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The Community Trademark System: A Brief Introduction and Overview

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CURRENT DEVELOPMENTS

THE COMMUNITY TRADEMARK SYSTEM: A BRIEF INTRODUCTION AND OVERVIEW

VINCENT O'REILLY**

I. INTRODUCTION

Community Trademark and National Systems

The European Union (EU), previously known as the European Community (EC), is comprised of fifteen sovereign Member States. This number is planned to expand to twenty-five on May 1, 2004. At the end of 1993, the EU decided to establish a unitary system of trademark registration that would permit the registration by a single process in one place—a trademark whose effects would be uniform across the EU. The instrument that established the Community Trademark (CTM) was Council Regulation EC/40/94 of December 20, 1993, on the Community Trademark (CTMR).¹

The CTM system did not replace the already existing trademark systems in the Member States. These systems continue to operate. However, the principal substantive provisions of national trademark law have been harmonized as a result of the adoption of the First Council Directive 89/104/EEC of December 21, 1988.² Procedural differences remain.

* European Trademark Strategy in a Changing Landscape, Guest Lecture at Marquette University Law School (Oct. 16, 2003).

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1. Council Regulation EC/40/94 of 20 December 1993 on the CTM, 1994 O.J. (L 11) 1 [hereinafter CTMR].

2. First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of Member States Relating to Trademarks, 1988 O.J. (L 40) 1.

II. EXAMINATION FROM APPLICATION TO PUBLICATION

The purpose of this part is to provide a brief description of the procedure from the filing of an application for a CTM to its publication (or refusal on formal or absolute grounds). In addition, a description of current practice, illustrated by examples, will be given.

A. Filing of Applications

Applications may be filed either directly at the Office for Harmonization in the Internal Market (Office) in Alicante (Spain) or through any of the national Patent and Trademark Offices of the Member States of the EU, including the Benelux Office. The Office accepts applications by mail, by courier service, in person, or by fax, but the preferred method is e-filing. E-filing was introduced on November 12, 2002, and filing by this means currently accounts for up to twenty percent of filings in any one day.

B. Minimum Requirements

In order to obtain a filing date the following must be included in the application:

- a request for registration;
- identification of the applicant;
- a representation of the trademark;
- a list of goods and services; and
- the basic fee (975 Euros) must be paid within one month of the application.³

C. Formalities

These are routine issues involving such things as professional representation, priority, seniority, and classification.

- *Professional representation*: Non-EU applicants must appoint a representative to act for them in all proceedings before the Office, except for the filing of an application.
- *Priority*: Applicants who have filed the same mark for the same goods and services at (almost) any other central industrial property office in the previous six months may claim the priority of the date of that earlier application.
- *Seniority*: This allows applicants who are proprietors of identical

3. CTMR art. 27.

registered marks with effect in the Member States of the EU for the same goods and services to consolidate their rights in their CTM, once it is registered.

- *Classification*: The goods and services in respect of which registration of the CTM is sought must be classified in accordance with the Nice classification system. Classification serves administrative purposes only. Current applications are classified in accordance with the Eighth Edition of Nice, covering forty-five classes.

D. Absolute Grounds for Refusal of CTM Applications

The most important issue for applicants for CTMs and their advisers in this phase of the proceedings is the issue of absolute grounds for refusal.⁴

The principal absolute grounds for refusal may be summarised as follows:

- trademarks that are devoid of distinctive character;
- trademarks that consist *exclusively* of descriptive signs or indications;
- trademarks that consist *exclusively* of generic signs or indications;
- signs that consist *exclusively* of either the shape that results from the nature of the goods, which is necessary to obtain a technical effect, or that gives substantial value to the goods;
- trademarks contrary to public policy or accepted principles of morality;
- deceptive trademarks; or
- trademarks contrary to Article 6 of the Paris Convention.

These separate grounds for refusal of an application are not mutually exclusive and a refusal may be based on one or more of them.⁵ Thus, it is possible for an application to be rejected, for example, on the basis that it is devoid of distinctive character *and* consists exclusively of the shape that results from the nature of the goods themselves.

The CTM has a unitary character and is valid throughout all the Member States of the EU. In view of this, the CTM system provides that applications for registration must be refused notwithstanding that the grounds of nonregistrability exist in only part of the EU. Thus, a

4. CTMR art. 7.

5. CFI Case T-345/99, Harbinger Corp. v. OHIM, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

trademark consisting exclusively of a word that is, for example, descriptive only in Portuguese must be refused.

Trademarks falling under the first three points mentioned above may nevertheless be registered if they have become distinctive as a result of the use which has been made of them within the EU as a whole or within a relevant part of the EU.⁶ This defence is not available in relation to other absolute grounds for refusal. This is particularly important with respect to 3-D marks in light of *Koninklijke Philips Electronics NV v. Remington Consumer Product Ltd.*, decided by the European Court of Justice (ECJ).⁷

E. Practice

The outlines of policy on absolute grounds were initially established in the Examination Guidelines, which were drawn up before the Office started examining applications for CTMs on these grounds. Since then, the Office has had the experience of examining almost 300,000 applications with respect to absolute grounds, of which about ninety-five percent have been accepted. Thousands of examiners' decisions have been the subject of decisions from the Boards of Appeal (BOA). A much smaller number have been subject to review by the Court of First Instance (CFI). The ECJ has decided on only two. The Cancellation Division has dealt with a small number of requests for invalidity on absolute grounds.

