

21 The Scope of Rights and the Functions of Trademarks

Under the European Trademark System

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It has long been pointed out that a trademark serves many functions in a market. In addition to the essential function of indicating the origin of goods, such functions as the so-called function of guaranteeing the quality of goods and the function of advertising goods have been well-known. People have been debating whether these functions should be protected under the trademark law in addition to the function of indicating the origin of goods. This debate has reemerged in Japan as well. For example, the Japanese Supreme Court addressed the issue of the function of guaranteeing the quality of goods in a recent case about parallel imports. Since then, the scope of trademark functions that should be subject to legal protection has been reexamined. This paper will cast light on the European trademark system and introduce some theories and precedents, which are categorized into several groups in this paper, concerning trademark functions debated in the course of determining the scope of protection for trademark rights. Based on those theories and precedents, we will examine and analyze the interpretations and definitions of trademark functions presented therein.

1 The purpose of this report

With the diversification of the roles played by trademarks in the market and the development of a new asset-evaluation method called “brand value index” as a means to assess corporate values, the economic values of trademarks per se have been increasing in recent years. Against this backdrop, there is an increasing demand for legal protection for the practical functions performed by trademarks in the market and a new definition of the scope of protection broad enough to contribute to the successful implementation of corporate marketing strategies and management methods.

In Japan, the issue of whether any person who interprets the scope of protection for a trademark should take into consideration the economic function and value of the trademark has often been discussed in relation with the issue of how to interpret the “functions of trademarks” to be protected under the trademark law. We traditionally assume that the functions of

trademarks include the function to distinguish the origin of goods, the function to guarantee the quality of goods, and the function to advertise goods. There is a consensus that the function to distinguish the origin of goods should be protected under the trademark law. However, there are different views on whether to protect the other functions under said law and what the specific purpose of each of those functions is.

The European Union issued a directive concerning the unification of trademark systems in 1988 (First European Union’s Directive to approximate the Laws of the Member States relating to Trade Marks: hereinafter referred to as “Trademark Directive/TMD”)^{(*)1} and adopted the council regulation on trademarks in 1993 (Council regulation on the community trade mark: hereinafter referred to as “Trademark Regulation/CTMR”).^{(*)2} Both the TMD and CTMR were devised for the purpose of unifying the trademark protection systems in the Member States in an effort to create a Common market and further develop the

(*)1 First Council Directive 89/104 EEC of 21 Dec. 1988 to approximate the laws of Member States relating to trade marks, OJL 040 11/02/1989 p. 0001.

(*)2 Council Regulation (EC) No.40/94 of 20 Dec. 1993 on the community trade mark, OJL 011, 14/01/1994 p. 0001.

economy in the EU territory. In compliance with the TMD and the CTMR, many Member States altered their conventional scopes of protection.

Some articles point out that a reason for the establishment of the TMD was the increasing awareness that the trademark laws of the Member States no longer reflected the reality of the market. In other words, the economic value embodied by a trademark is generated by more than just its basic function of indicating the commercial origin of goods or services. As the economic value of a trademark is generated from a wider range of functions, protection for a trademark should not be restricted to the function of indicating the origin of goods or services. This interpretation is said to be reflected in the TMD and the CTMR, which provides protection to the use of non-similar goods or services and allows an assignment of a trademark right without business transfer. Some court judgments with regard to the interpretation of the Directive indicate the possibility of widening the scope of protection for trademarks and protecting a wider range of trademark functions. Some people consider such court decisions to be meaningful because those decisions are in line with the current trends of diversification of trademark functions and an increase in the property value of trademarks.

The purpose of this report is to introduce different interpretations of the “functions of a trademark” protected by the trademark law by reviewing and analyzing the legislative history of the establishment of the European trademark system and the judgments handed down by the ECJ. In order to understand the functions of a trademark, we need to discuss a wide range of issues, because trademark functions must be understood in light of the trademark law as a whole. Therefore, it would be a good idea to illustrate several typical infringement cases where interpretation of the functions of a trademark could greatly affect the judgment.

