

Current Developments in European Trademark Law

The European Trade Marks Reform

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I. Council Conclusions of 25 May 2010

The political mandate for the European Trademarks Reform was given by the Council Conclusions of 25 May 2010¹. They summarized as main objectives of the reform four measures:

- A legal framework for cooperation between the OHIM and the national offices;
- A legal basis for distributing 50 % of OHIM's renewal fees to the national offices in accordance with fair and relevant distribution criteria;
- Amendments that support the complementary relationship between the Community and the national trademark systems;
- Measures to make the Directive more consistent with the Regulation.

II. State of Play of the Legislative Procedure

1. On 27 March 2013, the European Commission published the proposals for an amendment of the Regulation on the Community Trade Mark² and for a new Trade Mark Directive³. On 2nd April 2013, these proposals were submitted to the Council and the European Parliament.
2. In the European Parliament, the Committee on Legal Affairs, as the Committee responsible, drafted two reports with amendments to the Commission's proposals that were submitted to the Parliament on 16 January 2014⁴. In the Plenary session

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¹ OJ C 140, 29.5.2010, p. 22.

² COM (2013) 161 final.

³ COM (2013) 162 final.

⁴ Report A7-0031/2014 on the proposal for amendments of the Community Trade Mark Regulation and Report A7-0032/2014 on the proposal for a new Trade Mark Directive.

of 25 February 2014, the European Parliament adopted its position at first reading⁵.

3. The Council discussed the Commission's proposals in the Working Party on Intellectual Property (trade marks) as of April 2013. In May 2014, the Council agreed upon a compromise proposal of the Greek Presidency with some amendments to the Commission proposals. In July 2014, a slightly amended Presidency compromise proposal was submitted to the Committee of Permanent Representatives (Coreper)⁶. In the Coreper meeting on 23 July 2014 this compromise proposal was adopted as the Council's common position⁷. The Italian presidency of the Council was given the mandate to enter into negotiations with the European Parliament in order to achieve an agreement on the reform.

III. Remaining political issues

The political issues which are still unresolved relate basically to three subjects: Firstly, the system of cooperation, secondly, the financial support of the national offices and the Member States by the OHIM revenue, and, thirdly, the transit issue.

I will confine myself to the **transit issue** as a subject matter of significant legal relevance.

1. The **Commission** proposal provides in Article 10 (5) of the Directive and Article 9 (5) of the Regulation for a right of the trade mark proprietor to prohibit the bringing of counterfeit goods into the customs territory of the Member State, where such goods come from third countries. Contrary to the case law of the ECJ⁸, this right is not limited to goods where it is proven that they are intended to be put on the market in the European Union.

⁵ See Texts P7_TA/2014/0118 and P7_TA/2014/0119 of the European Parliament.

⁶ The documents are not publicly available.

⁷ Press Release ST 12130/14.

⁸ ECJ C-446/09 and C- 495/09 of 1 December 2012 – Philips and Nokia.

2. In its report of 16 January 2014, the **European Parliament** limited this right to goods in transit where the third party proves that the final destination of the goods is a country outside the Union and where the trademark proprietor cannot prove that the trademark is also protected in that country of final destination. However, the European Parliament, quite surprisingly, waved in its plenary session this amendment and followed the Commission proposal⁹.
3. The common position of the **Council** provides for such limitation of the trade mark proprietor's right. This right shall lapse if the declarant or the holder of the goods in transit proves that the proprietor of the trademark is not entitled to prohibit the placing of the goods on the market in the country of final destination.

I agree with the common position of the Council. The Commission proposal is not convincing. An unlimited right to prohibit the transit of goods which bear an identical trademark registered in respect of such goods, is going too far. A balanced solution is the Council's proposal to limit the right if the third party proves that the goods shall be transported to a country outside the European Union without infringing a right of the trademark proprietor there. That solution was already recommended by the Max Planck Institute in the Trade Mark Study¹⁰.

