

Supreme Court addresses confusion between descriptive, non-distinctive trade names

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On 19 February 2021 the Supreme Court rendered a decision in a case that addressed descriptive trade names and the potential for confusion between them.

Facts

Dairy Partners was a British producer of kneaded cheeses (eg, mozzarella) for the business market in 23 countries, including the Netherlands. It was a large and well-known player in this market and had been trading under the trade name Dairy Partners since 2007. This phrase also appeared in its logo and in its domain name, 'dairypartners.co.uk'.

DOC was a Dutch company which was the result of a 2016 merger between a Dutch cheese producer and a German dairy producer. It focused on the Benelux and French markets. Since 2016 DOC had been trading under the trade name DOC Dairy Partners. This phrase also appeared in its logo and in its domain name, 'docdairypartners.nl'.

Dairy Partners and DOC both presented themselves at international fairs.

Claim

Dairy Partners requested the district court to order DOC to remove the phrase 'dairy partners' from its trade and domain names. Its reasons for the request were that:

- it had a right to the trade name Dairy Partners because of its activities in the Netherlands; and
- DOC's use of the phrase created a likelihood of confusion, as referred to in Article 5 of the Trade Names Act (TNA).

DOC disputed the alleged likelihood of confusion. It argued that the trade name Dairy Partners was descriptive of a company that sold dairy products and sought partnerships with its customers. It further stated that the public was knowledgeable and could distinguish between the companies. According to DOC, the trade name's descriptive character meant that its use could not be prohibited, or at least that Dairy Partners would have to demonstrate other circumstances in addition to the likelihood of confusion for the use of a similar trade name to be unlawful. DOC argued that such additional circumstances did not exist or, at any rate, had not been proven.

District court decision

The district court granted Dairy Partners' claim and ordered DOC to change its trade name. It considered that the trade name was not descriptive of the parties' activities and was capable of distinguishing between them.

DOC did not have to remove the word 'dairy' because the court found that this was purely descriptive of the parties' products. However, the court found that the combination of the descriptive word 'dairy' and the non-descriptive word 'partners' could result in confusion between the two companies.

Legal context

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Rather than immediately rendering a decision, the court of appeal raised various prejudicial questions, the legal context of which is as follows.

Under Article 5 of the TNA, descriptive trade names can enjoy protection against the use of identical or similar trade names if such use is likely to confuse the public.

In *Artiestenverloning*, an 11 December 2015 decision which related to domain names and was based on Article 6:162 of the Civil Code (which concerns unfair competition), the Supreme Court decided that the use of a purely descriptive domain name is unlawful only if such unlawfulness results from additional circumstances, regardless of whether the use of the domain name causes confusion.

In *Parfumswinkel*, a 19 September 2017 decision, The Hague Court of Appeal ruled that the *Artiestenverloning* judgment also applies to purely descriptive trade names in disputes that concern Article 5 of the TNA.

However, the *Artiestenverloning* judgment does not state, at least not unambiguously, that it also applies in the context of Article 5 of the TNA. Unlike domain names, a specific legal assessment framework is available for trade names. Moreover, it is unclear whether *Artiestenverloning* applies to trade names that are descriptive only to a certain extent.

Questions raised with Supreme Court

The Arnhem Leeuwarden Court of Appeal asked the Supreme Court to explain, where trade name conflicts occur:

- whether a party must prove the existence of other circumstances in addition to a likelihood of confusion, even though Article 5 of the TNA does not require such proof, including where an earlier trade name is purely descriptive; and
- how the following should be balanced when applying Article 5 of the TNA if a party need not prove the existence of any additional circumstances:
 - the descriptive character of the invoked trade name; and
 - the general interest that descriptive terms can be used freely.

Supreme Court judgment

The Supreme Court's answer was clear. When applying Article 5 of the TNA, only the requirements that are mentioned in the article apply, even if the earlier trade name invoked is descriptive or lacks distinctive character.

Comment

The Supreme Court's decision is welcome as it resolves the question of whether The Hague Court of Appeal was correct to apply the Supreme Court's test for domain names (ie, that extra circumstances in addition to a likelihood of confusion must be proved in order for the newer descriptive name to be unlawful) to trade names in *Parfumswinkel*.

A trade name is the name under which a company does business. It may coincide with the company's registered name, but it need not be the same (eg, where company X does business as company Y). The term 'name' refers to the signs by which the public can identify a company. It may wholly or partly consist of indications that are descriptive of the company's nature or the goods or services which it supplies.

Unlike trademark law, the TNA does not require trade names to have a distinctive character. This is due to the difference in nature of the TNA and trademark law. Trademark law protects individual proprietary rights by granting the holder an exclusive right that may be enforced where infringement occurs. However, the TNA protects the public's interests against being misled or confused. Any party that is misled or confused, not just a trade name user, may invoke the TNA. The oldest trade name has priority.

Article 5 of the TNA, which addresses the likelihood of confusion, does not require additional circumstances to be proved for the use of a similar trade name to be unlawful, even where the trade names in question are descriptive. This requirement resulted from The Hague Court of Appeal's decision. Because of this discrepancy, the prejudicial questions submitted to the Supreme Court were welcome.

The questions referred for preliminary ruling concerned the issue of how to sufficiently allow for any party to use indications that are descriptive of the nature of their undertaking or the goods or services which they supply, which is in the public interest. Unlike trademark legislation, the TNA does not address this general interest. The development of the Internet has resulted in an increased use of descriptive terms because they

improve a company's ability to be found online, making this question particularly relevant.

The Supreme Court considered that the discrepancy between the law and the case law had not resulted in any amendments to the TNA. Therefore, the danger of confusion was still the only criterion to be applied in this regard. This offered sufficient scope to offer no protection, or only limited protection, to trade names that are descriptive, either partly or wholly. The question of whether a likelihood of confusion exists between companies must consider all of the circumstances of the subject matter.

In principle, a fully descriptive trade name is considered devoid of distinctive character unless the public associates it with a company due to the intensity of its use (ie, it has acquired distinctiveness). The Supreme Court considered that in light of the aforementioned increase in the use of descriptive names, it had to be assumed that the public was accustomed to companies using such names. Therefore, the public was less likely to be confused if several parties operated under the same or slightly different descriptive trade names. If confusion did arise, a small variation in the name could alleviate that confusion. Conversely, it could also be assumed that the more distinctive a trade name is, the more likely confusion is to arise. If the public becomes aware of a company that used the same or a slightly different trade name to one that was particularly distinctive, it would be more likely to associate that name with the company that used it first.

The above method of assessing whether a likelihood of confusion exists ensures that indications which are descriptive of the nature of an enterprise or the goods or services which it supplies can be freely used by any party. For this reason, there is no need to require evidence of additional circumstances for descriptive trade names without a distinctive character.

This outcome is good for legal practitioners. It clarifies which criterion to apply and when evidence of additional circumstances is required.

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