New European Union Trade Mark Regime and the Institutionalisation Within it of the Co-existence of National and European Union Trade Mark Rights

Trevor Cook†
Wilmer Cutler Pickering Hale & Dorr LLP, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, USA

Received 10 February 2016

The long awaited revision to the EU Trade Mark Regime, consisting of a regulation that amends the existing one on the Community Trade Mark (to be renamed the European Union Trade Mark or EU Trade Mark), and a new Directive to replace the one that harmonises the trade mark laws of EU Member States, completed its legislative passage on 16 December 2015, and will enter into force in stages from March 2016. In part the revisions that the two measures effect to the existing EU trade mark regime reflect or respond to the interpretations placed on the earlier legal framework by the Court of Justice of the EU. In other respects such amendments are aimed at further harmonising the national regimes and at more closely aligning the national and EU ones. Notably however the new regimerepresents, and indeed institutionalises, the co-existence between registered trademarks at EU level and at national level. In addition to discussing some of the changes effected by the new regime this article reviews certain aspects of such co-existence, and provides examples from recent case law as to when registered trade marks at a national level can provide benefits as against those at an EU level.

Keywords: EU Trade Mark Regime, Community Trade Mark, EU Trade Mark, EU certification marks, comparative advertising

The revision of the EU trade mark regime has been under discussion now for several years. The legislative package that effected such revision finally completed its passage on 16 December 2015, and consists of a Regulation that amends the existing one on the Community trade mark (to be renamed the European Union trade mark or EU trade mark), and a new Directive to replace the one already in place that harmonises the trade mark laws of EU Member States. The former enters into force on 23 March 2016 (with some changes deferred until 23 September 2017), but EU Member States, whose trade mark laws have been harmonised since 1991, have until 14 January 2019 to implement the changes to their national laws required by the latter. In part the revisions that the two measures effect to the existing EU trade mark regime reflect or respond to the interpretations placed on the earlier legal framework by the Court of Justice of the EU. In other respects such amendments are aimed at further harmonising the national regimes and at more closely aligning the national and EU ones. Notably however the new regime retains, and indeed institutionalises, the co-existence between trade mark rights at EU level and at national level.

The most obvious and immediate change effected by the new legislation as from March 2016 is to rename the Community Trade Mark as the EU Trade Mark, and to rename the Office for Harmonisation of the Internal Market, (OHIM), the EU entity that administers the EU Trade Mark regime and the Community design regime, as the European Union Intellectual Property Office. Most of the changes that users and practitioners will encounter in practice as a result of the new legislation, such as, substantially reduced renewal fees for EU trade marks, are procedural in nature. However, the new legislation also makes a number of changes to the substantive law, both at an EU, and at an ultimately national, level.

Changes to Substantive Law

The new legislation will in due course redefine a trademark and how it can be represented. Thus it will expressly include colours and sounds in the list of examples of specific types of mark that can be registered, although the specific absolute grounds of refusal that apply to shape marks will extend also to these. It will also facilitate the registration of other non-traditional marks by replacing the requirement that they be capable of being represented graphically by one that they can be “...represented on the..."
Register in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor...”. It will also provide for the registration of EU certification marks, which some national trade mark systems already permit.

The list of absolute grounds available for refusal or invalidity is extended to include protected designations of origin, protected geographical indications, traditional terms for wine, traditional specialties guaranteed, and plant variety denominations provided they are recognised by EU law or international agreement. The list of relative grounds available for refusal or invalidity is also extended to prior applications for protected designations of origin and protected geographical indications, subject to their subsequent registration.

The rights conferred by a trade mark are extended to cover using the sign as a trade or company name or part thereof, and using the sign in comparative advertising in a manner contrary to Directive 2006/114/EC concerning misleading and comparative advertising. Most significantly however, owners of EU (and of national) trademarks will now be entitled to prevent all third parties from bringing goods, in the course of trade, into the EU (or the Member State where the trade mark is registered), “without being released for free circulation there, where such goods, including the packaging thereof, come from third countries and bear without authorisation a trade mark which is identical with the trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.” This extended protection for trade marks allows goods subject to it to be seized under Regulation (EU) No. 608/2013 concerning customs enforcement of intellectual property rights, but the extended cause of action thereby conferred “shall lapse if, during the proceedings to determine whether the registered trade mark has been infringed, initiated in accordance with Regulation (EU) No 608/2013, evidence is provided by the declarant or the holder of the goods that the proprietor of the registered trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination.” Given this shift in the burden of proof onto the declarant or the holder of the goods, this should thus resolve in favour of trade mark owners the “goods in transit” issue which proved so problematic in the past, as to which protection under trade mark law had been inadequate, but protection under patent law had been applied over-enthusiastically.7

The defences available to third parties to infringement action are also revised. A further limitation of the effects of a trade mark is added to the list of activities which a trademark owner will not in future be able to prevent for the use by third parties of “…signs or indications which are not distinctive...”. But it is also made clear that the existing defence for the use of one’s own ‘name or address’ will now apply only to natural persons, and not to legal persons such as, companies or other organisations.