Some additional remarks in that context regarding **parallel imports**:

Parallel imports are unauthorized imports of genuine products bearing the proprietor's trademark and put on the market in another country by the trademark proprietor or with his consent. They are covered by the exhaustion rule under Article 15 of the new Directive and Article 13 of the Regulation as far as they have been put on the market in the European Union (Union-wide exhaustion). The trademark rights may be invoked in the Member States against parallel imports of goods which were put on the market by the trademark proprietor outside the European Union (no international exhaustion)¹¹. These rules were, from the beginning of the reform debate, excluded from the discussions as a subject matter of highly political relevance. They will remain unaffected

⁹ See documents of the European Parliament P7_TA/2014/0118 and P7_TA/2014/0119.

¹⁰ http://www.ip.mpg.de/en/pub/news/trade_mark_study.cfm#25043.

¹¹ ECJ C-355/96 of 16 July 1998 – Silhouette.

by the proposals on the transit issue, since the transit rules merely apply to counterfeit goods which, by definition, do not cover parallel imports as genuine goods bearing the proprietor's trademark. Therefore, a transit of parallel imports cannot be prohibited by the trademark proprietor no matter what is the legal situation in the country of final destination.

IV. Important amendments in the new Trade Mark Directive

The following important amendments appear to be undisputed.

1. Signs of which a trademark may consist

There is agreement on new Article 3 providing for a more flexible definition of the signs which may be registered. The requirement of a graphical representation of the sign will be replaced by the requirement of a representation

“in a manner which enables the competent authorities and the public to determine the precise subject of the protection.”

2. Geographical indications as absolute ground for refusal of trademarks

(Article 4 (1) (i) Directive)

The Directive will implement a new **mandatory** absolute ground for refusal for trademarks which are excluded from registration according to national or European Union law for protection of **geographical indications**.

It follows that the national offices have in particular to examine *ex officio* whether a trade mark applied for falls under the scope of protection for geographical indications registered under the European Union Regulation No. 1151/2012 on the protection of geographical indications for agricultural products and foodstuffs¹². Meanwhile almost 1.500 GIs are registered pursuant to this EU system. The

¹² Regulation (EU) No. 1151/2012 on quality schemes for agricultural products and foodstuffs, OJ L 343 of 14.12.2012, p. 1.

relevant provision is Article 13 of this Regulation. According to this provision registered names shall be protected against

a) any direct or indirect commercial use of a registered name in respect of goods not covered by the registration where those products are comparable to the registered products

b) any misuse, imitation or evocation even if the true origin of the products is indicated or if the protected name is translated or accompanied by an expression such as 'style', 'type', 'method' or 'as produced in'...

The concept of evocation ensures a broad protection similar to the protection for trademarks with reputation. It applies if a sign brings the protected GI into mind of the relevant consumers¹³. Example: Registered under Regulation No 1151/2012 is the PGI "Bayerisches Bier". In the Netherlands a brewery named Bavaria produces beers which it sells under various Bavaria trademarks in the European Union. Any of these trademarks contain the word 'Bavaria' as the dominating element. These trademarks evoke in almost all Member States the PGI "Bayerisches Bier".

3. **Relative grounds for refusal** (Article 5 Directive)

a. According to Article 4 (3) **bad faith** will become an optional absolute ground for refusal but a mandatory ground for invalidation. Member States shall retain the possibility of deciding whether the bad faith examination should be carried out *ex-officio* prior to registration or only after registration in a cancellation procedure.

As a relative ground for refusal bad faith shall, according to the Commission proposal and the European Parliament's position, be limited to trade marks that can be confused with an earlier mark protected outside the Union, as long as this mark was still in genuine use at the time of the application (Article 5 (3) (c)).

The Council dropped the requirement of genuine use. (Article 5 (4) (ba) Directive)

¹³ ECJ C-87/97 of 4 March 1999, para 25 – Gorgonzola.

b. **Geographical indications** will also become a mandatory ground for refusal if they were filed for registration prior to the trademark application and these GIs confer the right to prohibit the use of this trademark (Article 5(3)(d)). A slightly technical difference between the European Parliament and the Council exists in that regard as the European Parliament proposed to implement the GIs as earlier rights under Article 4 paragraph 3 (i) into the provisions for the opposition proceeding in Article 45 paragraph 2.

