



European Communities Trade Mark Association

Brussels, 6 May 2011

**ECTA's Preliminary Comments on the MPI proposals
included in its Study on the Overall Functioning of the European Trade Mark
System presented on 15 February 2011**

The following list of preliminary observations was compiled following the pages of the MPI report, so as to make it easier to compare the two visions.

Clearly, given the extremely short period available to review such a comprehensive and lengthy report (a period which also coincided with the Easter holidays), it was not possible to go into any greater depth at this stage.

Nonetheless, ECTA tried to focus on those issues that its constituency, as represented in the special four teams of the Law Committee which actually drafted the initial list and the Council which subsequently ratified this paper, felt not to be in complete agreement with the MPI conclusions.

Of course ECTA is now continuing to study and to reflect on the MPI report and plans to complete a more comprehensive and in depth analysis in the next few months.

Shape of product marks (proposal contained in paragraphs 2.35 to 2.37)

The MPI's proposal to include in the Preamble that 'shape of product marks as well as trademarks consisting of colours *per se* usually need to establish acquired distinctiveness for registration' will not add any certainty to the current situation. Furthermore, there is no reason to treat three-dimensional marks in a different way to the other marks and the ECJ's opinion that in the perception of the buying public, unusual forms of marks like shapes are less likely to convey a message about commercial origin than other, more traditional forms of marks, is not substantiated by any scientific data or market study. Before accepting this opinion as being valid, it should be verified.

With regard to paragraph 2.36 (last indent) ECTA suggests including that there should be a link between the technical solution or functional characteristics on the one hand and the general interest on the other hand. For example, it seems that maybe this link is missing with regard to the Lego brick where Lego is a game and the inventor of that game created the technical problem and the solution at the same time (this situation is different from the Philips / Remington case where there was a technical problem -how to achieve the best electric shave- and so there, there was a clear link with the general interest).



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Disclaimers (proposal contained in paragraphs 2.49 to 2.50, page 75)

ECTA agrees with MPI's proposal to include in the Preamble of the Trade Mark Directive (TMD) / Community Trade Mark Regulation (CTMR) that a finding of likelihood of confusion cannot be based on elements that are not distinctive or not eligible for registration. However, even if most EU countries do not have disclaimers, ECTA is uncertain about the MPI's proposal to remove the possibility for OHIM to request disclaimers although never used and disagrees that Member States should also not be allowed to request disclaimers (although applicants could still file them). There is no rational basis for the MPI's proposal and ECTA would wish a further study on the issue.

Loss of distinctiveness and acquired distinctiveness (relevant date) (proposal contained in paragraphs 2.51 to 2.61, page 77)

MPI is proposing that applicants should be allowed to establish acquired distinctiveness at a date subsequent to the application date, and prior to the date of registration. In that case, the filing date, which is the date taken into account in determining conflicts between marks, should be adjusted accordingly. The main problem with this proposal is that, despite MPI's opinion, this possibility would be detrimental to third parties which might stay away from descriptive marks which would appear on the trade mark registry from initial date of filing and therefore, it is giving applicants an incentive to file descriptive marks with the hope they will acquired distinctiveness through use. MPI tries to balance the interests of third parties by introducing the concept of 'intervening rights', but this proposal would just create "noise" in the registry and uncertainty as regards what rights can be enforced against whom.

Well known mark and mark with reputation (proposal contained in paragraph 2.140 page 94)

ECTA agrees with the MPI's conclusion about the need for clarification, as also stated in ECTA Position Paper of 16 February 2010, point 36, p 22. However, ECTA disagrees with the MPI's proposal to grant the same rights to well known marks and marks with reputation absent registration in the absence of any registration. A mark with reputation must be registered to be protected, even if its scope of protection may be enlarged to non registered products or services, because of its reputation. ECTA does not encourage a legislative change which would not require trade marks to be registered and still to be protected to the widest possible extent. Reasons of legal certainty and fairness do require that trade mark owners at least meet their burden to file for their trade marks. Of course well known marks –which are marks that may be protected even if they are not registered according to Article 6 bis of the Paris Convention- will still exist, but for protection to extend to the goods and services other than those for which



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the trade marks are well known (i.e. protected beyond confusion), ECTA believes registration should be sought.

