)

Some of the products that allegedly violated this trademark and were confusingly similar to the “three stripes” according to Adidas, sold at Kmart and other stores are presented at Picture 2.

Picture 2: Kmart products with three stripes



*(Source: M. Davis, Adidas sues Kmart:
“Whose Stripes? Our Stripes!”)*

The analysis of Table 1, shows significant number of cases in the United States jurisprudence. In most of these cases where Adidas has acted as a plaintiff, the main argument of the lawsuit was that the merchandise of the competitor was similar to the three stripes trademark, ownership of Adidas. In this manner, as stated by the plaintiff, the issue of likelihood of confusion was raised within U.S. courts, mostly in the state of Oregon. The ruling was in favour of Adidas, due to the fact that the products of the competitors were misleading the consumers (Table1, Picture 1, Picture 2). Similar to this, in the case Adidas-Salomon AG v. Alysida, the Supreme Court of Greece reviewed dilution and confusion in relation to the adidas three-stripes and remitted case to Athens court (Barry, 2009).

As far as the European Union jurisprudence is concerned, among the several cases involving Adidas, one is of particular interest regarding trademarks of sport products: the case of Adidas vs. Marca Mode, C&A, H&M Hennes & Mauritz and Vendex KBB. In this case, the issue included the application of the "Trademark Directive" i.e the Directive 89/104/EEC. The European Court of Justice preliminary ruling was that "...First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that the requirement of availability cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark, except in so far as the limitation of the effects of the trade mark defined in Article 6(1)(b) of the Directive applies"(Case C- 102/07. European Court of Justice).

Another case of interest would be the case Marca Mode vs., Adidas AG, Adidas Benelux BV, where Adidas acted as a defendant. ECJ ruled that "... the exclusive right enjoyed by the proprietor entitles him to prevent the use of the sign by that third party if the distinctive character of the mark is such that the possibility of such association giving rise to confusion cannot be ruled out..."(Case C-425/98. European Court of Justice).

CONCLUSION

Macedonian trademark law has been legally shaped to provide efficient and effective protection in accordance with the European and world standards. Bearing in mind the comparative experience, and especially taking into account the international regulations, the Macedonian legislator introduced a range of novelties in the new IPL from 2002/2004. Some of the more prominent ones are: publishing the application, determining the application date and complaint procedure within a special administrative procedure for recognizing a trademark right, as well as standardization of the certification mark and the well-known mark, which represents a step forward in the realization of the protection of the right to trademark as one of the most significant parts of the industrial property.

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МАТЕРИЈАЛНИТЕ ПРАВА НА НОСИТЕЛОТ НА ТРГОВСКАТА МАРКА И АНАЛИЗА НА СЛУЧАИ СО СПОРТСКА ТРГОВСКА МАРКА

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(Оригинален научен труд)

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Апстракт:

Трудот ги разработува материјалните овластувања на носителот на правото на трговска марка во теоријата и во македонското законодавство. Посебно е ставен нагласок на функциите на трговската марка вклучувајќи ја дискриминованоста, конкурентската и гарантната функција. Трудот се фокусира и на постапката за стекнување, правото на приоритет, приговорот и исцрпувањето на правото. Со цел илустрирање на значењето на некои трговски марки на спортски производи, анализирани се неколку случаи за добро познатите трговски марки (Adidas). Извлечени се повеќе заклучоци во однос на концепцијата на македонското трговско право, како и за значењето на спортските трговски марки.

Клучни зборови: *индустриска сојственост, спортско право, право на првенство, Ничанска класификација,*