This wide body of knowledge enables us to have an overview of how decisions on absolute grounds are applied in practice. The principal issue is distinctiveness—whether the trademark has the capacity to distinguish the goods and services of one enterprise from those of others. Other issues, such as compatibility with public order and morality, also arise but are not statistically significant.

Let us examine some examples. In looking at examples, it is useful to look at decisions not only from the examiners but also from the independent BOA of the Office, the CFI, and the ECJ.

6. CTMR art. 7(2).

7. ECJ Case C-299/99, *Koninklijke Philips Elecs. NV v. Remington Consumer Prod. Ltd.*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

1. Single Colour

The Office has consistently taken the view that a single colour, in the absence of special circumstances, such as acquired distinctiveness, is devoid of distinctive character. By single colour, the Office does not mean a single colour from the spectrum but also a single shade of colour. This view has been upheld by the BOA on several occasions.⁸ There is one well-known case—the colour lilac for chocolate confectionery—where the extensive evidence of distinctiveness was sufficient to convince the examiner that the mark in question should be accepted for publication.⁹

On the other hand, the Office has accepted one application where the mark consisted of what was considered to be a very unusual colour applied to insulating material.¹⁰

2. One Letter/Digit

Initially, the Office took the view that a combination of two letters or two digits was devoid of distinctive character and this approach was applied in a number of decisions. However, this position was challenged in a number of cases before the BOA. The BOA supported the view of the applicant that the statement in the Guidelines was not a sufficient basis for refusing such marks.¹¹ On foot of this, the Office revised its policy so that two letter/two digit marks would be accepted unless the combination had a meaning or significance in relation to the goods or services, which would give rise to objections on the grounds, for example, that it described the nature of the goods or services.

The policy was, however, maintained in respect of a single letter or digit. Again, this has been reviewed by the BOA. In the case of the digit “7” with respect to motor vehicles, the Board upheld the position of the Office.¹²

The Boards have considered other cases where the issue was whether the mark should be considered a simple letter or whether its

8. BOA Cases R-169/1998-3 and R-501/1999-1, *available at* oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

9. CTM No. 31336, *available at* oami.eu.int/search/trademark/la/en_tm_search.cfm (last visited Dec. 11, 2003).

10. CTM No. 171926, *available at* oami.eu.int/search/trademark/la/en_tm_search.cfm (last visited Dec. 11, 2003).

11. BOA Case R-4/1998-2, *available at* oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

12. BOA Case R-63/1999-3, *available at* oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

manner of presentation confers a sufficient element of distinctiveness. The Boards have not always agreed with the assessment of the examiner, but these are the typical marginal cases where judgments by different people can legitimately differ.

3. Three-Dimensional Marks (3-D)

Three-dimensional marks, although they do not constitute a large volume (less than one percent of CTM applications), are controversial. The practice of the Office was outlined in a Communication from the President in April 1998.¹³ Essentially, the policy is to reject such marks where they consist *exclusively* of standard or ordinary containers or the standard or usual shape of the goods for which registration is sought. Where the mark contains other elements (verbal, figurative, colour) and when these other elements alone or in combination with the shape are sufficient to render the mark registrable, the mark will be accepted.

There has been some debate as to whether the standard of distinctiveness for such marks is higher or lower than for other marks. The Office has always maintained that the standard is the same. The CFI has confirmed this view.¹⁴

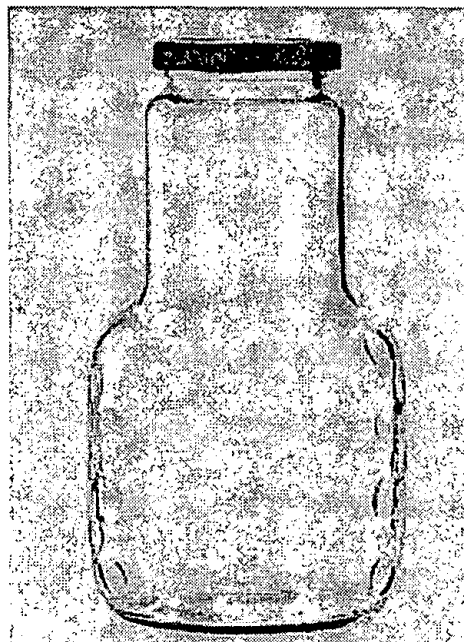
i. Container

The Board held that the 3-D mark claimed for goods in Classes 29, 30, and 32, especially fruit juices, was not descriptive. In order to be eligible for registration, a trademark must distinguish the goods and services of one undertaking from those of another. With respect to a bottle, therefore, it had to be decided whether or not the relevant consumers recognised the shape rather than merely the label and, in addition, whether they saw the shape as an indication of origin. In the present case, the shape was considered as sufficiently original and characteristic to fulfil those conditions. The Board also stated that the shape of the bottle resulted neither from the nature of the goods themselves nor from the necessity to obtain a technical result. The contested decision was annulled.¹⁵