The first case is where interpretation of the concept of “likelihood of confusion” could affect the scope of protection for a trademark.

The second case is where the issue of parallel import is disputed. This issue has reemerged in Japan in recent years, sparking vigorous debates. As the issue of parallel import is considered to involve exhaustion of trademark rights under the European trademark system, we will first analyze disputes regarding the applicability of the principle of international exhaustion. Then, we will examine some cases where the applicability of the exhaustion principle could be at issue, in other words, where the repackaging of a marked product or the use a trademark in an advertisement could be at issue.

2 Outlines of the European trademark system

The European Community adopted the Trademark Directive in 1988 and the Trademark Regulation in 1993. The former was devised for the purpose of harmonizing the national trademark laws of the Member States, whereas the latter aims at the creation of a Community trademark that will be effective throughout the EU territory. Both the directive and regulation provide similar protection in substance as both have almost the same provisions about the contents of protection and the restrictions on trademark rights, except for some differences in procedures and the geographic scopes of rights.

Article 9 of the CTMR and Article 5 of the TMD specify that a trademark infringement shall be considered to have been committed when any of the three types of signs is used in a transaction.

- a) A sign identical with a registered trademark used for goods or services identical with those for which the trademark is registered;
- b) Any sign identical with or similar to a registered trademark that is likely to cause confusion (a likelihood of confusion) among some of the general consumers because the sign is used for goods or services identical with or similar to the goods or services for which an EU trademark has been registered. This likelihood of confusion

includes a likelihood of association; or

- c) Any sign identical with or similar to a registered trademark that is used in relation to goods or services unlike those for which the trademark is registered. In this case, the registered trademark should have a reputation within the EU territory (in the Member States), and the sign was used without due cause for the purpose of gaining unjust profits from the distinctiveness and reputation of the said trademark or for the purpose of damaging its distinctiveness or reputation.

One of the noteworthy alterations to the conventional scope of protection for trademarks is that the likelihood of association is included in the concept of a “likelihood of confusion” as specified in b) above. Another noticeable alteration is that protection is considered necessary for a trademark with reputation in c) even if there is no similarity in goods or services.

This paper shed light on the disputes over the concept of “likelihood of association” and relevant judgments handed down by the ECJ.

3 Relationship between a likelihood of confusion and a likelihood of association

The concept of “likelihood of association” specified in Article 5(1)(b) TMD is said to have been originated from the Uniform Benelux Law on Trademarks. Many publications have pointed out that the terms regarding a likelihood of association were adopted into the European trademark system as the Benelux states strongly recommended the adoption at the negotiation table for the establishment of the system.

First of all, please note that the term “a likelihood of association” does not herein imply such association as licensing or alliance, unlike cases when the term is used in a broader sense in the context of referring to the contents of a likelihood of confusion. The likelihood of association is not an issue of the origin of goods to which an indication is attached but an issue of whether a person who sees an allegedly infringing indication

would associate the indication with a registered trademark. This is why a likelihood of association is often explained in connection with non-origin association.

Therefore, the concept of a “likelihood of association” is considered to be wider than the concept of a “likelihood of confusion” in its broad sense. (A likelihood of “confusion” includes a case where similar signs mislead consumers into believing that the owners of those signs have some economic relationships.) It has been said that the proof of a likelihood of confusion is unnecessary for the establishment of a trademark infringement as long as a likelihood of association has been proven. As explained above, the Uniform Benelux Law on Trademarks is said to have protected the function of a trademark as an attraction for consumers with the recognition that a trademark is more than an indication that simply distinguishes the origin of goods from that of other goods and that a trademark stays in the mind of the public and gives consumers a sense of trust toward the goods bearing the trademark separately from a sense of trust given by the origin, source, and quality of the goods.