Exclusive rights, conflicts, infringement (Article 9 CTMR, Article 5 TMD) (proposal contained in paragraph 2.223 page 95)

- Preambles

As a general statement ECTA's opinion is that preambles of laws should not include an exhaustive recital of what is provided in the law. They can be used as an essential tool to interpret the rules, but they do not replace them. However, ECTA may agree that the Preamble of the Regulation should be slightly amended provided that something of the philosophy underlying the Regulation is not sufficiently clear, but the proposal seems to be a duplication of what is in the articles of the Regulation. As far as the Directive is concerned, the same comment can be made. If a new Directive is adopted, the Preamble should be drafted accordingly.

In any case, if the preambles are to be modified, then ECTA's view is that the recitals could be supplemented by two new aspects: (a) clarification of the relationship between trade mark law and the Unfair Commercial Practices Directive and (b) the protection of trade marks against unfair use of similar signs without confusion.

In ECTA's view the MPI proposals defining the scope of trade mark protection may appear not linked to a consistent and coherent system of trade mark protection. As to its reasoning the existence of such a system is doubted, see for example paragraphs 2.180, 2.182, 2.183, 2.185. However, the existence of such a consistent coherent system of trade mark protection seems to be the underlying principle of the TDM. ECTA thus proposes a definition of the system of trade mark protection to be inserted into the Preambles if the preambles of the TMD are to be modified.

The definition may start by affirming that the basic function of a trade mark is to serve as an indication of origin and other functions are dependent on the origin function and cannot be violated without the violation of the origin function. The origin function however is only protected in a field where it serves to the interests of the internal market. There are only two possibilities to infringe a trade mark: detriment and taking unfair advantage. If unfair advantage is taken of a trade mark, its function to exclusively serve as an indication of origin for the owner is damaged also. Taking unfair advantage therefore is some sort of indirect detriment.

This picture can be directly derived from the Article 5 TMD. Every type of infringement set out in Article 5 TMD is based on detriment to or taking unfair advantage of the origin function.

If "confusion" occurs (Article 5 (1) (b) TMD), the distinctive character and thereby the origin function is damaged and unfair advantage is taken of it. At the same time, but without any relevance for the legal consideration of the conflict, there is damage to the



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additional functions of the trade mark, like the function of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.

Article 5 (2) TMD protects reputation marks against unfair advantage of, or detriment to, the distinctive character or the repute of the trade mark. The origin function is affected: if unfair advantage was taken, the origin function did not solely serve the trade mark owner and is infringed. In cases of detriment to the distinctive character or the repute of the trade mark, there is direct damage to this function. There is of course also damage to the additional trade mark functions. But these functions, for example the function of communication, are all derived from the origin function.

The same applies to Article 5 (5) TMD. As indicated in the Céline case decided by the Court of Justice, in general there is no confusion between a trade name and a trade mark. However, it is possible that infringement occurs beyond confusion. The origin function would be affected in cases of taking unfair advantage of, or detriment to, the distinctive character or the repute of the trade mark, as was the position of the Benelux law before. It is the link between the trade mark and the goods and services of a certain owner that is misused in order to achieve more attention, reputation or other advantage to a trade name. Article 5 (5) TMD simultaneously shows that infringement beyond confusion does not depend on a reputation of the mark.

The picture is the same in cases of double identity. Double identity can on one hand lead to confusion. In these cases the origin function and the other functions are damaged in the same way as in cases of likelihood of confusion. Double identity on the other hand can damage the origin function and other functions beyond confusion. This was the French view before and is expressed in Article 5 (2) for reputed trade marks and in Article 5 (5) TMD for every trade mark. Therefore unfair referential use, like the use of another person's trade mark on a chart comparing the smells of perfumes for advertising purposes, exploits the origin function beyond confusion. It unfairly exploits the link between goods and services of the trade mark owner for goods or services of another person.

The only gap in the system of the EC trade mark protection concerns cases of the use of similar signs without confusion. ECTA believes that in all Member State there should be a provision relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Finally, ECTA does not agree with MPI's comment in paragraph 2.225, sixth indent, where it says that a 'high degree of distinctiveness requires that the mark has become established on the market as a result of extensive use' since a mark can have a high degree of distinctiveness per se (it should not be a requirement to obtain such only through extensive use). Of course the scope of protection of a mark which also has become established on the market as a result of extensive use should be proportionally higher.