13. Comm. No. 2/98 (O.J. OFFICE 1998, at 701).

14. CFI Case T-88/00, *Mag Instrument v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

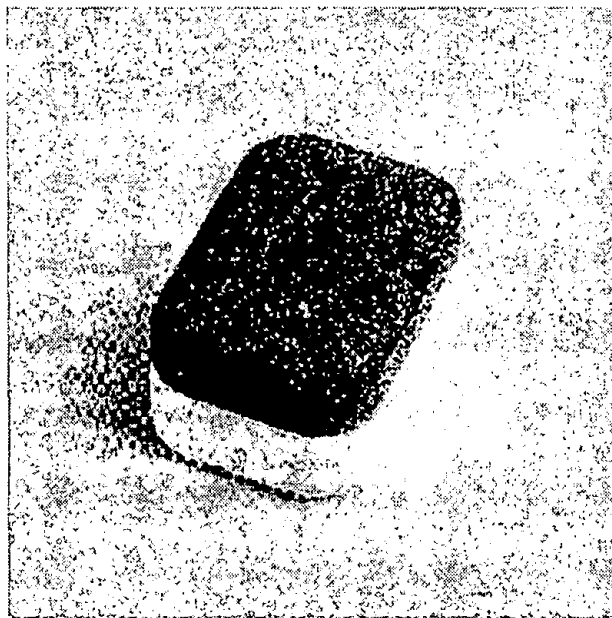
15. BOA Case R-139/1999-1, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).



ii. Detergent Tablets

The Board stated that the 3-D marks claimed for goods in Class 3, namely detergent tablets, were not distinctive. A 3-D form had to be sufficiently particular and catchy in its design and it was not sufficient to employ only typical or obvious elements of design. The tablets consisted of a mere basic form and the colours employed did not add a special feature that was beyond the usual standards in that market. The fact that the Office or national offices had accepted some similar marks did not alter this evaluation, as the Board was not bound by those decisions. The appeal was dismissed.¹⁶

16. BOA Cases R-70/1999-3 to R-72/1999-3, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).



This is one of a number of similar cases that have been appealed to the Court of First Instance, which upheld the decisions of the examiner and the Boards. Further appeals to the ECJ have been filed.

iii. Flashlights

The Board held that the 3-D shapes of cylindrical torches with respect to goods in Classes 9 and 11 must, in order to be registered, display features sufficiently different from the usual shape of goods for a potential purchaser to perceive it primarily as an indicator of the origin of the goods and not as a representation of the goods themselves.¹⁷ The CFI upheld the decision of the BOA to refuse the marks.¹⁸

The earlier mentioned decision of the ECJ in *Phillips* is important. This was not a decision on appeal from the Office but rather a reference by a United Kingdom court for the interpretation of the provisions in the Harmonization Directive¹⁹ that are the same as those in the Regulation.

The conclusion of the ECJ was that a sign consisting exclusively of the shape of a product is nonregistrable if it is established that the essential functional features of that shape are attributable only to the technical result. Moreover, the ground for refusal cannot be overcome by establishing that there are other shapes that allow the same technical

17. BOA Cases R-237/1999-2 to R-241/1999-2, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

18. CFI Case T-88/00, *Mag Instrument*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

19. First Council Directive 89/104/EEC, *supra* note 2.

result to be obtained.

4. Domain Names

The Office considers that prefixes and suffixes to trademarks such as *www.* and *.com*, which are no more than top-level domain names, generally neither add to nor subtract from the distinctive character of the other word element in a mark. This view has been supported by the Boards of Appeal.²⁰ In the *www.primebroker.com* case, they held that the word mark claimed for goods and services in Classes 9 and 42, namely computer software relating to the provision of information on publicly traded companies and provision of online access to portfolio accounting systems, represented an e-mail address, in which the word “Broker” referred to an agent and the element “Prime” conveyed to most a laudatory meaning and the impression that the broker was the best or the highest quality. The whole was likely to be seen by the relevant public as an electronic mail address for a broker engaged in trading the goods and services applied for and not in any way as being distinctive. The appeal was dismissed.