As such concepts that have been used in the Uniform Benelux Law on Trademarks were adopted in the Trademark Directive and in the Trademark Regulation, some people naturally consider the said system to provide protection not only for the trademark function of indicating the origin but also for other functions as well.

However, it is not clear why and how the European trademark system has come to adopt the term “likelihood of association.” Some people say that the system is just a product of compromise among the Member States. Naturally, strong oppositions against the practice of recognizing such a broad scope of protection have been expressed in some theories and precedents, especially in the United Kingdom.

For instance, in relevant precedents in the United Kingdom, it has been pointed out that, since the TMD has a provision stipulating a likelihood of confusion, the

interpretation that a mere likelihood of association shall be enough to establish an infringement lacked legal grounds. In practice, the interpretation that a trademark should be protected even if there is only a likelihood of association could create an exclusive right in the area irrelevant to the transaction with the trademark owner and thereby gives an exclusive right to the trademark itself. Therefore, a likelihood of confusion is required for the establishment of an infringement.

The ECJ presented its interpretation of this issue in the Sabel judgment as follows. Since this interpretation was repeatedly mentioned in subsequent cases brought before the Court, it could be said that this issue was, though controversial, settled in the Sabel Case.

The Court held that the term “a likelihood of association” may be used with the following three meanings: (1) a likelihood of direct confusion about the origin (so-called narrow sense of confusion); (2) a likelihood of indirect confusion about the origin (so-called broad sense of confusion); and (3) no confusion between two signs while consumers find associations between the two signs. The Court also held that, according to the wording of the TMD, the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define the scope of protection and, therefore, that a likelihood of association should be interpreted as a concept subordinate to the concept of a likelihood of confusion. Furthermore, the Court presented its interpretation that a likelihood of confusion is required for the establishment of an infringement.

The issue of how to interpret a “likelihood of association” may be boiled down to a question of whether the trademark laws of the Member States should provide protection for the use of a trademark as an attraction for customers, for example, the use of a trademark image or the trademark function of advertising goods or services. Some people criticize that the above-mentioned judgment of the ECJ

disregarded the importance of the trademark function of advertisement in terms of the current value of a trademark. With regard to the use of a trademark as an advertisement, some people say that the reputation of a trademark should be protected in a case specified in Article 5(1)(b) TMD; in this case, the goods are considered similar in view of the fact that a certain level of protection is provided for a trademark with a reputation despite the lack of similarity between the goods under Article 5(2).

The ECJ has kept its stance that a likelihood of association is not enough to establish a trademark infringement. This stance and the theories supporting the stance are based on the interpretation that it would be enough to give legal protection to the function of a trademark as an indicator of the origin of goods or services. That is the most basic function of a trademark that “gives an exclusive right to the trademark owner to attach the trademark to certain products, making them distinctive.” The economic value of a trademark created by other trademark functions, such as a function of accumulating consumers’ trust in the quality of goods or a function of advertising the marked goods, may be legally protected merely as a result of the protection for this basic function. Even if the necessity of protection for those functions is recognized, some people would remain critical of providing a broad scope of protection under Article 5(1)(b), which does not specify the conditions under which protection may be provided, whereas Article 5(2) provides protection only when such conditions as the necessity of a high level of distinctiveness or reputation are satisfied.

4 International exhaustion of trademark rights

Concerning the acts prohibited under Article 5(1) TMD and Article 9(1) CTMR, Article 5(3) TMD (Article 9(2) CTMR as well) categorizes those acts into the following four groups: (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 under that sign, or offering or supplying services thereunder; (c) importing or exporting the goods under the sign; and (d) using the sign on business papers and in advertising.