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- **Conflicts**

ECTA also agrees in principle that Article 4 TMD and Article 8 CTMR should be aligned. However, the agreement does not include Art. 4.4(f), i.e. non-registrability of lapsed trade marks within the two years preceding the date of filing of the application of the new trade mark application, which should not be adopted since there is no rationale or purpose in a world where businesses can arise and disappear in a matter of months.

- **Infringements**

As far as infringements are concerned (page 116, paragraph 2-229 to 236), if one considers the system for trade mark protection there is no reason for this proposal as the two manners of trade mark infringement (use for the purposes of distinguishing goods or services or for other purposes) directly result from the violation of the origin function. This might also solve the problem that use of the trade mark as a domain name or on social networks or in another way on the web, such as selling trade marks as key words without the consent of the trade mark proprietor, should be included as specific trade mark infringements.

However, as there is a gap in the protection of a trade mark, there should be a new recital and provision in cases for using a similar sign for the purposes of distinguishing goods or services or other where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Finally, ECTA agrees that in principle the transit of infringing goods through the territory of a Member State may under certain condition constitute an infringement of trade mark rights. However, if no consensus can be found on what these conditions actually are, it should at least be stated that absence of infringement will only be found if the concerned third party (transporter, exporter or proprietor of the goods) proves that the goods will not be put into circulation within the EEA. In other words, the burden of proof should at least be reversed so as to increase the deterrence against malicious use of the in transit regime.

Acquiescence and non-use defence (proposal contained in paragraph 2.274, page 124)

In ECTA's view, since Article 11 (1) TMD only provides for a defence of non-use to invalidation and not to infringement (although non-use of the trade mark of the plaintiff can be argued –also in infringement proceedings- by counterclaiming the revocation of the plaintiff registration for non-use, Article 11.3 TMD), Article 11 (2) and (3) which are optional in the TMD should be made mandatory.

Intervening rights (proposal contained in paragraphs 2.278 – 2.280, page 125)

In ECTA's view the so-called “intervening rights” create a lot of legal uncertainty in business particularly as far as SME's are concerned. The defence of “non-use” provided by Article 42.2 CTMR has led to the coexistence of parallel registration rights for



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identical/ similar trade marks in the name of different owners. This coexistence is the opposite of the exclusive right (right of only one) provided by trade mark law. The principle adopted in Europe of establishing exclusive rights by registration instead of following the principle of “first use” for the benefit of legal certainty is diluted by accepting the coexistence of the rights of several entrepreneurs on the same signs. It is therefore that rather than extending the principle of acceptable “intervening rights” into the TMD, what should be done is to amend the system established by Article 42.2 CTMR. When the applicant of a CTM or of a national trade mark would like to raise the issue of non-use of the opponent’s registration, the issue should be discussed in the context of revocation proceedings, ending with either the maintenance of the opposing mark or its partial or total revocation. Meanwhile, the procedure of the opposed trade mark would be suspended and resumed when the revocation proceedings are finalised. This would avoid the coexistence of several rights on the same or confusingly similar registrations and would give legal certainty.

Trade marks and GIs (proposal contained in paragraphs 2.287- 2.312, page 127)

It is ECTA view that the MPI did not completely and fully explore the current relationships between trade mark and GIs. The current legislation is summarized and discussed too briefly and there is no mention of the Lisbon Agreement. This means that, in the MPI analysis, there is a hole which needs to be further studied.

In addition ECTA believes that the proposed amendments to Article 7.1 j) and k) (in para 2.312) are not clear and complete.

ECTA further remarks that there is no mention of amendments to the different existing regulations, nor is there mention of the draft regulation on agricultural quality schemes of DG AGRI of December 2010. Nor is there any mention of the proposal of the Commission for protection of GIs for handcraft products.

ECTA would like therefore that this section be subject to close scrutiny and its conclusions revisited also in the light of the legislative proposals mentioned above.

Territorial aspects of genuine use (proposal contained in paragraphs 3.1 - 3.30, page 131)

In ECTA’s view, there is a need to further discuss this issue due to its relevant implications. The MPI’s conclusion is to be shared insofar it rejects a solution based on political boundaries only.