5. Descriptive or Suggestive Words

This is the classic area where opinions differ between individuals, between authorities, and between instances, despite all concerned working from broadly the same legal basis. Word marks that are descriptive of the goods or services for which registration is sought, or which are devoid of distinctive character, are refused unless evidence of acquired distinctiveness is provided. On the other hand, words that are only suggestive of, or allusive to, the goods and services in question should be registered. The following examples illustrate the difficulties involved.

i. “Optima”

The word “*optima*,” meaning “excellent, very good” in Portuguese, is descriptive in Portugal and therefore devoid of distinctiveness for patient membrane oxygenators and structural parts in Class 10. The appeal was dismissed.²¹

20. BOA Case R-77/1999-2, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

21. BOA Case R-94/1998-2, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

ii. *“Maxima”*

In Portuguese the word *“máxima”* is the feminine form of the adjective *“máximo,”* which means “the largest, the greatest, the highest, the most intense.” Since the trademark “MAXIMA,” when used in relation to goods such as surgical and medical apparatus, will not in fact be perceived as descriptive of the quality of the goods by the relevant group of consumers, there are no grounds for holding it descriptive or devoid of any distinctive character.²²

The issue of distinctiveness has also been considered by the CFI on a number of occasions of which the following are just two examples.

iii. *“Lite”*

The word mark was applied for with respect to goods and services in classes 5, 29, 30, 32, 33, and 42. The Court, in upholding the decision of the Board of Appeal,²³ took the view that “LITE” would only inform consumers of a characteristic of the goods and services in question. It would not enable the relevant public to distinguish the goods and services of one enterprise from those of other enterprises.²⁴

iv. *“Streamserve”*

The word mark was applied for in respect of the following classes:

- Class 9: Apparatus for recording, transmitting, and reproducing sounds and images; data processing equipment including computers, computer memories, viewing screens, keyboards, processors, and scanners; computer programs stored on tapes, disks, diskettes, and other machine-readable media.
- Class 16: Listed computer programs; manuals; newspapers and publications; education and teaching material.

The CFI agreed with the decision of the BOA²⁵ that the word was descriptive of a characteristic of the goods (a technique for transferring digital data from a server, enabling them to be processed as a steady and

22. BOA Case R-51/1998-1, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

23. BOA Case R-275/1999-3, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

24. CFI Case T-79/00, *Reve-Zentral v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

25. BOA Case R-423/1999-2, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

continuous stream) except for “manuals and publications.”²⁶

The European Court of Justice has considered the issue on two occasions: *Baby-dry* and *Companyline*.

v. “*Baby-dry*”

The application for the word mark was in respect of babies’ nappies. The BOA upheld the refusal by the examiner on the grounds that the mark was descriptive of a characteristic of the goods.²⁷ The CFI confirmed this view.²⁸

The ECJ made the following analysis:²⁹

In order to assess whether a word combination such as BABY-DRY is capable of distinctiveness, it is therefore necessary to put oneself in the shoes of an English-speaking consumer. From that point of view, and given that the goods concerned in this case are babies’ nappies, the determination to be made depends on whether the word combination in question may be viewed as a normal way of referring to the goods or of representing their essential characteristics in common parlance.

As it is, that word combination, whilst it does unquestionably allude to the function which the goods are supposed to fulfil, still does not satisfy the disqualifying criteria Whilst each of the two words in the combination may form part of expressions used in everyday speech to designate the function of babies’ nappies, their syntactically unusual juxtaposition is not a familiar expression in the English language, either for designating babies’ nappies or for describing their essential characteristics.

Word combinations like BABY-DRY cannot therefore be regarded as exhibiting, as a whole, descriptive character; they are lexical inventions bestowing distinctive power on the mark so formed and may not be refused registration under Article 7(1)(c) of Regulation No[.] 40/94.³⁰

26. CFI Case T-106/00, *Streamserve v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

27. BOA Case R-35/1998-1, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

28. CFI Case T-163/98, *Procter & Gamble v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

29. ECJ Case C-383/99, *Procter & Gamble v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

30. *Id.*

Office Response to "Baby-dry"

In the immediate aftermath of the decision, it was interpreted by some as meaning that objections could now be based only on words or expressions found in dictionaries that were the names of the goods or constituted the essential characteristics of them. This is clearly incorrect. First, the decision itself refers to "word combinations . . . in common parlance." It does not confine itself to dictionary definitions. Second, all purely descriptive word combinations are not to be found in dictionaries, which generally confine themselves to definitions of individual words.

It is not clear whether the conjunction of the words "baby" and "dry" by a hyphen was considered by the ECJ to add to its being an "unusual juxtaposition," but in the absence of comment it is best not to place any emphasis on this point. One essential point is syntactically unusual juxtaposition.

It is also clear that the decision gave weight to the fact that the combination was only part of the way in which the expression might be used in everyday speech.

Drawing conclusions from this, it appears necessary for examiners in assessing the acceptability of marks that consist of word combinations to give weight to the following new considerations:

- Is there a "syntactically unusual juxtaposition"?
- Does the combination form only part of the way in which the expression would be used in every day speech (e.g., to keep the baby dry)?