The extension of the mandatory grounds for refusal to GIs will have an impact on many Member States, such as France or Germany where GIs are not among the earlier rights which can be invoked in opposition proceedings. In Hungary, Article 61/B is pertinent and GIs are accepted in opposition proceedings as industrial property rights within the meaning of Article 5.

4. **Scope of protection** (Article 10 Directive)

The catalogue of infringing acts listed in Article 10 (3) will be added by

- using the sign as a trade name (lit. d)
- using the trademark in comparative advertising which is contrary to the Directive on comparative advertising (lit. f).

a. The first amendment (**use as a trade name**) applies to a use in relation to goods or services. It confirms the case law of the ECJ in the Celine case¹⁴ that the use of a trade name in relation to goods or services ('use of the sign in such a way that a link is established between the trade name and the goods marketed by the trade name user') is a trademark infringement provided that the other requirements (likelihood of confusion or taking unfair advantage of the reputation) are met.

¹⁴ ECJ C-17/06 of 11 September 2007.

According to the ECJ, use as a trade name which has no direct relation to goods or services is covered by the provision on use of a sign other than for the purposes of distinguishing goods or services under Article 10 (7)¹⁵. Protection against this use falls under the competence of the Member States.

b. The second amendment of Article 10 (3) (**use in comparative advertising**) is an alignment with the principle in European unfair competition law that comparative advertising meeting the criteria of the Directive 2006/114/EG on misleading and comparative advertising¹⁶ cannot be banned under trademark law¹⁷. According to the proposed amendment of the Trademark Directive comparative advertising using a competitor's trademark in a manner that is disparaging, that takes unfair advantage of the trademark's reputation or that creates a likelihood of confusion and therefore conflicts with the conditions pursuant to Article 4 of the Directive on comparative advertising, not only constitutes a violation of unfair competition law, but also amounts to trademark infringement.

In practice, this rule will mean that the permissibility of any use of a competitor's trademark which falls under the scope of the Directive on comparative advertising will primarily depend on the provisions on comparative advertising. This may have effects on keyword advertising which, according to a judgment of the ECJ last year¹⁸ seems to qualify as comparative advertising. If this is true and the criteria of Article 4 of the Directive on comparative advertising are met, then there is no ground for examining in a keyword advertising case an adverse effect on the new trademark functions as ruled by the ECJ in the trademark infringement cases 'Google'¹⁹ and 'Interflora'²⁰.

¹⁵ ECJ C-23/01 of 21 November 2002 – Robelco.

¹⁶ Article 4 of Directive 2006/114 reads: Comparative advertising shall be permitted, if the following conditions are met:

- (a) it is not misleading ... ;
- (b) it compares goods or services meeting the same needs or intended for the same purpose;
- (c) it objectively compares one or more material, relevant, verifiable and representative features of those goods ... ;
- (d) it does not discredit the trademarks ... of a competitor;
- (f) it does not take unfair advantage of the reputation of a trade mark of a competitor;
- (h) it does not create confusion ... between the advertiser's trade marks and those of a competitor.

¹⁷ See Recital 15 of Directive 2006/114 on misleading and comparative advertising, OJ L 376 of 27.12.2006, p. 21.

Likewise ECJ C-533/06 of 12 June 2008, paras 45 and 51 – O2.

¹⁸ ECJ C-657/11 of 11 July 2013 – Belgian Electronic Sorting Technology.

¹⁹ ECJ C-236/08 of 23 March 2010, para 77.

5. Limitations of protection (Article 14)

The limitations of protection under Article 14 will be redrafted.

a. The limitation for the **use of names** will be narrowed to names of natural persons, either their full names or surnames. By this amendment, the case law of the ECJ²¹ will be overruled. According to the interpretation of the ECJ, the limitation for the use of names applies to trade names of companies (legal persons).

b. The limitation for the use of descriptive indications will be extended to signs or indications which are **not distinctive**. For example, the use of a color which is protected as a trademark registered on the basis of acquired distinctiveness but being lost later on, is covered by this limitation for the use of not distinctive signs..

c. The limitation for the use of the trade mark which is necessary for the purpose of indicating the intended purpose of a product ('spare part exemption') will be extended to any use necessary to identify or refer to the goods or services as those of the proprietor of the trade mark (**referential use**).

