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Convergence After All? A Comparative View on the U.S. and EU Trademark System in the Light of the "Trade Mark Study"

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CONVERGENCE AFTER ALL? A COMPARATIVE VIEW ON THE U.S. AND EU TRADEMARK SYSTEMS IN THE LIGHT OF THE "TRADE MARK STUDY"

Annette Kur*

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I. INTRODUCTION

The basic concept of trademark law is universal: distinctive signs indicating commercial origin are protected against acts by third parties which would expose consumers to the risk of confusing commodities offered from different sources. From those core objectives, the essential ingredients of trademark systems worldwide are derived: In order to fulfil their role as indicators of commercial source, trademarks must possess a basic capability to distinguish goods or services according to their commercial origin, and the protection conferred by acquisition of a trademark must at least allow the preclusion of others from using signs which, in view of their identity or similarity with the protected mark, and because they are used for identical or similar goods or services, are liable to create a likelihood of confusion. So far, so good. However, beyond the core features shared by all of them, trademark systems can be quite distinct in their details. Though the reasons for the divergences can be manifold, they typically reflect a basic difference in the emphasis placed on the proprietary interests of actual or prospective right owners on the one hand and those of consumers and the public at large on the other.

Regarding European trademark law, identifying the underlying policies that account for its particularities is not an easy task. Compared with U.S. law, the current legislation is still in its infancy state,¹ and the national systems out of which it has grown were quite different in their basic approaches.² Nevertheless, in spite of its somewhat lacerated character regarding common concepts and objectives, it is safe to hold that in comparison with its American counterpart, European law places more emphasis on the proprietary aspects of trademark protection. It is basically accepted as a fact that trademarks are just another category of intellectual property rights which has more in common with patents and industrial designs than with the vast and diffuse area of marketing regulations (which in European legal parlance would be labelled “unfair competition”).

¹ The Community Trademark System (infra Part II, note 6) has been operative since 1996, and the process of harmonization of national trademark legislations on the basis of the Trade Mark Directive (infra note 5) was concluded around the same time.
² Indeed, the construction of the European trademark system was the result of a painstakingly slow and cumbersome exercise undertaken for political (and economic) reasons, as one important building block in the establishment of an internal market—it did not occur as a natural consequence of converging legal systems within a densely packed geographic area. See Annette Kur, Fundamental concerns in the harmonization of (European) trademark law, in TRADEMARK LAW AND THEORY 151–76 (Graeme B. Dinwoodie & Mark D. Janis eds., 2008).
The conceptual differences between European and U.S. trademark law are reflected not least in the way in which the protection of marks is impacted by the actual use of trademarks on the market. As will become more transparent in the course of this Article, the assessment of actual use is also of relevance for the fragile balance between the trademark systems on the national and the Community level, which is another characteristic feature of European trademark law.  

The impact of actual use on the acquisition and maintenance of marks, and the difficulties triggered by the coexistence of trademark systems on two different levels are addressed in this paper in the light of a study which was recently conducted in the framework of an overall evaluation of the functioning of the European trademark system.  

The presentation proceeds as follows. The salient features of the European system which are of relevance for the topic are pointed out in Part II, while Part III expands on the background and the performance of the Trade Mark Study. In Part IV, the phenomenon usually referred to as “cluttering” of registries is examined, and in Part V, the meaning of “genuine use” in the context of Community trademark law is explored. Part VI offers conclusions and will come back to the question of whether a gradual convergence of the European and American systems—in the sense that certain features of the American system are adapted in Europe—can be observed, or may be expected in the next decade and beyond.

II. BASIC FEATURES OF THE EUROPEAN TRADEMARK SYSTEM

European trademark law rests on two structures: the Trade Mark Directive (TMD) and the Community Trade Mark Regulation (CTMR). The TMD obliges EU member states to harmonize their laws so as to conform with the

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3 The two-tiered structure is similar to some extent to U.S. law, where trademarks can exist, and can be registered, on the state level as well as on the federal level. However, as will be pointed out below (Part VI), the resulting problems generated in the European context are of a different kind and magnitude.


provisions set out therein.\textsuperscript{7} The CTMR has created a unitary trademark right extending throughout the entire EU.\textsuperscript{8} Once a Community trademark (CTM) has come into existence, it is not subject to the territorial divides otherwise separating the member states. As is stated in Article 1(2) of the CTMR:

A Community trade mark shall have a unitary character. It shall have equal effect throughout the Community: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole Community.\textsuperscript{9}

National trademark systems and the CTM system are meant to coexist with each other. This is expressed in recital 6 of the preamble to the CTMR:

(6) The Community law relating to trade marks ... does not replace the laws of the Member States on trade marks. It would not in fact appear to be justified to require undertakings to apply for registration of their trade marks as Community trade marks. National trade marks continue to be necessary for those undertakings which do not want protection of their trade marks at Community level.\textsuperscript{10}

Due to the principle of coexistence, a number of interactions exist between the CTM system and national trade mark regimes.