This means that, under the European trademark system, the owner of a trademark is entitled to exercise his/her right on the genuine goods bearing the trademark that have been legally introduced into the market for distribution or import. However, the European trademark system restricts the trademark owners' rights to some extent. Article 7 specifies the concept of exhaustion of trademark rights. The first paragraph of said Article stipulates, "The trade mark shall not entitle the proprietor to prohibit its use in relation to goods that have been put on the market in the Community under that trade mark by the proprietor or with his consent," while the second paragraph specifies a case where the exhaustion principle does not apply by stating "Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market."

Paragraph 1 specifies that the principle of exhaustion shall apply to the goods that have been legally put on the market in the "Community" (so-called "Community exhaustion"). However, it has not necessarily been clear as to how one should interpret and determine the applicability of the principle of exhaustion to any goods that were initially put on the market outside the Community ("international exhaustion"). This lack of clarity is attributable to the fact that not a few Member States adopted the principle of international exhaustion in their respective domestic laws before the establishment of the European trademark system.

This lack of clarity was solved when the ECJ handed down a judgment for the *Silhouette Case* in 1998 by stating that national rules providing for international exhaustion of trademark rights are contrary to the TMD. The Court held as follows: (1) the wording of the TMD that contains the term "in

the Community" and the legislative history of why the term has come to be used in the Directive should be interpreted to suggest that the Directive is limited to requiring the Member States to provide for exhaustion within the Community; and (2) the purpose of the TMD is to unify the trademark protection systems in the Community for efficient and effective trade within the Community market. If the issue of exhaustion was left up to each Member State, some Member States would provide for international exhaustion while others provided for Community exhaustion. Such confusion in interpretation would give rise to barriers to the free movement of goods and therefore should be prevented.

This judgment has been criticized by some scholars. Such criticism can be categorized into the following three groups. First of all, the critics argued that it was inappropriate to consider the *Silhouette Case* to be a dispute over the applicability of the principle of exhaustion to goods imported from outside the Community (international exhaustion) because the *Silhouette Case*, where the goods were initially sold within the EEA market, should be subject to Article 7(1) of the TMD. Secondly, critics questioned the appropriateness of using the legislative history as a basis to interpret that a legislative judgment, though controversial, was made on the scope of application of the principle of exhaustion. Thirdly, critics pointed out that no explanation had been given on the essence of the principle of exhaustion, i.e., the interpretation of the scope of a trademark right.

In this paper, in order to examine the second criticism, we first reviewed the legislative history of the establishment of a provision specifying the exhaustion principle in the TMD and the CTMR. The Proposal for a first Council Directive to approximate the laws of the Member States relating to trademarks publicized in 1980 had a provision: "The trade mark shall not entitle the proprietor thereof to prohibit its use in relation to goods that have been put on the market under that trade mark by the proprietor or with his consent." It is clear from

the explanatory memorandum as well that the principle of international exhaustion was adopted. The memorandum also clearly states that the principle of exhaustion is a direct consequence of its “function as an indicator of origin” and that the place where the marked product is initially put on the market is not important in this respect. However, this principle was criticized by the European Parliament. As a result, the condition that the goods in question must have been put on a market “in the Community” was added to the final TMD in 1984. The reason for this alteration was unclear. It was simply explained to the public that the Community Legislator must refrain from introducing the principle of international exhaustion, and must establish the rule of Community-wide exhaustion. The conversion to the Community-exhaustion principle is widely regarded as an economic and political decision made in response to the pressure from the industry opposing the adoption of the principle of international exhaustion. Therefore, the decision to establish of the Community exhaustion principle was not made in relation to the functions of a trademark. In the subsequent Sebago Case, which upheld the Silhouette judgment and denied international exhaustion, although it was a case where the use of a trademark for parallel-imported goods did not damage its functions of indicating the origin and guaranteeing the quality, the ECJ denied the international exhaustion based on the TMD. This indicates that the Court considered this issue as irrelevant to the issue of trademark functions. This judgment resulted in the interpretation that a trademark right is the right of control over the first use of the trademark that is attached to the goods to be put initially on the EU and EEA markets.