The greater the extent of a "yes" answer to each of these questions, the greater the likelihood that the trademark does not offend Article 7(1)(c) of the CTMR. Where the analysis results in the conclusion that there is no objection under 7(1)(c), there is little or no prospect that an objection under Article 7(1)(b) would exist.

vi. "Companyline"

The application for the word mark was with respect to services in the field of insurance and financial affairs. The BOA upheld the refusal by the examiner on the grounds that the mark was devoid of distinctive character.³¹ The CFI confirmed this view³² and the further appeal to the

31. BOA Case R-72/1998-1, available at oami.eu.int/search/legaldocs/la/en_BOA_index.cfm (last visited Dec. 11, 2003).

32. CFI Case T-19/1999, *Deutsche Krankenversicherung v. OHIM*, available at

ECJ was dismissed.³³

The most significant element of this judgment was not that the view of the Office on the application of Article 7(1)(b) was upheld but rather that the ECJ clarified that it is for the CFI to find the facts and to appraise those facts.

The text of the *Baby-dry* judgment, while not addressing the issue explicitly, had raised some doubts in this respect.

6. Acquired Distinctiveness

Objections on the general grounds of nondistinctiveness can be overcome if the trademark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.³⁴ Other absolute grounds for refusal, such as deceptiveness or those relating exclusively to the shape of the goods, may not be overcome by these means.

The Key to Acquired Distinctiveness

There is frequently a misunderstanding about the meaning of the term “acquired distinctiveness.” Arguments and evidence from applicants or their representatives are frequently presented to the effect that the mark in question has been used; therefore, the condition of acquired distinctiveness is satisfied. This approach entirely misses the point. The question is not whether the mark has been used but rather whether it has “*become distinctive . . . in consequence of the use.*” Perhaps this misunderstanding stems from the employment of the shorthand term “evidence of use” instead of the correct “evidence of acquired distinctiveness.”

Evidence of acquired distinctiveness is not a remedy for all possible absolute grounds for refusal. It has a limited scope. It is confined to overcoming objections relating to the following:

- being devoid of distinctive character;
- being descriptive; and
- being generic signs or indications customary in the trade.

There are a number of key points that are worth emphasizing about the evidence:

curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

33. ECJ Case C-104/00, *Deutsche Krankenversicherung v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

34. CTMR art. 7(3).

- it must relate to the mark as filed and not another mark;
- it should relate to the *relevant* part of the EU, and where necessary to the EU as a whole;
- its context evidence should be provided;
- independent evidence carries more weight than that exclusively from the applicant; and
- it must relate to the period before the application was filed.³⁵

F. Observations Under Article 41

After the publication of a CTM anyone may submit observations as to why the mark should not be registered under Article 7 in particular. This can lead to the absolute grounds examination being re-opened if a sufficient basis for this is shown. This is rarely the case.

While the CTMR does not specify any time limits, the President of the Office decided in February 2000 that observations will not be considered outside the period of four months after publication unless opposition proceedings are still in progress.³⁶

Very few observations are filed—several hundred compared to the more than 200,000 that have been published. They fall into three broad categories:

- genuine concern about Article 7 issues (e.g., DVD);³⁷
- an ancillary action to an opposition (absolute grounds may not be raised as the basis for an opposition); and
- poorly grounded cases.

III. OPPOSITION³⁸

Opposition proceedings in the CTM system constitute the first occasion where conflicts between competing claims to rights are dealt with. A proceeding takes place after the publication of the CTM application and arises solely at the initiative of the claimant of earlier competing rights. The EU system makes no provision for *ex officio* resolution of conflicting claims.

35. CFI Case T-247/01, eCopy v. OHIM, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

36. Comm. of the President No. 1/00 (O.J. OFFICE 2000, at 479).

37. CTM No. 7385, available at oami.eu.int/search/trademark/la/en_tm_search.cfm (last visited Dec. 11, 2003).

38. CTMR art. 8.

A. Procedural Aspects

Opposition must be filed within three months of the publication of the CTM application in the Official Bulletin of the Office. Payment of the opposition fee (350 Euros) must be made within this same three-month period. The period for filing an opposition cannot be extended. The opposition must be filed at the Office in Alicante directly. Unlike applications for CTMs, an opposition *cannot* be filed through national offices.

B. Requirements

There are two principal requirements. First, it must be an earlier right. This means that the right on which the opposition is based must be earlier than the filing date, or priority date, if relevant, of the CTM application. Second, the rights in question must have effect within the European Union.

The types of right on which an opposition may be based are the following:

- CTMs and applications;
- trademarks registered in a Member State, including the Benelux, and applications for such registrations;
- trademarks registered under the Madrid Arrangement or Protocol with effect in any Member State of the Community and applications for such registrations;
- trademarks which are well known in a Member State (well known in the sense of Article 6bis of the Paris Convention); or
- certain nonregistered trademarks and other signs used in the course of trade.

C. Nonregistered Trademarks and Other Signs Used in the Course of Trade

There are a number of conditions with which nonregistered trademarks and other signs used in the course of trade must comply if they are to provide a valid basis for opposition to a CTM application. In the case of signs used in the course of trade, the marks must be of more than mere local significance. There is no definition of the term “local” and we will have to see how decisions are made to assess its significance. In all cases, the earlier unregistered trademark or sign must have conferred on them by *national* law the right to prohibit the use of a subsequent confusingly similar trademark. The conditions under which these may form the basis for opposition is thus partly determined by the

law of each of the Member States and, accordingly, may vary from one Member State to another.