- \textit{Equality of rights}: National marks and CTMs are equal in the sense that they are mutually exclusive. If a CTM conflicts with a prior national right,\textsuperscript{11} registration must be refused, or, if already registered, it will be declared invalid. Vice versa, CTMs are valid as prior rights in all Member States and will

\textsuperscript{7} TMD, \textit{supra} note 5.
\textsuperscript{8} CTMR, \textit{supra} note 6.
\textsuperscript{9} Id. This marks a crucial difference vis-à-vis the current European Patent system established on the basis of the European Patent Convention (EPC): European patents granted by the European Patent Office will take effect as “bundle patents” (i.e., patents which are subject to the national law—and thereby also to the territorial confines—of EPC member states for which they have been validated).
\textsuperscript{10} Id.
\textsuperscript{11} With the exception of signs having merely local significance, see Article 8(4) CTMR.
therefore bar any subsequent signs from protection under national as well as under Community law.

- "Double protection": Nothing in the TMD or CTMR prohibits registering the same sign for the same proprietor (or another person having the consent of the first proprietor) as a national mark and a CTM. However, Article 109 of the CTMR imposes certain restrictions against proprietors bringing double actions for infringement based on a CTM and an identical national mark in different fora.

- Conversion and seniority: If an application for registration of a CTM is refused, or the registration is cancelled, the proprietor can apply for conversion of the CTM into a national trademark in those member states where no obstacle for protection exists. The trademark will then keep the same priority date as the CTM application or registration (Articles 112 et seq. of the CTMR). Furthermore, the CTMR has introduced the possibility to claim seniority for a prior national mark (Article 34 et seq.). This has the effect that a person who has surrendered an earlier national registration after having registered an identical mark as a CTM, may still invoke the priority of that national mark vis-à-vis signs which have been acquired in the same national territory at a date preceding the priority date of the CTM, but subsequent to the priority date of the earlier national registration.

The requirements for protection of trademarks on the national and the Community level are the same, with only a few exceptions. Under both regimes, registration is refused if the mark is devoid of any distinctive character, or may serve as an indication of the quality, geographic origin or other properties of the goods or services, or has become customary in bona fide trade. However, no harmonization was achieved so far with regard to

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12 The TMD contains a number of optional provisions. See generally, TMD, supra note 5, art. 3(2) (optional absolute grounds for refusal) and art. 4(4) (optional relative grounds for refusal). Only parts of those grounds for refusal are also found in the CTMR.

13 CTMR, supra note 6, art. 7(1)(b)–(d); TMD, supra note 5, art. 3(1)(b)–(d). Those requirements are literally adopted from Article 6 quinquies B no. 2 Paris Convention.
registration procedures: 14 Some member states carry out a full examination, including the prior rights of third parties, whereas others limit their examination to the so-called absolute grounds for refusal (distinctiveness, functionality, or deceptiveness) and leave it to the initiative of proprietors of earlier rights to challenge the application in opposition proceedings. The latter approach is also followed by the authority which has been entrusted with the administration of the CTM system, the “Office for Harmonisation in the Internal Market” (OHIM). 15

Most remarkable in comparison with U.S. trademark law is the fact that protection under the CTMR as well as the TMD is acquired by registration alone. 17 There is no requirement that the mark be used in commerce at the time of application or registration, and it is also not necessary for the applicant to file a statement of intent to use at any time during the process. The issue only becomes relevant if, after a continuous period of five years following registration, the trademark has not been put to genuine use within the territory for which it has obtained protection. 18 But even then, no measures are undertaken ex officio to clear the trademark registry of unused marks. Only if non-use is claimed in inter partes proceedings within the OHIM (or a national office) or before a court will the issue will be examined, which may eventually lead to revocation and cancellation of the mark. Such situations typically occur if an applicant who is faced with an opposition filed by the holder of a prior mark raises a plea in objection, claiming non-use as a defense. Otherwise, the trademark remains in the register. It may even be prolonged without

14 See TMD, supra note 5, recital no. 6 (“Member States should ... remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks. ... They can ... decide whether earlier rights should be invoked either in the registration procedure or in the invalidity procedure or in both and, if they allow earlier rights to be invoked in the registration procedure, have an opposition procedure or an ex officio examination procedure or both.”).
16 Parallel to examination of the absolute grounds for refusal, OHIM carries out an automated search in its files for conflicting prior marks; the results of the search are communicated to the applicant as well as, at the time of publication of the CTMR, to the proprietor of the right which has been found in the search (for details concerning the optional search in national registries, see CTMR, supra note 6, art. 38). Both parties are given the opportunity to solve the issue among themselves. OHIM itself does not derive any legal consequences from the search results.
17 In addition, EU member states are free to grant protection to unregistered marks, see TMD, supra note 5, recital no. 5.
18 See CTMR, supra note 6, art. 15 (CTMs must be used in the community); see also TMD, supra note 5, art. 10 (national marks must be used in the relevant Member State).
difficulties, as neither OHIM nor any of the national offices require that a declaration of use be filed at the stage of renewal.