However, many theories criticized that it would allow decisions and legislation to be made on whether to apply the principle of international exhaustion without taking into consideration the functions of a trademark. These theories share the same stance that the most essential function of a trademark that should be legally protected is the function of

guaranteeing the identity of the origin of goods and, therefore, that any trademark system with no regard to this trademark function is inappropriate. For those who interpret that a trademark right is the right of control over the first use of the trademark attached to the goods to be put on the EU and EEA markets, this stance would prompt them to identify the functions of a trademark that should be protected by giving a trademark owner such right of control. A right of control over the first marketing of goods plays a variety of roles such as the maintenance of quality guarantee, pricing system, and advertisement value. Thus, it is necessary to examine the contents of each of those roles.

5 The applicability of the principle of exhaustion of rights

On the other hand, the adoption of the principle of Community exhaustion is specified in Article 7(1) TMD (Article 13(1) CTMR). However, even when a trademark right is exhausted as the conditions stipulated in said provision are satisfied, there are exceptional cases where the exhaustion of right is denied under Article 7(2) TMD (Article 13(2) CTMR). Article 7(2) sets forth that Paragraph 1, which specifies the exhaustion of rights, shall not apply to a case where there exists a legitimate reason for the owner of a trademark to oppose further commercialization of the goods bearing the trademark, especially where the condition of the goods is altered or impaired after they have been put on the market. A legitimate reason is considered to exist if a product has been physically changed. This provision is generally regarded as providing protection for the trademark function of indicating the origin of marked goods.

A question could be raised as to what constitutes a “legitimate reason” in various cases, including a case where a product has been physically altered or damaged. In some recent cases, the Court mentioned in its judgments not only the effect on the trademark function of indicating the origin of the marked goods but also the likelihood of the use of the trademark to damage the quality of

the goods or the reputation of the trademark. In this report, cases where the existence of such a legitimate reason had been disputed were categorized into three types for further analysis.

The first type is a case regarding repackaging of a product. It has long been debated whether a trademark owner is entitled to exercise his right if a company purchases marked goods (especially pharmaceutical products) in one Member State and repackages them and reaffixes the trademark on the new packaging before importing them into another Member State.

The ECJ had handed down judgments for similar cases even before the establishment of the European trademark system. As described below, the Court considered that the main issues in those cases can be boiled down to the issue of interpretation of Article 30 and Article 36 of the EC Treaty. In the relevant precedents after the establishment of the TMD, the Court took a consistent stance in its judgments by saying that those Articles of the EC Treaty and Article 7 of the TMD are intended to reconcile the fundamental interest in protecting trademark rights with the fundamental interest in the free movement of goods within the common market and, therefore, that those provisions, which pursue the same result, must be interpreted in the same way. For this reason, as far as this issue is concerned, the interpretation has remained the same before and after the establishment of the European trademark system. In other words, a judgment has been made based on whether a particular case falls under Article 36 of the EC Treaty, where restrictions on imports and exports are allowed for the purpose of protecting the specific subject matter of an industrial property right and, more specifically, based on what “specific subject matter” of a trademark right means. It was in this context that the European Court presented its interpretation on what the essential function of a trademark is.

Even after the establishment of the European trademark system, the European Court’s interpretation on the essential function of a trademark is the same as that

presented in previous cases. The essential function of the trademark is “to guarantee to the consumer or end user the identity of the trade-marked product’s origin by enabling him to distinguish it without any risk of confusion from products of different origin.”