As before, these limitations are, according to Article 14 (2), subject to the requirement that this use is in accordance with honest practices in industrial or commercial matters. In addition, two cases are mentioned where this requirement is not fulfilled:

- The use suggests that there is a commercial connection between the third party and the trade mark proprietor;
- The use takes unfair advantage to the distinctive character or the repute of the trade mark without due cause.

²⁰ ECJ C-323/09 of 22 September 2011, paras 37 to 40.

²¹ ECJ C-245/02 of 16 November 2004 – Anheuser-Busch.

6. Classification

In Article 40, the Directive will contain binding rules for the classification of goods and services which are part of a trade mark application. These rules follow the rulings of the ECJ judgment IP Translator²².

a. The general rule is contained in Article 40 (2):

“The goods and services shall be identified with sufficient clarity and precision to enable the competent authorities and economic operators to determine the extent of the protection”.

b. According to paragraph 3, the class headings of the Nice Classification and other general terms used in the application must also comply with the standards of clarity and position.

c. According to the interpretation rule in Article 40 (5), the use of general terms and class headings shall be interpreted as including all the goods or services clearly covered by the literal meaning of the indication. This principle shall not apply where these indications cannot be so understood.

7. Opposition procedure

According to Article 45, the Member States must provide for an administrative opposition proceeding before their offices. This procedure must be open for claiming earlier rights which are mandatory relative grounds for refusal under Article 5.

Article 46 of the Directive provides that in opposition proceedings the non-use-objection must be available for the applicant of the trade mark.

²² ECJ C-307/10 of 19 June 2012.

V. Amendments of the Regulation

1. Terminology

The term Community Trade Mark will be replaced by European Union Trade Mark.

2. Parallel Amendments to the Directive

The Regulation will be revised in parallel with the amendments to the Directive which relate to

- the definition of signs which may be registered as a trade mark (Article 4);
- geographical indications as relative grounds for refusal (Article 8 (4) (a));
- the new rule for a prohibition of use as a trade name or in unlawful comparative advertising (Article 9 (3) (d) and (f));
- the new transit rules (Article 9 (5));
- the new rules for limitations of protection (Article 12);
- the new rules for classification (Article 28).

3. New provisions of the Regulation for fees (Article 144)

A one class fee-system will be established in the Regulation. The class fee for the second class will be set at 50 Euro, the class fee for the third class at 75 Euro, and the fee for any additional class at 150 Euro.

VI. Important Commission proposals that were rejected

1. The Commission proposed to make the fees level a subject matter of delegated acts under Article 290 TFEU²³ and to give the Commission the competence to fix

²³ The ECJ ruled on the competence under Article 290 TFEU in judgment C-427/12 of 18 March 2014.

and review the level of fees. These proposals have been rejected. The fees structure is considered to be an important element of the EU trade mark system. The fees and the level of fees will become part of the Regulation in Annex 1 to the Regulation.

2. The Commission proposed in Article 4 (2) (a) of the Directive to apply the absolute grounds for refusal notwithstanding that these grounds do not apply in the Member State where the trade mark has been filed, but in other Member States.

Both institutions, European Parliament as well as the Council, have rejected this proposal as unworkable. For practical reasons national offices should, unlike the OHIM, not be required to examine absolute grounds for refusal in all national systems and languages of the Union.

As a consequence, a sign such as “Matratzen” which is in the German language descriptive for mattresses contained in class 20, can be registered for these goods in Spain. The rules developed by the ECJ in the “Matratzen”-case²⁴ will continue to apply.

3. The Commission proposed for the double identity rule in the Directive and the Regulation (Article 10 (2) (a) Directive and Article 9 (2) (a) Regulation) to add a wording related to the trade mark function which must be affected. According to this proposal such use must affect or be liable to affect the function of the trade mark to guarantee to consumers the origin of goods or services. The Parliament as well as the Council rejected this proposal. The legislator will not overrule the trade mark function doctrine developed by the EJC²⁵.
4. The Commission proposed in Article 41 of the Directive a binding rule for the Member States to abolish the *ex-officio* examination for earlier rights.