This issue has given rise to concern. Due to the success of the CTM system (see below), the number of registrations in the OHIM registry increases constantly. That—at least in principle—creates a barring effect against new market entrants not only on the Community level, but also in all twenty-seven member states, where CTMs likewise pose an obstacle for protection. The problems potentially arising therefrom are exacerbated by the fact that, at least according to critics, CTM registrations tend to be “oversized” in the sense that protection is claimed for more goods and services than what the applicant actually needs. Such strategic behaviour even seems to be encouraged by the procedural rules currently applied by OHIM. The basic fee to be paid for application and registration covers up to three classes of goods or services, meaning that if an applicant intends to use a mark in one or two classes, he or she can take the third class as a “free gift.”19 Furthermore, OHIM accepts and encourages the use of “class headings” (i.e., the generic terms used in the international classification scheme established by the Nice Agreement).20 According to a Communication by the president of OHIM21 it is further considered that if an applicant indicates all class headings within a given class, the application extends to all goods or services comprised in that class, whether or not that is reflected in the wording.22

19 Of course, the potential advantages conferred thereby must be measured against the risk that broad applications may attract a larger number of oppositions. However, as the applicant can easily drop claims regarding goods or services that she does not actually need, the deterring effect of that risk is not very prominent.


22 The issue of class headings was referred to the Court of Justice of the EU (CJEU) for a preliminary decision, and was pending at the time of finishing this manuscript. The questions submitted to the CJEU concerned the degrees of clarity and precision needed for the identification of the various goods or services covered by a trademark application, and, in particular, whether it is permissible to use the general words of the Class Headings of the International Classification of Goods and Services established under the Nice Agreement for the purpose of such identification. The CJEU decision was rendered on 19 June 2012 (see case C-307/10, CIPA v. Registrar of Trade Marks, available at http://www.curia.eu/en/ (type case no. into relevant search field)). For details concerning the CJEU’s decision, see infra notes 41, 42.
Concerns about overbroad protection of CTMs and the detrimental effects produced thereby are further fueled by the fact that under the current policy observed by OHIM, minimal use of CTMs is considered sufficient for maintaining the validity of the registration subsequent to the five-year grace period. That policy appears to be backed by a Joint Statement issued by the European Commission and the Council in the context of enactment of the CTMR in December 1993, which set forth that: "The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community."  

While the statement formed a powerful selling argument for the CTM in its early stages, it is now argued by some that it no longer matches the reality of the European Union, which has more than doubled in size since the early 1990s.

### III. THE TRADE MARK STUDY

From the very beginning, the CTM system has been a tremendous success. In its first year of operation, 1996, the number of applications surpassed any previous expectation. This also meant that the revenues from application fees received by OHIM were much higher than what had been anticipated at the inception of the CTM system. As it had been envisioned that the OHIM should be self-supporting, no legal basis exists for dealing with the surplus, for instance, by feeding it into the general EU budget, or by disposing of it in any other manner. As the income proved to be relatively stable over the following years, the accumulation of surplus continued, finally reaching a critical point.

One obvious solution, also preferred by OHIM itself, would have been to lower the fees to a level where surplus is no longer generated. However, the

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24 Statistics are available at http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2012.pdf. In 1996, the OHIM received nearly 44,000 applications. In 2011, the number of applications received annually has risen to more than 100,000.
26 CTMK, supra note 6, art. 144(1).
27 See the EU Commission’s Invitation to Tender for the Study on the Overall Evaluation of the Functioning of the Trade Mark System in Europe, supra note 25, where it is pointed out on p. 18 that “whereas by the end of 2004, the OHIM had accumulated cash reserves of around €105 million, the surplus by the end of 2008 will clearly exceed EUR 300 million.”
member states objected to such plans. From their perspective, the principle of coexistence, a cornerstone of the system, is at risk of being severely compromised by the strong pulling effect exerted by the CTM. Indeed, companies doing business in the EU increasingly revert to OHIM instead of the national offices in order to secure their trademark rights, causing most national offices to lose a (more or less) substantial part of their business. Any lowering of fees would likely create an additional incentive to substitute national applications by those of CTMs. However, as the need to dispose of the surplus became increasingly pressing, a political compromise was found which attempts to encompass the interests of all sides involved. First, the fees at OHIM were lowered moderately, in two subsequent steps. Second, it was agreed that an amount equivalent to 50% of the annual renewal fees received by OHIM should be distributed to the national offices, under the condition that the money not be spent on general budgetary issues, but on purposes connected to CTMs, or at least on trademark protection in general. Finally, it was decided that in preparation of implementing the compromise, an overall evaluation of the EU trade mark system should be carried out, so as to identify potential problems and lacunae which ought to be addressed in the same legislative context as the redistribution of fees. As an element of that evaluation, the Max Planck Institute for Intellectual Property and Competition Law in Munich (MPI) was tasked with investigating aspects and areas of trademark law which