In the Bristol Case, for instance, the Court judged that a trademark owner may not exercise his right against an act of repackaging because the act is not considered to be damaging to the trademark functions when (1) the use of the trademark right by the owner would not contribute to the artificial partitioning of the markets between Member States (it would be necessary to take into consideration the effective access to the market of the importing State and the necessity of repackaging), (2) the repackaging would not adversely affect the original condition of the product, (3) it is stated on the new packaging by whom the product has been repackaged, (4) the presentation of the repackaged product is not such as to be liable to damage the reputation of the trademark and of its owner, and (5) the importer gives prior notice to the trademark owner before the repackaged product is marketed. It should be noted that these conditions were reexamined in subsequent cases in terms of the specific contents of each of the conditions and the appropriateness thereof and were, as a result, altered in many ways. Therefore, these conditions should not be regarded as established criteria generally used. It is widely believed that these conditions were established in consideration of special circumstances surrounding pharmaceutical products. For this reason, not all of the five conditions were applied to the case where a label on the bottle of whiskey was reaffixed.

The second type is a case concerning replacement of a trademark.

The term “replacement” means a case where, as a trademark owner uses different trademarks for the same product in the exporting country and the importing country, an importer of the genuine product replaces the trademark used in the exporting country with the trademark used in the importing country.

Some cases of replacement of a trademark were distinguished from those concerning repackaging and were subject to conditions different from those used in the latter cases. In those cases, the essential trademark function of “guaranteeing the origin of goods” merely means that the trademark owner is entitled to give identity to a product by putting an indication thereon. The function of guaranteeing the origin of goods would be damaged if a third party were allowed to put an indication on the goods. Even if those products are genuine, that function would be damaged. The Court seems to give greater protection to a case of replacement of a trademark than the protection provided in a case of repackaging. On the other hand, in some cases, the Court concluded that both cases were the same in substance. In such cases, the Court based its judgment on the above-mentioned conditions presented in the Bristol Case.

The third type is a case where a trademark is used in advertising.

In this case, it is generally believed that the reseller was free to make use of the trademark in order to bring to the public's attention the further commercialization of goods as long as the circulation of those goods that had legally been put on the Community market was considered legal. However, in the case of use of a trademark in an advertisement for sale of used goods, the Court stated that a legitimate reason is considered to exist for the trademark owner to exercise his right against any use of the trademark in such a way that the reseller of used cars has commercial connections with the trademark owner. This interpretation could be made in consideration of the trademark function of guaranteeing the identity of the origin of goods, which is a conventional function of a trademark.

One of the cases that fall under this category is the Dior Case, where the use of a trademark in an advertisement in such a way that could damage the reputation of the trademark was considered to constitute a “legitimate reason” specified in Article 7(2) in principle. The Court maintained its stance of protecting the reputation of a trademark in a

series of the above-mentioned cases about repackaging of pharmaceutical products, where the Court presented its interpretation that the trademark owner may exercise its right if the presentation of the repackaged product is liable to damage the reputation of the trademark. The Dior judgment was particularly noteworthy in that the Court recognized the necessity of the protection for the image of a trademark by holding that, in the case of prestigious, luxury goods, the reseller must not act unfairly in relation to the legitimate interests of the proprietor of the trademark and that the trademark law should allow the trademark owner to prohibit a seller from creating an advertisement for a marked product that would affect the value of the trademark by reducing the aura of luxury of the goods and the trademark or the allure and prestigious image of the goods in question.

In view of the court judgments handed down in these three types of precedents, it would be safe to conclude that the Court presumes that the essential function of a trademark is to guarantee the identity of the origin and considers it necessary to protect the prestigious image and good reputation of a trademark with such image and reputation. Article 5(2) of the TMD (Article 9(1)(c) of the CTMR) protects any trademark that has gained reputation against the use thereof in such a way as to be liable to damage the distinctiveness and reputation of the trademark. Such interpretation that the advertisement function of a trademark should be protected under the trademark law is in line with the said provisions to protect the advertisement value of a trademark.

Such interpretation, however, has given rise to the following questions.

First, as seen in the above-described precedents, parallel imports are not subject to Article 5(2) but to Article 5(1), which classifies parallel imports into two categories. Therefore, it should be carefully determined whether it is appropriate to use this Article as a basis for protecting the reputation in cases where the applicability of Article 5(1) is disputed.