However, ECTA does have concerns that MPI’s reliance on the case law of the ECJ may be a too easy way out. On the one hand, for specific circumstances, it’s true that genuine use may be found independently from the volume of sales or the territorial extent of such use in the Community. On the other hand ECTA fears that the proposed non-solution could create an imbalance of preferential rights in favour of CTMs against national registrations, and will create legal uncertainty in the market, particularly detrimental to SME’s. The MPI study seems not to clearly distinguish between “genuine



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use” and the territorial scope of such a “genuine use”. It is because the CTMR and Member States agreed to establish a system that would respect the coexistence between national and CTM registrations that the use requirements should be adapted to such coexistence.

ECTA believes that permitting a CTM owner to maintain an exclusive right on a sign after the five year period of grace in Member States where no genuine use has taken place does not respect the coexistence principle. The proposal to allow a third party to obtain a national non-exclusive right in the Member State but having to tolerate the right of the CTM owner to use the trade mark in the Member State would be a discrimination for the owner of the national trade mark. In addition, it would be discriminatory to extend the grace period of CTM's from 5 to 15 years, when the grace period for a national mark in that same territory would be only five years and the consequence of not having made “genuine use” in that territory would be the revocation of the national registration.

The proposal that the owner of the younger national registration would be obliged to “add indications clarifying the identity of the goods and services to avoid any confusion”, with the goods or services distinguished by the CTM is not really in line with the essential trade mark function and a coherent and consistent trade mark system, that exists to establish a registration system that would permit protecting signs that are “per se” (or by definition) capable of distinguishing the goods or services of one undertaking from those of other undertakings without the assistance of other “indications”.

The parallelism of these proposals with “acquiescence” is wrong. The principle of “acquiescence” is provided for because the imperfect nature of the CTM registration system. In an ideal world, it would have been better to avoid the coexistence of two identical or confusingly similar registrations. But, at the time of creation of the CTM, a large number of national registrations existed and it was feared that examining each new CTM, taking into account all existing earlier rights, would have made it very difficult to get a CTM registration and, as a consequence, the CTM system would have failed. Now, after 15 years of experience, it is time to explore the situation and try to make the system more predictable and certain. But ECTA fears that the proposal of the MPI might not resolve the existing legal uncertainty.

In ECTA's view, however, a better functioning of the coexistence principle combined with the possibility to convert a CTM into national registration might surely help, but certain parameters of use must be adopted. Indeed, if a CTM owner has not made genuine use of its right of exclusivity in the Community (and the term must be interpreted broadly), and after the grace period a third party is interested in adopting it in the unused territories and filed an invalidity action, the CTM owner is always allowed to convert its CTM into national registrations in the Member States where the “genuine use” has been produced, leaving the third party to obtain national registrations in the Member States where no genuine use has been made. This system is perfectly compatible with the “internal market”. CTM owners would have been given five years after registration to make genuine use so as to validate its commercial interests in the EU internal market. If after that period the genuine use has not taken place yet, there is no longer any reason to permit a sign being monopolized in the EU or in the part of the EU where no genuine use has been made. In fact, trade marks, including CTM's, are exceptions to the free movement of goods and services principle of the internal market.



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Maintaining the monopoly after the grace period would be against the internal market principle and would create situations of distorted competition.

The unitary character as a principle (proposal contained in paragraphs 3.62 – 3.65, page 146)

In ECTA's view as a rule of thumb amending European legislation more than necessary should be avoided. It creates legal uncertainty, because, any change would require establishing the rights and situation before and after the change. Under this rule of thumb, the proposal under paragraph 3.65 might be unnecessary: paragraph 3 of the Preamble of the CTMR already states that CTM produces their effects throughout the entire area of the Community, and Article 93 CTMR also states that, when the choice of jurisdiction is correct, the scope of protection of CTMs extends to acts of infringement committed or threatened within the territory of any of the Member States.

However, ECTA notices that after the decision by the Court of Justice in Chronopost (C-235/09) the MPI proposal might already be obsolete. In its decision of 12 April 2011 (paragraph 48), the ECJ clearly said that *“if a CTM court hearing a case in circumstances such as those of the main proceedings finds that the acts of infringement or threatened infringement of a CTM are limited to a single Member State or to part of the territory of the European Union, in particular because the applicant for a prohibition order has restricted the territorial scope of its action in exercising its freedom to determine the extent of that action or because the defendant proves that the use of the sign at issue does not affect or is not liable to affect the functions of the trade mark, for example on linguistic grounds, that court must limit the territorial scope of the prohibition which it issues.”* (emphasis added).