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28 See the EU Commission’s Invitation to Tender for the Study on the Overall Evaluation of the Functioning of the Trade Mark System in Europe, supra note 25, on pages 18 and 19 where it is pointed out that original plans to introduce a (further) reduction of the fees at OHIM were only accepted in the EU Council (i.e., by the representatives of the member states) after the issue had been linked with the commitment to channel back 50% of the annual revenues generated from renewal fees at OHIM to the member states. For the OHIM’s own critical view on the issue, see Contribution to the Study on the Overall Functioning of the Trade Mark System in Europe, at http://oami.europa.eu/ows/rw/resource/documents/OHIM/OHIMPublications/ohim_contribution.pdf, in particular p. 4.

29 Trade Mark Study, supra note 4, part II at 1.20 et seq.


32 The tasks are set out in detail in the EU Commission’s Invitation to Tender for the Study on the Overall Evaluation of the Functioning of the Trade Mark System in Europe, supra note 25, p. 19 et seq.
could be of relevance for such purpose, so as to provide a basis for the EU Commission to elaborate their own proposals.33

In fulfilment of that task, the MPI study team34 embarked on an extensive fact-finding mission. Consultations with stakeholder organizations were held in writing as well as in the form of hearings; interviews were conducted with national trademark offices; and, as the most extensive part of the fact-finding efforts, a survey was undertaken among a representative number of users of the CTM system in all EU member states. The insights gathered during the fact-finding stage were then employed as a basis for the legal analysis forming the main part of the Trade Mark Study.

The final text of the Trade Mark Study35 comprises an account of general principles of EU trademark law, a discussion of legal issues which are common for the TMD and the CTMR, issues concerning the functioning of the CTM system, the task and mandate of OHIM, and considerations regarding further harmonization of trademark law in the EU. The following lines, however, will only concentrate on the issues of relevance here, namely the phenomenon of “cluttering” and its potential remedies as well as the assessment of genuine use on the Community level.

IV. CONGESTION OF REGISTERS (“CLUTrERING”)

Wide diversity of opinion exists in Europe as to whether the registers at OHIM are actually “cluttered” in the sense that accessibility of new trademarks is substantially impaired. The issue can be divided into two separate elements, one concerning the absolute size of a register—whether it contains too many marks—and the other relating to the question whether the register is cluttered by too much “dead wood” (i.e., marks which are either not used at all, or are only used for a part of the goods and services covered by the registration).

Regarding the first element, the answer can hardly be other than negative. True, the difficulties for newcomers to find a sign which is not blocked by a prior mark—and which can easily be pronounced and remembered, and gives rise to positive associations without being descriptive—are bound to increase in proportion with the size of registers. On the other hand, this is not an issue of absolute figures. In terms of numbers, the OHIM register is still much smaller

33 It is expected that the EU Commission will submit its proposals in September 2012.
34 Apart from the author of this Article, the team consisted of Dr. Roland Knaak (MPI) and Dr. Alexander V. Mühlendahl (attorney at law, former vice president of OHIM). The team was further supported by a number of MPI scholarship holders as well as by Prof. Dr. Ansgar Ohly (University of Bayreuth).
35 Trade Mark Study, supra note 4.
than that of the USPTO. Hence, if it were about numerical aspects, the problems would be more pronounced in the U.S. than in the EU. Apparently, however, that is not the case: Due to the requirement to prove actual use or file a declaration of intent to use with regard to clearly specified goods or services, the space occupied by each mark in the register is typically narrower than under European law and regularly reflects a fairly accurate picture of the mark's life-size on the market.

Contrary to that, there is no doubt in principle that the CTM system attracts a certain number of "void" registrations. The reasons were pointed out in Part II: if not challenged after five years of non-use, CTMs will remain in the register for the full registration period and beyond. Such marks will therefore show up in searches, conveying the impression of a living sign, even when in reality the mark cannot be enforced and is liable to be cancelled. Further features arguably contributing to the accumulation of dead wood are the basic fee's covering of three classes, which may invite overbroad registrations, or the use of class headings with the effect of covering all goods or services encompassed by that term in the international classification scheme.

While those features may be evaluated critically, it should not be ignored that they are expressions of a general policy choice on which European trademark law is built. To a much stronger degree than its U.S. counterpart, the European system is geared towards fast and cost-efficient procedures. This implies that private actors must be alert and defend their interests in a proactive manner instead of relying on the watchdog function of the register. Thus, if an applicant finds her way into the trademark register blocked by an earlier mark, it is up to her to find out about the state of use of that mark, and, in cases of doubt, to challenge its validity or the scope of protection claimed. If the system were changed in order to make the register more transparent and reliable, this would likely result in longer and more costly procedures.