D. What Scope of Protection of the Earlier Right?

In regard to the goods and services covered by the earlier right, there are three situations to be considered.

The first (and easiest) situation is where the earlier right is a trademark identical to and protected with respect to identical goods or services as the CTM that is opposed. In this case the opposition will succeed.

The second, and more usual, case is where either the trademark is:

- identical with the opposed application but the goods or services are not identical;
- similar to the opposed application and the goods or services are identical; or
- similar to the opposed application and the goods or services are similar to each other.

In this case the opposition will succeed only if, in the territory in which the earlier trademark is protected, there exists a likelihood of confusion on the part of the public.

The third case is where the earlier trademark has a *reputation*. In the case of a CTM this reputation must be in respect of the EU. For national trademarks, the reputation must be in the Member State concerned. The respective marks must be identical or similar. In contrast to the situations mentioned above, the respective goods and services need not be similar. An earlier trademark with a reputation will succeed against a latter CTM application where the use of the latter trademark would, without due cause, take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier trademark.

In a recent case the Opposition Division (OD) considered a situation where two marks were similar, but the goods were not.³⁹ The reputation of the earlier mark was clearly established. It was considered that the use of the mark applied for would cause an unfair advantage because people familiar with the earlier mark would be led to buy the applicant's products in the belief that they were in some way connected with the opponent.

39. OD Decision 306/2002, available at oami.eu.int/search/LegalDocs/la/en_Opposition_index.cfm (last visited Dec. 11, 2003).

The OD has considered that where there is a risk of dilution of the reputation of the earlier mark, such risk is detrimental to the mark's distinctive character.⁴⁰

E. Assessment of Likelihood of Confusion

Although the ECJ has not yet had to decide on any cases of opposition filed before the Office, it has established some key principles (e.g., *Sabel BV v/ Puma AG*⁴¹) that the Office applies in assessing the likelihood of confusion between conflicting signs.⁴² The likelihood of confusion must be appreciated globally, taking into account all the relevant circumstances of the case. The global impression of the visual, aural, or conceptual similarities of the signs in question must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components.

Mention has already been made that the likelihood of confusion must exist in the territory in which the earlier right is protected. This is of great importance within the EU, which, it has to be repeated, is a multilingual entity. Trademarks that are exclusively composed of words or whose distinctive or dominant components are words will have a different impact on the relevant public in different territories of the EU.

An invented example illustrates the point. If a CTM application were opposed on the basis of an earlier trademark registered in the United Kingdom, the fact that from the point of view of the Finnish language, there was a close conceptual similarity would be irrelevant. The relevant public in the United Kingdom would not be aware of this. If the earlier mark were registered in Finland the results would be different.

Another element in the assessment of likelihood of confusion is whether the respective goods and services are to be considered identical or similar. Again, the ECJ⁴³ has established some basic factors, which must be applied to the assessment of similarity of goods and services. These include the nature of the goods and services, the end users (i.e., the relevant public), whether the goods are substitutes or

40. OD Decision 2096/2001, available at oami.eu.int/search/LegalDocs/la/en_Opposition_index.cfm (last visited Dec. 11, 2003).

41. ECJ Case C-251/95, *Sabel BV v. Puma AG*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

42. For this aspect of the role of the ECJ, see part IV, *infra*.

43. ECJ Case C-39/97, *Canon Kabushiki Kaisha v. Metrogoldwyn Mayer Inc.*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

complementary, and the trade channels through which the goods or services pass.

The issue of similarity between signs and between goods and services is a matter of degree. In the final decision on whether there is a likelihood of confusion, an overall assessment of the degree of similarity between the respective signs and the respective goods and services is necessary.

F. Proof of Use of Earlier Rights

For a CTM to be registered there is no requirement of prior use nor is there any required statement of intention to use. Nevertheless, it is a key principle of the CTM system that there is no justification for protecting any earlier trademark against a subsequent CTM application, except where that earlier trademark has been used.

In opposition proceedings, this gives rise to the possibility for the applicant for the opposed CTM to request the opponent to prove use of the earlier trademark on which the opposition is based. The possibility is limited to cases where, at the date of publication of the CTM application, the registered mark on which the opposition is based has been registered for at least five years. In such a case, the opponent must prove that during the five-year period prior to the publication of the opposed CTM application, the earlier trademark has been put to *genuine* use in the territory in which it is protected unless there are proper reasons for nonuse.

It is important to stress that the use is genuine. Token use, or use that appears to be made merely to give the appearance of use, is not sufficient. The use must be by the proprietor of the earlier right or with his consent, such as by a licensee.