Second, in relation to the precedents, it would be possible to reach the same conclusion

even when protection is presumed to be provided for the trademark function of guaranteeing the origin. In sum, a trademark owner has the right to exclusively decide when to put a product bearing its trademark on a market for the first time and what packaging and user instructions it should add to the product. Without such right, the trademark owner would not be able to bear responsibility for its product and enjoy the goodwill accumulated in the trademark. If an act of repackaging makes the trademark owner responsible for an outcome that the trademark owner has nothing to do with, it may be explained that the trademark function of guaranteeing the origin of goods could be damaged.

The Dior judgment should also be taken into account to examine this issue.

The Dior Case is often interpreted as a case where the Court clarified its understanding that protection should be provided to the reparation of a trademark (advertisement value). Some theories interpret that protection should be provided to the act of selling marked goods in an atmosphere requested by the trademark owner. In other words, this interpretation would allow a trademark owner to have the right to control the method of selling goods bearing his trademark even when those goods have been put on a market legally.

Another point to examine in relation to the above-mentioned interpretation is under what conditions the Court would consider the reputation of a trademark to have been damaged. It should be noted that, in the Dior judgment, the Court took into consideration whether the defendant's way of using the trademark was customary in that industry. The Court did not require the reseller to advertise the marked goods in an atmosphere similar to the one in which the dealers, who were designated by the trademark owner, advertise the goods. In other words, the Court did not allow the trademark owner to demand that advertisement should be made in the way they preferred. This reveals that the concept of "reputation," which was subject to protection in the Dior Case, has, in fact, remained

undefined.

Regarding a case of replacement of a trademark, which falls under the second category mentioned above, some people criticized that the scope of protection was determined without taking into consideration specific circumstances of each case. From the perspective of trademark functions, as pointed out in some precedents, it would be difficult to apply the same conditions to both repackaging and replacement of a trademark. The term "origin," used in the trademark law, does not mean that a product was, in fact, produced in the exporting State and sold in the importing State by the same company. Therefore, it would be possible to interpret that a third party's act of putting a new trademark on goods without the trademark owner's consent constitutes a trademark infringement in principle.

6 Conclusion

As described in the preceding sections, the issue of how to interpret trademark functions has remained unsolved. From the perspective of trademark functions, I found none of the interpretation convincing enough to justify the necessity of protection for the trademark function of quality guarantee and advertisement.

In this paper, I examined three major issues. The first issue is a likelihood of association, which was explicitly denied by the case-law. The second issue is the international exhaustion of rights. This concept is not a theory based on the trademark law but rather an interpretation made solely for economic and political reasons. As far as Japan is concerned, since this country does not apply the principle of exhaustion of rights to parallel imports, I find it difficult to consider the principle of international exhaustion to be an interpretation theory, while it may be considered a legislative theory. The third issue is "legitimate reasons" to deny exhaustion. Some of the judgments handed down by the European Court of Justice may be interpreted that the Court decided to protect the reputation or image of a

trademark even when such protection was not necessary to guarantee the origin. This judgment was justifiable because the European trademark system had a rule to protect famous indications. Since the Japanese Trademark Act lacks such rule, the Court's judgment does not suggest that the trademark function of advertisement such as reputation or image is protectable in Japan.

It is clear from relevant precedents in Europe that, when protection is demanded for a trademark function other than the function of guaranteeing the origin of goods, there are various situations where such protection is considered necessary. Before further consideration on this matter, it would be necessary to clarify what really needs to be protected. Some theories rightly pointed out that a trademark owner should not use his right as a means to partition markets so that he can distribute his products under his pricing policy. Such abusive use of a trademark could occur depending on how to define the trademark functions of quality guarantee and advertisement and when to protect such functions.

In order to study similar arguments in Japan, it would be necessary to analyze each trademark function by discussing a specific case where the protection for that particular function is in dispute. It would also be necessary to carefully classify those cases by identifying what specifically is at stake in each case.