Respecting those basic choices, the questions of whether and which measures should be taken to address the cluttering issue become first and foremost a matter for a cost-benefit analysis. For a solid basis of that exercise, it would be useful to know whether the impediments resulting from unused or unnecessarily broad registrations are substantial in their dimensions. As it turned out in the Trade Mark Study, however, it is not easy to arrive at a clear answer. The views presented by national offices and stakeholders diverge widely. Whereas OHIM and major business associations emphasize that no cluttering problem exists, other stakeholder organizations, in particular those

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36 At the time of writing the Trade Mark Study, 650,000 trademarks were registered at OHIM, while the USPTO counted 1.5 million registrations.
representing agents and attorneys, declare that the problem is virulent and growing. A tableau of split opinions also arises from the survey undertaken among CTM users: out of 74% of trademark agents expressing a view on the issue, a clear majority (41% vs. 33%) was of the opinion that what may be described as cluttering poses a problem at OHIM, whereas that view was only shared by 21% of proprietors (vs. 29% endorsing the opposite opinion).37

The evidence available from the CTM register appears to support the contention that the access to CTMs is not severely hampered by the sheer number of earlier marks. As is regularly emphasized by OHIM, the opposition rate has remained stable throughout the years (at an average of around 18% or 19%) or is even slightly declining, showing that the growing number of trademarks has not triggered a rising number of conflicts.38 However, the evidence is not entirely conclusive; an explanation for the low opposition rate could also lie in the fact that increasing efforts are undertaken to clear the rights before filing an application, thus adding to the pre-filing costs incurred by the companies.39

All in all, it must be concluded that the evidence gathered did not allow drawing definite conclusions. There is no sustainable documentation showing that access to trademarks is substantially impaired by congestion of registers. On the other hand, it appears equally unwise to contend that the features of the current European system which tend to invite a certain amount of cluttering do not give rise to any problems at all, and will not do so in the future. The Trade Mark Study therefore concluded that the issue should be observed further and that certain amendments of the current system should be implemented, without proposing radical changes.

First, it is suggested that contrary to the current practice, the basic fee should cover only one class of goods or services, instead of up to three. If applicants must pay more for each class designated in the application, it is

37 Trade Mark Study, supra note 4, part II at 3.5, part III at 1.35.
38 See http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2012.pdf for statistical data concerning oppositions. The OHIM's position on the issue is expressed in its Contribution to the Study on the Overall Functioning of the Trade Mark System in Europe, supra note 29, at p. 15. Interestingly, according to data submitted by OHIM to the authors of the Trade Mark Study, statistics also reveal that very crowded classes such as 09, 35, 42, and 41 attract a relatively low opposition rate (between 14% and 15%).
39 Such contentions are indeed made. According to reports by the Fédération Internationale des Conseils en Propriété Industrielle (FICPI) regarding an internal survey conducted among its members, clients are usually advised to submit for clearance at least three “candidate marks,” as the statistical probability for clearing one particular sign has become “increasingly minimal” due to the high and rising number of prior registrations at OHIM. The survey was made available to the authors of the Trade Mark Study and is cited in part II, para. 1.36.
expected that they will more readily limit their claims to those classes that they actually need.

Second, the use of class headings should be reconsidered. It must be observed in this context that the headings listed in the Nice Agreement for each of the current forty-five classes are quite different in their specificity and precision; hence, the breadth of protection accorded under the class headings, and also the degree of uncertainty created by their use, vary in relation to the particular class heading used. As pointed out in the Trade Mark Study, "there are some terms used in the class headings which are obviously 'vague,' such as 'machines' in class 7, while other terms, broad on the face of it, are actually well circumscribed, such as 'footwear' in class 25." It is therefore proposed that the use of class headings should remain a valid option if the relevant term used is precise enough (such as "footwear" in the example above), whereas more specific indications are needed where the class heading consists of a very broad generic term (such as "machines"). In order to align the practices used throughout the EU, OHIM and the national offices should confer on the issue and identify those class headings which do not offer a sufficiently precise indication. In addition, contrary to current OHIM practice, applications listing all class headings in a given class shall not automatically extend to all goods and services within the class, meaning that items which are not apparently covered by the class headings—such translation services in class 41—must be specified expressly.