In ECTA's view, this case compels all CTM courts not to blindly apply the unitary principle, but rather to be attentive and selective when imposing not only the penalties of Article 98 CTMR but also the injunctions ex Article 93 CTMR. ECTA does therefore consider that the unitary principle is still an important principle but it cannot be used to justify rules which may create a distorted situation of competition in the internal market.

Absolute grounds of refusal - uses of languages other than “official” one (proposal contained in paragraph 3.67, page 146)

ECTA understands MPI's concerns. However Article 7 CTMR does not specify which languages should be taken into consideration to analyze absolute grounds of refusal. In ECTA's view, OHIM has independently and without any legislative support taken an approach which only considers “official languages of the European Union”. ECTA remarks that there might be other official languages that are not included among the official languages of the EU. Since for accepting a national trade mark all official languages of that Member State are considered, the same should apply for CTMs. Otherwise, the principles of the Directive aimed at ensuring harmonizing substantive rights to ensure that what is registrable or non-registrable equally applies to CTMs and to national trade marks. ECTA supports therefore appropriate amendments which may



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ensure application of the same criteria used for examination for distinctiveness of national registrations to CTMs as well.

Classification and scope of protection (proposal contained in paragraph 4.48-page 169)

ECTA still considers that use of the class headings for lists of goods and services by OHIM may in certain circumstances lead to unnecessarily broad specifications, and to registration of marks for goods and services for which the applicant has no intention of using, creating artificial barriers to the entry or to the development of economic projects by competitors.

ECTA would favour a more limited approach to specification of goods and services by OHIM as well as a more harmonized practice among the Member States.

Therefore ECTA does not entirely agree with the MPI's conclusions that a practice which considers the use of all class headings of a particular class to claim all goods or services in a particular class is appropriate when the class headings are such that they are appropriate generic indications for all goods or services properly classified in that class while if the goods do not fall within a particular generically indicated group, there is no good reason to consider that an application or registration claims that product. The level of uncertainty that this proposal is going to create in practice is perhaps worse than the current OHIM's practice.

Seniority fees (proposal contained in paragraph 4.100, page 178, also paragraph 39, page 260)

ECTA has doubts about the real need to introduce a seniority fee. Seniority helps to unclutter the registries and to save costs for companies which in turn may benefit the final consumers. However, since what ultimately gives certainty to what the national trade mark registration is about are the official documents from the national offices maintaining the original files of lapsed registrations in national offices, archives is essential. If a special fee is introduced, ECTA suggests that OHIM should transfer part of it to national offices when seniority has been claimed to ensure preservation of the original records and the updating of national databases to ensure that third parties may be aware that although lapsed the effects of the national registration still continue in the CTM registration.

Cost awards (proposal contained in paragraphs 4.181-7, pages 193-4)

In ECTA's view the MPI proposal does not solve the problems of enforcement because both the costs of enforcement are much higher than the amount to be collected and the procedural costs are much higher than the official fees and costs awarded. Unless OHIM is given the task to collect fees from both parties and subsequently to pay the fee of the losing party to the winner at the end of the process, the cost award will remain ineffective.



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Statutory basis for the distribution of OHIM funds to national offices (proposal contained in paragraph 21 seq. , page 212)

ECTA does not believe that OHIM should subsidise national offices. However, since one of the objectives of the CTMR, is to achieve the coexistence of national trade marks and CTMs, and the reality is that in the current system the CTM has eroded national marks due to policy decisions which have encouraged and rendered CTM registrations easier to obtain than many national registrations, ECTA is not opposed to an allocation of funds which aims at re-balancing the system, although all appropriate measures (not only financial but also legislative) should be taken to permit the ultimate survival of national trade mark offices without the need to artificially allocate the funds collected by one of the systems (CTMs) to the other (national systems).

ECTA notices that the MPI's study does not appropriately address this issue, probably because the European Commission did not direct its questions in the tender to address this problem. However, finding the adequate right balance was the main reason why the European Council instructed the European Commission to make an assessment of the overall functioning of the trade mark system in Europe and thus ECTA would like this aspect to be further studied.