The CFI has considered the standards that the evidence must meet.⁴⁴

The CTMR does not define “proper reasons.” However, the ODs of the Office have based some of their decisions on Article 19(1) of the TRIPS Agreement that refers to “circumstances arising independently of the will of the owner of the trademark.” Financial difficulties experienced by a company are not considered to be proper reasons for nonuse.⁴⁵

A proper reason for nonuse would be, for example, in the case of a

44. CFI Case T-39/01, *Kabushiki Kaisha Fernandes v. OHIM*, available at curia.eu.int/en/content/juris/index.htm (last visited Dec. 11, 2003).

45. OD Decision 2260/2000, available at oami.eu.int/search/LegalDocs/la/en_Opposition_index.cfm (last visited Dec. 11, 2003).

pharmaceutical product that clearance for placing the goods in question has not yet been given by the relevant authorities.

G. Languages

The CTM system is a multilingual one. The notice of opposition must be filed in one of the five languages of the Office.⁴⁶ If the language of the notice of opposition is neither the first nor second language of the CTM application opposed, then a translation must be provided by the opponent at his or her own expense within one month of the expiration of the opposition period.

The language of the opposition proceedings will be either the first or second language of the application, depending on whether both are languages of the Office (at least one must be) and the language of the notice of opposition or its later translation. There is a possibility for the parties to agree to have any of the eleven official languages of the Community to be the language of proceedings, but this facility is not used.

A few examples may be useful to clarify these rules. If the application for a CTM is filed in Greek (not a language of the Office) and the second language is French, then the opposition (or translation of the opposition) must be filed in French and this will be the language of the proceedings. If the application is filed in English and the second language is Italian (both Office languages), then the opposition (or translation of the opposition) must be filed in either English or Italian. The language of the proceedings will be the language of the notice of opposition (or of its translation).

The experience of the Office is that more than three quarters of oppositions are conducted in English. More than ten percent are carried out in German, with a small number being in French, Spanish, or Italian.

It is important to note that any document filed in the course of opposition proceedings must either be in the language of the proceedings or be translated by the party filing the document into that language within established deadlines.

H. Cooling-Off Period

A particular feature of opposition proceedings before the Office, from the procedural point of view, is the “cooling-off” period. Once the

46. CTMR art. 115.

Office establishes that an opposition is admissible, it communicates it to the applicant. The opposition proceedings themselves will not commence until two months after this communication. The Office at the joint request of the parties can extend this “cooling-off” period. This provides an opportunity for the parties to negotiate a settlement on terms agreed between them.

The form of settlement is a matter for the parties. It can involve the withdrawal of the application or of the opposition or both. It may involve the restriction of the list of goods and services of the CTM application. In some cases the settlement involves more than the CTM at issue. The Office is aware of some settlements that involve agreements on a worldwide basis where the CTM is only part of a larger package.

It is interesting to note that about eighty percent of the oppositions are finally disposed of without requiring a decision being taken by the Office. These were not all finalised during the cooling-off period, but it is clear that this mechanism makes direct settlement between the parties easier.

I. The Decision

If the parties have not reached an agreement, whether within the cooling-off period or otherwise, the Office, once all evidence and arguments have been filed and considered, will make its decision. Each of the parties will have been given an opportunity to file its own evidence and arguments and to comment on what has been filed by the other party.

The decision will be either:

- to reject the application completely;
- to reject the application in respect of some goods and services and allow it to proceed for the remainder; or
- to reject the opposition and allow the whole application to proceed.

It is important to note that whatever decision is made applies to the whole of the EU. The CTM has unitary character and stands or falls for the EU as a whole. There can be no question of the application being allowed for one part of the EU and not for another.

J. Costs

The general rule is that costs are awarded to the winning party.⁴⁷ However, the impact of this is limited. The amount of costs that can be awarded, except where there are oral proceedings, is so small as not to be a material consideration.

IV. CANCELLATION

Once a CTM has been registered it is not free from all potential attack. There is the potential threat of cancellation. Cancellation actions fall into two broad categories:

- revocation⁴⁸ and
- invalidity.⁴⁹

Either action may be brought before (a) the Office or (b) a CTM court as a counterclaim in an infringement action.

A. Revocation

1. Grounds for Revocation

Revocation actions can be based on the following grounds:

- the CTM has become the generic term for a product or service;
- the CTM has become deceptive;
- the CTM proprietor no longer qualifies to be one; or
- the CTM has not been used in any continuous period of five years after registration, without due cause.

The first two circumstances must arise from action or inaction by the proprietor rather than from events or circumstances that are outside his or her control. The third is an unlikely event.

So far it is too early in the life of the system for nonuse actions to arise. However, it will soon become a reality. Once it begins to happen there are two interesting issues to be decided:

(1) What will constitute acceptable reasons for nonuse?

Presumably, the approach that has been adopted by the Oppositions Division in this respect will also be followed in revocation cases.

(2) Will genuine use in any Member State be sufficient to save a CTM?