Third, and more contentiously, the Trade Mark Study also considered whether the requirements for showing actual use should be tightened, so as to provide for a more efficient clearance of the register when marks are not put to

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40 See Trade Mark Study, supra note 4, part III para. 4.40.
41 This scenario formed the background for the recent decision by the CJEU, C-307/10, CIPA v. UKIPO, supra note 22. Class 41 lists the following class headings: education; providing of training; entertainment; and sporting and cultural activities. CIPA (the Chartered Institute of Patent Agents) filed an application in class 41 for the wordmark "IP Translator."
42 A similar approach was endorsed by the CJEU in the "IP Translator" case. Id. It is held that applicants are not precluded from identifying the goods or services for which protection is sought by using the Nice class headings, provided that such identification is sufficiently clear and precise. In addition, regarding the specific practice observed by OHIM, it is pointed out that "[a]n applicant for a national trade mark who uses all the general indications of a particular class heading of the Classification referred to in Article 1 of the Nice Agreement to identify the goods or services for which the protection of the trade mark is sought must specify whether its application for registration is intended to cover all the goods or services included in the alphabetical list of that class or only some of those goods or services. If the application concerns only some of those goods or services, the applicant is required to specify which of the goods or services in that class are intended to be covered."
genuine use. In particular, the idea was aired whether at the time of filing or after the expiry of the grace period rightholders should be obliged to file a declaration of use, stating that, and for which goods or services, the trademark has been put to genuine use.

A rather strong majority argued against any such changes. Opposition was nearly unanimous with regard to the proposition to require a statement of (intended) use at the time of filing—indeed, by introducing such a change, EU trademark law would have renounced one of its basic tenets. More support was found for the suggestion to require a statement of use after the grace period had expired, or at the time of renewal. However, the critical voices prevailed. It was pointed out that such a requirement, if taken seriously, would place a rather high burden on trademark proprietors and offices, whereas the efficiency achieved by such declarations appeared doubtful anyway. In view of the strong resistance, it was concluded that the introduction of such a novel feature could only be recommended on the basis of more comprehensive data regarding the cluttering of registers and the costs generated thereby. Most importantly, it remains unclear to what extent pre-filing costs are actually increasing by virtue of a growing complexity of searches, and how those costs are related to unused or “overbroad” trademark registrations. Should the problems increase or more exact data become available, the requirement of a declaration of use remains on the agenda as an ultima ratio in the event that the issue cannot be solved by other means.

V. GENUINE USE IN THE COMMUNITY

As was pointed out in Part II, the current practice of OHIM is governed by a Joint Statement of the Commission and the Council which was issued in December 1993. The position is expressed therein that “use which is genuine within the meaning of Article 15 [CTMR] in one country constitutes genuine use in the Community.”

Some have argued that this statement and its interpretation by OHIM have become obsolete. The misgivings were expressed in a decision by the Benelux IP Office (BOIP), concerning an opposition filed on the basis of a CTM which had been used only in one member state (the Netherlands). Pursuant to

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43 Trade Mark Study, supra note 4, part III paras. 2.90, 2.91.
44 Joint Statements, supra note 23.
45 Leno Merken B.V. v. Hagelkruis Beheer B.V., Case No. 200448 (Benelux Office for Intellectual Prop. 2010), http://www.boip.int (follow “Juridical” hyperlink; then follow “Opposition” hyperlink; then follow “Decisions” hyperlink; then search term “ONEL”).
the Joint Statement, the use was arguably sufficient to maintain the right in the CTM throughout the EU. However, the BOIP pointed out that it did not consider itself bound by the statement, given that

the establishment of the Community Trade Mark Regulation the Community has grown steadily to 27 Member States and further expansion is imminent. The actual and economic context has changed dramatically as a result. In a territory (currently) covering more than four million square kilometres and a (current) population of almost 500 million people, use in one member state only may essentially boil down to local use only. In the Office's opinion, such use is not acceptable in order to justify such an extensive exclusive right . . . 46

It is also declared that the Joint Statement is at odds with the second, third and sixth recitals in the preamble of the CTMR, which emphasize that the CTMR is not meant to replace the national systems which continue to be of importance for entrepreneurs whose activities and needs for protection do not pertain to the Community level. Another argument is drawn from Art. 112 CTMR, according to which a CTM that has been revoked for non-use can be converted into a valid trademark in those Member State where genuine use has been made—a provision which would arguably be meaningless if genuine use in one member state were always equal to genuine use in the Community.