²⁴ C-421/04 of 9 March 2006.

²⁵ For the first time in judgment C-487/07 of 18 June 2009, para 58 – L’Oréal.

European Parliament as well as the Council rejected this proposal. The Member States shall remain free to practice an *ex-officio* examination for earlier rights and to reject applications of trademarks which are liable to be confused with earlier trademarks. Currently, ten Member States are still practicing an *ex-officio* examination.

VII. Genuine use issue

The genuine use issue was one of the main questions which at the beginning of the debate on the European Trade Mark Reform in 2007 and 2008 were regarded as being necessary to be regulated in order to maintain or restore the balance between the Community Trade Mark System and the national systems²⁶.

The genuine use issue was also one of the main questions submitted by the Commission to the Max Planck Institute to be answered in the Trade Mark Study. The Study of the MPI proposed to leave Article 15 of the Regulation unchanged. Neither a legal rule according to which a Community Trade Mark must be used in more than one Member State would be in line with the supranational system, nor an explicit rule that any use sufficient to maintain the protection of a national trademark is automatically a genuine use of a Community Trade Mark in the Community.

The Commission followed this approach of the MPI to leave Article 15 of the Regulation unchanged. Also the European Parliament and the Council followed this line.

The practical relevance of the genuine use issue has meanwhile reduced by the ECJ judgment in the Leno Merken case²⁷. It contains the following important findings:

²⁶ Council document 9427/07 of 10 May 2007;

²⁷ ECJ C-149/11 of 19 December 2012

(1) For the assessment of 'genuine use in the Community' within the meaning of Article 15 (1) of the Regulation, the territorial borders of the Member States should be disregarded.

(2) The assessment of the genuineness of the use must take into account all relevant facts and circumstances appropriate to determine that the use is liable to create or maintain market share for the goods or services protected. Therefore, it is impossible to determine *a priori* and in the abstract, what territorial scope should be chosen in order to determine whether the use of the mark is genuine or not.

This judgment has clarified the topic to a certain degree. The assessment of genuine use must have regard to all the facts and circumstances of the individual case. The national authorities and courts must decide the genuine use issue on a case-by-case basis also with respect to the territorial conditions and they have significant scope to assess the requirements of genuine use. However, a too lenient practice that accepts the use of a trademark for consumer products in a very small territory appears impossible due to the requirement to create market share on the market of the European Union.

VIII. Conclusions

Whatever the outcome of the debate on the political issues will be, the European trademarks reform will achieve the main reform objectives as defined by the Council conclusions in May 2010.

1. A legal framework for cooperation between the national offices and the OHIM will be established in the Directive and the Regulation.

2. The financial support of the national offices by OHIM will be implemented into the Regulation²⁸. Contrary to the concept and mandate in 2009 and 2010 to distribute 50 % of OHIM's renewal fees the financial grants will be calculated based

²⁸ Articles 123 (c) (4) and 139 (3) of the Regulation.

on OHIM's revenue. The system and the level of this support are still under discussion.

3. More coherence between the Directive and the Regulation will be achieved by the harmonization measures as well as the cooperation scheme. It will be established through

- Harmonization of procedural law (classification rules, administrative opposition procedure, invalidity procedure before the national office),
- Further harmonization of substantive law provisions,
- Convergence of practices and tools through cooperation projects.

4. The complementary relationship or coexistence between the EU trademark system and the national trademark systems will be strengthened by additional measures. Among these measures are

- The financial support for the Member States that allows improving the infrastructure of the national offices;
- Leaving Article 15 of the Regulation on 'genuine use in the Union' unchanged and thereby granting scope for different criteria regarding genuine use of an EU trade mark and a national trade mark; and
- Maintaining the function of national systems as providing protection on the national level if protection at the EU level is not available due to absolute or relative grounds for refusal which apply in other Member States.