47. CTMR art. 81.

48. CTMR art. 51.

49. CTMR arts. 52 & 53.

When adopting the Regulation, the Council and Commission of the European Communities entered in the minutes of the Council a statement that “use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.” It nevertheless remains to be seen whether this view will be adopted by the courts.

2. Effect of Revocation

The effect of revocation is that the CTM is deemed not to have had effect from the date of application for revocation or of the counterclaim. An earlier date, on which one of the grounds occurred, may be set in the decision on the request of one of the parties.⁵⁰

B. Invalidity

1. Grounds for Invalidity

Invalidity actions may be based on either absolute or relative grounds. Indeed, they may be based on both.

Absolute grounds for invalidity are essentially the same as those before registration, namely Articles 5 and 7, with one addition. The additional element is that of an application made in bad faith,⁵¹ which is not a consideration prior to registration.

The Cancellation Division has held that bad faith is the opposite of good faith, generally implying or involving, but not limited to, actual or constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually, bad faith can be understood as a “dishonest intention.” This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant for the CTM at the time of filing.⁵²

Relative grounds for invalidity are more extensive than those upon which an opposition may be based. It will be recalled that the grounds for opposition are essentially earlier registered or unregistered trademarks or other signs that are business identifiers that, under national laws, confer similar rights to their proprietors. The additional grounds on which a CTM, once registered, may be invalidated are as follows:

50. CTMR art. 54 (1).

51. CTMR art. 51 (1)(b).

52. CTMR art. 52 (1).

- a right to a name;
- a right to a personal portrayal;
- a copyright; or
- an industrial property right.⁵³

To date no decision has been made on these additional grounds.

2. Effect of Invalidity

To the extent that a CTM is declared invalid it shall be deemed not to have had the effects of a CTM from the outset.⁵⁴

V. APPEALS

A. Boards of Appeal (BOA)

All decisions by instances of the Office in respect of applications for new and previously registered CTMs may be appealed by the adversely affected party to the independent Boards of Appeal of the Office.⁵⁵ The Boards are independent not only in theory but also in practice. They are appointed by the Council of Ministers, not by the President, and do not take instructions from the Office.⁵⁶

The procedure for appeals is that the appeal itself, together with the appropriate fee (800 Euros), must be filed in writing with the Office within two months of the notification of the decision. Within four months of the notification of the contested decision the detailed grounds of the appeal must be supplied.⁵⁷ In respect of *ex parte* cases only, a procedure of interlocutory revision is available.⁵⁸

The number of appeals filed has risen from 20 in 1997 to over 1000 in 2002. The corresponding figures for decisions are 1 in 1997 and almost 1000 in 2002. At present there are about 1500 cases on hand. Over the years the emphasis has shifted from *ex parte* to *inter partes* cases.

Examples of decisions taken by the Boards have been given above.

53. CTMR art. 54 (2).

54. CTMR arts. 57 & 58.

55. CTMR art. 130.

56. CTMR art. 131.

57. CTMR art. 59.

58. CTMR art. 60.

B. Court of First Instance (CFI) and European Court of Justice (ECJ)

Any party to proceedings before the BOA adversely affected by its decision may bring an action before the ECJ. The ECJ has jurisdiction to annul or to alter the contested decision and the Office is required to take the necessary measures to comply with the judgment.⁵⁹

The jurisdiction of the ECJ in appeals from Office decisions is divided between the CFI and ECJ proper. The latter hears appeals on points of law only. A significant number of cases have been appealed to the CFI. Earlier sections of this paper have already referred to a number of cases.

Only two cases (*Baby-dry* and *Companyline*), already referred to, have been decided by ECJ itself.

C. ECJ's Preliminary Rulings

The ECJ also has a significant impact on practice in the Office and at the level of the Member States through its preliminary rulings on references from national courts pursuant to Article 234 EC with respect to interpretation of the Directive. As far as substantive law is concerned, the Directive contains the same provisions as the Regulation, and its interpretive decisions have a significant impact on the practice of the Office in the relevant areas.

VI. ENFORCEMENT

A CTM confers on its proprietor exclusive rights.⁶⁰ The proprietor can prohibit the use of identical or confusingly similar signs with respect to identical or similar goods. The proprietor is not entitled to prohibit a third party from using its own name or address, descriptive indications of goods and services, or the trademark where it is necessary to indicate the intended purpose of a product or service, provided the use is in accordance with honest practices.⁶¹

Each Member State is required to designate a limited number of courts of first and second instance as CTM courts to deal with actions related to CTMs.⁶² CTM courts have exclusive jurisdiction for all infringement actions, threatened infringement actions, counterclaims for revocation, and declarations of invalidity.

59. CTMR art. 63.

60. CTMR art. 9.

61. CTMR art. 12.

62. CTMR arts. 91 & 92.

The rules governing which court is to hear a case form a cascade system that allows some possibility for forum shopping.⁶³ The choices made can influence whether the court's jurisdiction is limited to a single Member State or can extend to the whole EU.⁶⁴

63. CTMR art. 93.

64. CTMR art. 94.