The storm of indignation articulated by stakeholders following the BOIP decision was quite remarkable, as was the alarm caused within the Commission. Full support of the BOIP's decision and the underpinning reasons was, however, provided by the Hungarian Patent office, which likewise concluded, in a somewhat differently structured case, that a CTM for which use had only been established in one country—in that case, the UK—did not satisfy the criteria of genuine use in the meaning of Art. 15 CTMR. 47 Among the other national offices, opinions were divided: While some considered the Joint Statement as still providing a valid basis for their assessments, others shared the view that the standards previously endorsed had to be qualified in light of changed circumstances, in particular those regarding the size and number of EU member states. 48

46 Id. para. 34.
47 Hungarian Patent Office, 11 February 2011 Case No. M0900377 – C City Hotel. The decision was not appealed.
48 Trade Mark Study, supra note 4, part III paras. 3.8, 3.9.
The case decided by the BOIP was appealed and has been referred to the CJEU for a preliminary decision. As everyone is waiting for the result, the initial excitement has ebbed. It seems indeed that the outcry initially triggered by the decision was somewhat exaggerated. Both the BOIP and the Hungarian office do not seem to exclude in a categorical manner that use in one country may qualify as genuine use in the Community. However, they do not want this to follow “automatically” from use in one country. Apart from that, there seems to be basic agreement that the scale of genuine use which is sufficient to maintain a CTM cannot be determined on the basis of a quantitative approach in the sense that it is decisive whether a CTM has been used in one, two, or more EU member states. The crucial question rather concerns the substantiability of the use. In that respect, it is of interest that the Joint Statement can be read in two different ways. It may mean that any use which is sufficient to maintain a national trade mark is automatically also sufficient to keep a CTM alive. On the other hand, the statement may also mean that if the use as such is genuine in the meaning of Article 15 CTMR, that result is not countered by the fact that it was made in one country only. The latter understanding—which is endorsed in the Trade Mark Study—implies that the scope, volume, and extent of use which must be made of a CTM are not the same as for national marks. Whether the necessary threshold is met must be assessed on the basis of a case-by-case analysis, guided by the principle of proportionality, which takes into account all circumstances, particularly the nature of the goods and services, as well as the size and type of business activities by the proprietor.

Whereas it should be possible in most cases to arrive at a satisfactory solution on the basis of that formula, it is assumed that in exceptional cases, the current scheme—even when interpreted in the manner suggested above—could lead to inadequate results. For instance, if a CTM was used, over a long period of time, in only a small part of the European Union, without any indication that the use might be extended to other parts as well, it appears disproportionate to accept that the mark nevertheless has a blocking effect vis-à-vis subsequent national marks for which protection is sought in a Member State which is remote, in geographical or economic terms, from the part of the European Union where the CTM is actually used. The Trade Mark Study proposes therefore that in such a situation (after more than fifteen years after

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49 Case C-149/10, Leno Merken v. BOIP (pending).
50 With a view to the U.S. system it might also be required as a minimum that a CTM be used in “interstate commerce.” However, unlike the U.S., there is no clear legislative basis for such a requirement; also, its practical impact would probably be small.
registration), the CTM cannot be enforced against registration and use of the younger sign, provided that the latter was applied for in good faith. In its structure and consequences, the proposed rule is similar to that of acquiescence. Under acquiescence, a trademark can no longer be enforced vis-à-vis a younger sign if the proprietor was aware of the younger sign for more than five years, unless the person adopting the younger sign has acted in bad faith.51

Inspiration for the rule proposed in the Trade Mark Study was drawn from the Dawn Donut doctrine developed in U.S. case law.52 This doctrine operates in a similar situation, namely when the owner of a prior mark which is protected on the federal level confines its business, for a prolonged time period, to a (small) part of the market to which the protection pertains, while the younger sign is used in a different, separate part of that market.53 As long as the markets remain geographically and economically split, the younger sign may be used without being held to infringe. However, the parallels end there; if, under U.S. law, the proprietor of the prior mark extends his business to the region where the other party is active, the second-comer must cease using the mark.54 The solution proposed in the Trade Mark Study is different insofar as it allows obtaining a valid registration for the younger mark on the national level, which cannot be taken away at a later stage.

This does not mean that the proprietor of the CTM is prohibited from entering the territory where the younger right exists. The CTM remains a unitary right (i.e., it is valid and can be used without restriction throughout the European Union). It is true that this may lead to a situation where two basically conflicting marks exist in the same market, arguably giving rise to a likelihood of confusion. However, that situation is not unique—it also arises in consequence of acquiescence, when the owner of the prior mark is precluded from enjoining further use of a subsequent, conflicting mark. It needs to be assessed in such situations how serious the risk for confusion actually is. If it is pertinent, additional measures must be taken to avoid the possibility that consumers are deceived about the identity of goods and services. According to

51 TMD, supra note 5, art. 9; see also CMTR, supra note 6, art. 54.
53 In Dawn Donut, the plaintiff—seated in Jackson, Michigan—had been active on the wholesale level over thirty years and had only delivered to a few businesses in Rochester County, New York, while the defendant had been using the mark in its retail grocery chain with stores in other New York counties. The Second Circuit therefore concluded that no likelihood of confusion was to be expected as long as the plaintiff did not expand its activities in the retail sector beyond its current level.
54 See Dawn Donut, 267 F.2d at 365 ("[T]he plaintiff may later, upon a proper showing of an intent to use the mark at the retail level in the defendant's retail area, be entitled to enjoin defendant's use of the mark.").
the Trade Mark Study, the burden of providing the relevant safeguards should rest on the proprietor of the younger sign.55