Co-existence between Trade Mark Rights at EU and National Level

One feature of the EU trade mark regime that has not changed with these revisions and which has indeed if anything been reinforced by them, is the co-existence as between national and EU trade marks. The widespread degree of co-existence between so many types of intellectual property at a national and regional level is a unique feature of intellectual property EU law, it being easier to introduce new rights than to abolish old ones. But the new EU trade mark regime exerts, - this situation, which for trade marks is now formalised in Recital (3) of Directive 2015/2436:

(3) Trade mark protection in the Member States coexists with protection available at Union level through European Union trade marks (‘EU trade marks’) which are unitary in character and valid throughout the Union as laid down in Council Regulation (EC) No. 207/2009. The coexistence and balance of trade mark systems at national and Union level in fact constitutes a cornerstone of the Union’s approach to intellectual property protection.

Corresponding sentiments can be found at Recitals (5) and (6) of Regulation 2015/2424:

(5) The experience acquired since the establishment of the Community trade mark system has shown that undertakings from within the Union and from third countries have accepted the system which has become a successful and viable complement and alternative to the protection of trade marks at the level of the Member States.

(6) “National trade marks continue nevertheless to be necessary for those undertakings which do not want protection of their trade marks at Union level, or which are unable to obtain Union-wide protection while national protection does not face any obstacles. It should be left to each person seeking trade mark
protection to decide whether the protection is sought only as a national trade mark in one or more Member States, or only as an EU trade mark, or both.”

One might at first sight wonder what benefit is to be secured from a bundle of national trade marks, as opposed to a single EU trade mark. One reason is procedural, in that an EU trade mark, but not a national trade mark, is at risk of an “Alicante torpedo” by which a cancellation action is filed at the European Union Intellectual Property Office (based in Alicante in Spain) in order to frustrate an attempt later to bring infringement proceedings on that EU trade mark in a Member State, as any such infringement action should under the Regulation be stayed, absent exceptional circumstances. The other reasons relate to the differences in practice between the two when it comes to the matter of trade mark use, which is relevant in various different ways to preserving validity.

Thus if one is trading in only the one EU Member State there has long been a concern that use within a single Member State alone does not constitute genuine use sufficient to maintain the validity of an EU trade mark, a concern which was reinforced by the Court of Justice of the EU in Case C-149/11 Leno Merken BV v HagelkruisBeheer BV when, although having stated, at [44], “… that the territorial borders of the Member States should be disregarded in the assessment of ‘genuine use in the European Union’ it went on to suggest, at [50], that this was only so where the relevant market for the goods or services in question was in fact restricted to the territory of a single Member State”:

“Whilst there is admittedly some justification for thinking that a [European Union] trade mark should – because it enjoys more extensive territorial protection than a national trade mark – be used in a larger area than the territory of a single Member State in order for the use to be regarded as ‘genuine use’, it cannot be ruled out that, in certain circumstances, the market for the goods or services for which a [European Union] trade mark has been registered is in fact restricted to the territory of a single Member State. In such a case, use of the [European Union] trade mark on that territory might satisfy the conditions both for genuine use of a [European Union] trade mark and for genuine use of a national trade mark.”

The consequences of this approach are demonstrated by an English case from 2015, Sofa Workshop Limited v Sofaworks Limited, in which the Judge reviewed Case C-149/11 Leno Merken BV v HagelkruisBeheer BV and concluded, at [28]:

“Although the Court did not develop its reasoning for the distinction between national and [European Union] marks, it is possible to see what it might have been. A rough and ready assumption can be made that a trade mark proprietor who sells his products to one customer in one town in Spain may in due course wish to trade all across that country. This justifies maintenance of the mark for the whole of Spain. It can not in the same way be assumed that a trader in one Member State will wish to expand his trade across the EU. Accordingly in order to maintain a [European Union] mark, some evidence should be required that the mark has been used to create or maintain a share in the market for the relevant goods or services across a section of the EU extending beyond one Member State. Looked at another way, an applicant for a [European Union] mark must be taken to intend to use it outside one Member State and has five years in which to justify his presumed intention. Otherwise he risks having to make do with a national mark by conversion and leaving the sign in question free for use elsewhere in the [European Union].”