VI. CONCLUSIONS, COMPARISON, AND A VIEW TO THE FUTURE

As pointed out in the introduction, the European approach towards trademark law is distinguished from U.S. law first and foremost by the way in which trademarks are considered as "normal" IP rights, in which property can be acquired by registration, not unlike patents or industrial designs. This does not mean, however, that actual use of trademarks is of minor importance in EU trademark law. On the contrary, the tenth recital of the preamble to the CTMR points out that "[t]here is no justification for protecting Community trade marks or, as against them, any trade mark which has been registered before them, except where the trade marks are actually used."56 But, as shown above, the mechanisms securing compliance with the use requirement are not strongly developed; their efficiency depends on the watchfulness of private parties and their proper interest in taking procedural steps to remove unused (or underused) marks from the register. This necessarily leads to a certain amount of cluttering, calling for corrective measures which might bring the European system at least a bit closer to its U.S. counterpart. At least for now, however, the disadvantages of the European system are not so strongly felt that it is necessary to embark on more than very slight amendments. On the other hand, considering that the number of registered marks is likely to increase steadily, it is by no means impossible that tightening the requirements for claiming and proving actual use will soon re-appear on the legislative agenda.

Another conspicuous difference between the U.S. and EU systems relates to the fact that the two-tiered structure—systems existing on the state level and on the Community or federal level—leads to considerable tension in the EU, whereas it is less problematic in the U.S., if at all. Two factors contribute to this. The first one concerns the political structure of the EU: Unlike the U.S., the individual member states in the EU are not part of a single nation, but remain separated. This fosters a tendency to consider the vitality of one's own trademark systems as a matter of national independence and pride (not to mention the budgetary aspects connected therewith). Under a strictly national perspective it might therefore seem appealing to make the registration of CTMs less attractive—for instance by a drastic increase of fees or by imposing categorically that use of a CTM must be made in all or a majority of EU

56 CTMR, supra note 6.
member states in order to retain its validity. However, such parochial strategies prove to be highly problematic and are ultimately unfeasible when the position of the EU in the world of global business is taken into account. A preferable solution was therefore found in the political compromise addressed above, which leads to the member states receiving some share of the revenues generated at OHIM. Of course, the money needs to be well spent; in particular, it should be invested in the infrastructure of national offices so as to make them more competitive in the areas where they are best placed to serve the interest of business, specifically local small and middle-sized enterprises. Also, instead of creating a climate of mutual distrust and subdued enmity, OHIM and the national offices should become more cooperative, sharing information and developing common platforms to the benefit of users. It is a very positive sign that such projects and initiatives have been undertaken, and have grown considerably in their volume and intensity during the one year which has passed since the Trade Mark Study was concluded.57

Second, apart from the political divides and the tensions generated thereby, the difficulties in coordinating the two tiers of trademark protection are also due to the fact that, although the market within the EU is unified de jure, there is still a considerable degree of de facto fragmentation, due to linguistic and other socio-economic diversities. To posit that every mark registered as a CTM necessarily has unitary effects throughout the EU still amounts to a fiction rather than depicting market reality. One facet of that issue was addressed in a recent decision by the CJEU concerning the territorial reach of injunctions for infringement of a CTM.58 While it regularly follows from the unitary character of CTMs that the legal effects of such judgments extend throughout the EU (provided that the deciding court has central competence59), it may be necessary to limit the decision territorially, if—in particular for linguistic reasons—a likelihood of confusion which exists in some parts of the EU is not found in others.60 The fragmentation of markets and its impact on the application of


58 Decision of 12 April 2011, Case 235/09, DHL v Chronopost.

59 Jurisdiction of CTM courts in cases of infringement are regulated in Articles 97 and 98 CTMR.

60 The dispute involved the proprietor of the CTM “WebShipping,” registered inter alia for express mail services, and a competitor using the words “web shipping” (in this and slightly different spellings) for express mail services to be accessed via the internet. While the allegedly infringing use may give rise to a likelihood of confusion in non-English speaking countries, it appears plausible that British and Irish customers understand the term “web shipping” as simply describing the nature of the services offered, which would fall under the limitations and
rules which are tailored to operate in a truly unified territory will therefore remain on the agenda of European trade mark law in the foreseeable future. This concerns not least the problem of a genuine use that is made of a CTM in the Community. Extreme solutions (such as accepting that use of a CTM in a small part of the common market will suffice, even after many years, to enforce the right in other, remote parts of the EU where a conflict is utterly hypothetical, or the revocation of such CTMs for reasons of non-use) are equally dissatisfactory. Instead, a coexistence rule like the one sketched above, with its inspiration drawn from the Dawn Donut doctrine, appears to strike a workable compromise.

exceptions set out in Article 12 CTMR and therefore does not infringe.