Here, the owner of the EU trade mark in issue, the word mark SOFA WORKSHOP, had used the mark extensively in the UK but as to use outside the UK the evidence established that although goods and services had featured under the mark in advertorial content in various UK magazines which were distributed elsewhere in the EU, there had been only one sale outside the UK. The Judge considered that “… viewed objectively the Sofa Workshop advertorials were not targeted at readers outside the UK. The phone numbers and the invitation to ‘pop in’ are not consistent with targeting anyone except UK consumers.” Having held that “genuine use of a trade mark by reason of its use in an article or advertisement in a publication will qualify as genuine use in a particular Member State if, viewed objectively, the article or advertisement is at least partly targeted at consumers in that Member State” he accordingly held the EU trade mark in issue not to have been used in the relevant five year period to maintain or create market share within the EU for the goods or services covered by the mark, and accordingly to be invalid.

The second English case, also from 2015, The Ukulele Orchestra of Great Britain v Erwin Clausen and anr, concerned a different issue associated with
use, namely acquired distinctiveness, or the extent to which use could render distinctive, and thus preserve the validity of a trade mark which, but for such use, would be invalid as descriptive. Here the EU trade mark in issue, the word mark THE UKULELE ORCHESTRA OF GREAT BRITAIN was held to be descriptive of the services in respect of which it was registered, so the issue was whether the use which had been made of it was such that the trade mark had become distinctive in relation to those goods or services in consequence of such use. The case law of the Court of Justice of the EU and of its first instance court, the General Court, had established that, for an EU trade mark distinctiveness acquired through use must be demonstrated in all the Member States in which the existence of the ground for refusal had been established. The Judge explained that although at first glance this requirement might seem to be severe, it made sense in the context of the EU trade mark system, as “a more relaxed policy would lead to the paradox that an application for a national trade mark could be refused registration because the sign in question is descriptive in that Member State, whereas an application [for an EU trade mark] in respect of exactly the same sign could be granted because it has acquired distinctiveness somewhere else in the [EU].” As he went on, having reviewed the evidence, to conclude that it had not been proved that the EU trade mark in issue had acquired distinctive character in relation to the services in issue in all the relevant EU Member States, “at the least not in Malta, Cyprus, Denmark or Luxembourg”, the Judge held that acquired distinctiveness could not be relied on to save the validity of the mark.

So in each of these two cases the EU trade mark in issue was held to be invalid in circumstances in which the validity of a corresponding UK trade mark would have been upheld. Ironically, in each case the plaintiff, which did not have such a corresponding UK trade mark, was still able to succeed under a parallel cause of action under English common law, that of passing-off, which corresponds to unfair competition in most other European countries, but has not been the subject of legislative intervention at an EU level.

**Conclusion**

It would in theory have been possible to so recast the legislation governing the EU trade mark as to remove the benefits, as discussed above, that national trade marks can in some circumstances offer over European Union ones. It would also have been possible to reduce even further the fees associated with use of the EU trade mark, so as to make it even more competitive with national systems. Over time this might well have resulted in reduced use of the national systems, so that in the fullness of time they would wither away and their ultimate abolition, as has been suggested for the State trade mark systems in the USA that still co-exist with the Federal one, could be envisaged. But these opportunities were not taken in formulating the new trade mark legislation, and instead a decision was made to institutionalise the co-existence between national trade marks and the EU trade mark, heedless of the attendant complexity and the overall cluttering of the multiple trade mark registers in Europe that this inevitably entails, a situation which can hardly in the long term be to the benefit of either the consumer or the user of the trade mark system in Europe.

**References**

8. See for example Starbucks, (HK) Ltd v British Sky Broadcasting Group Plc & Ors [2012] EWCA Civ 1201.
9 Case C-149/11 Leno Merken BV v HagelkruisBeheer BV (Court of Justice 19 December 2012) holding that “A [European Union] trade mark is put to ‘genuine use’ within the meaning of Article 15(1) of Regulation No 207/2009 when it is used in accordance with its essential function and for the purpose of maintaining or creating market share within the European [Union] for the goods or services covered by it. It is for the referring court to assess whether the conditions are met in the main proceedings, taking account of all the relevant facts and circumstances, including the characteristics of the market concerned, the nature of the goods or services protected by the trade mark and the territorial extent and the scale of the use as well as its frequency and regularity.”


12 The fate of the budgeted surpluses of the European Union Intellectual Property Office proved to be a controversial aspect of the amending Regulation, and indeed was the basis for the United Kingdom voting against it, as to which it minuted the following statement “The UK has always provided strong support for the package of EU trade mark reforms, which will deliver real benefits for trade mark users. However, we cannot support the Regulation since it includes a provision that enables the transfer of future surpluses accumulated from trade mark and design fees to the general EU budget. Research has suggested that IP rich industries contribute 39% of the EU’s GDP, with trade marks a significant part of this. We must nurture and protect this contribution to retain our competitiveness: therefore we should not divert money which came from IP to other uses. It should stay in the system, for example supporting innovation or enforcement.” (13511/15 ADD 1 REV 15 November 2015).