The EU Trademark Reform Package—(Too) Bold a Step Ahead or Back to Status Quo?

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ARTICLES

THE EU TRADEMARK REFORM PACKAGE–(TOO) BOLD A STEP AHEAD OR BACK TO STATUS QUO?

ANNETTE KUR*

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BACKGROUND

The European trademark system consists of two components: the Trademark Directive (TMD)¹ and the Community Trademark Regulation (CTMR).² The CTMR has established a unitary right extending throughout the EU, based on registration filed at a central office, the Office for Harmonization in the Internal Market (OHIM). The TMD has compelled Member States to harmonize the core rules on substantive requirements and scope of protection in the national systems. The national trademark systems and the Community system are meant to co-exist, without a hierarchical structure giving precedence to one or the other.

Having been in existence for about twenty years,³ the European trademark system is currently due for its first major overhaul. The exercise is triggered not least by the unpredicted success of the CTM: the revenues from registration and renewal fees were much higher than what had been anticipated. As the OHIM is supposed to be self-supporting⁴–without any gains having been envisaged–it became necessary to change the system in order to deal with the surplus. An agreement was therefore reached by the governing bodies of OHIM⁵ and was confirmed by the European Council⁶ in 2010⁷: that some portion of the annual income should in future be redistributed to the Member States.⁸ As the implementation of that scheme requires an amendment of the CTMR, it was further decided that an overall evaluation of the functioning of the European trademark system should be carried out, so as to identify potential problems and lacunae which could be tackled in the same legislative context.

As an element in that evaluation, the Max Planck Institute for Intellectual

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³ The TMD was fully implemented in all (then) fifteen Member States in 1996. The CTMR went into force in 1994 and became operative in 1996.
⁴ CTMR, supra note 2 at art. 139 (2).
⁵ See Infra note 7 at ¶ 2.
⁶ ‘Council’ refers to the institution formed by representatives of Member States.
⁸ More precisely, pursuant to the Council conclusions, an amount equivalent to 50% of OHIM’s annual revenue from renewal fees should be distributed to the national offices, under the condition that the money is spent on purposes connected to CTMs, or at least to trademark protection in general.
Property and Competition Law in Munich was commissioned to investigate the need for reform. The Study was delivered and published in early 2011 (MPI Study). This was followed by a prolonged phase of internal deliberation by the Commission, which resulted in the March 2013 publication of Commission proposals for amendment of the CTMR (CP-CTMR) and a recast of the TMD (CP-TMD). Although the proposals are of an evolutionary rather than a revolutionary character, the sum of the proposed changes adds up to a major legislative reform. This concerns not least the TMD where the proposals—if adopted—would significantly enhance the current level of harmonization, thereby tightening the accord between the national regimes and the Community system.

Both proposals are currently under review by the European Parliament and the Council. In February 2014, the Parliament, in its first reading, suggested several amendments. Similar points were also raised in a compromise text submitted by the Council in May and in a Common Council Position adopted by the Committee of Permanent Representatives (COREPER) on July 23, 2014. Unsurprisingly, the Commission proposals were most vividly criticized where Member States’ freedom to organize the national systems according to

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9. Now re-named “Max-Planck-Institute for Innovation and Competition”.
14. As the European Parliament was dissolved, due to the Parliamentary elections held in May 2014, the dossier has formally lapsed, but may be re-instituted by the new Parliament.
their own needs and prerogatives is felt to be in jeopardy.

As a background to this presentation of the European trademark reform package and the reactions it has evoked so far, Part II briefly presents the structure and main features of European trademark law. Part III reports on selected issues, in particular those that have proved to be controversial. Part IV contains some conclusions as well as suggestions for further changes that, until now, do not form part of the current reform agenda.

I. OVERVIEW: STRUCTURE AND CONTENT OF EU TRADEMARK LAW

Although the CTMR and the national trademark systems are independent of each other, they form the common body of European Union (EU) trademark law. The provisions on the requirements and scope of protection in the TMD are substantially the same as in the CTMR, thereby obligating Member States to align their national laws with those same rules. Also, the systems are interdependent in the sense that prior rights existing under each system must be given mutual recognition. (i.e. all prior national marks (and other signs used in the course of trade) form obstacles for protection of subsequent CTMs, and all prior CTMs form obstacles to subsequent national marks.)

The most conspicuous difference between United States (US) and EU trademark law lies in the fact that EU trademarks are acquired by registration only17 (with deference to national systems which may, as an additional option, provide for use-based protection). Signs eligible for trademark protection18 are registered and, thus, acquire protection if they are neither devoid of distinctive character nor descriptive, deceptive, contrary to morality, or—regarding shapes—functional, in the sense that they result from the very nature of the goods, are necessary to achieve a technical result, or confer substantial value to the goods.19 In addition to clearing those “absolute” grounds for refusal, trademark registrations also fail or are subject to cancellation if they conflict with prior rights of third parties (“relative” grounds for refusal/cancellation).20 Once protection is acquired, the mark is protected against any subsequent registration or use of signs by which a likelihood of confusion is created, conflicts with the

17. While no actual use or declared intention of use is required at the time of application or registration, marks are liable to cancellation and can no longer be enforced if no genuine use has been made of them throughout five years following registration; see CTMR, supra note 2, at art. 15; see also TMD, supra note 1, at art. 10, 11.
18. In particular the requirement of graphical representability, see discussion infra Part III 2.1.1.
19. For the full list of absolute grounds for refusal see CTMR, supra note 2, at art. 7; TMD, supra note 1, at art. 3.
20. See CTMR, supra note 2, at art. 8; TMD, supra note 1, at art. 4.
“double identity” rule (below), or which takes unfair advantage of, or is detrimental to, the distinctive character or reputation of the mark, provided that such reputation exists in the territory where such extended protection is sought.21

Of primary importance for the understanding and interpretation of EU trademark law are the decisions of the EU Court of Justice (CJEU).22 The CJEU’s function in the system is two-fold. For one, the Court decides as the last instance (and only regarding appeals on points of law) on appeals against decisions taken by OHIM in registration or cancellation procedures.23 In addition, if in infringement proceedings or other litigation before national courts24 doubts arise about the correct interpretation of provisions in the TMD or the CTMR, the national courts can (or must) refer those questions to the CJEU.25 In that case, the CJEU is confined to answering the questions posed to it, while the competence to decide the case as such remains within the national court hierarchy.

Due to its unique position, decisions of the CJEU are of seminal importance not only for the CTMR, but also for the national trade mark systems, to the extent that the substantive provisions of both systems coincide. Both OHIM and the national courts must comply with what the CJEU decides; national practices and legal traditions must yield to its authority.

II. SELECTED ISSUES FROM THE TRADEMARK REFORM PACKAGE

A. Changes concerning procedural law

As a matter of principle, harmonisation measures in the EU must be confined to what is necessary to improve the establishment and functioning of the Internal Market.26 When the TMD was enacted in its original form in 1989, its scope was strictly confined to that goal, meaning inter alia that only

21. See CTMR, supra note 2, at art. 9; TMD, supra note 1, at art. 5, see also discussion infra III. 2.

22. For more information on the CJEU as well as the General Court, see Court of Justice of the European Union, www.curia.eu. CJEU decisions quoted in this article can be found on the same website by using the search form, http://curia.europa.eu/jcms/jcms/j_6/.

23. Such procedures are first conducted (where applicable) before the Cancellation Boards and then the Boards of Appeal (BoA) at OHIM. Appeal against BoA decisions can be filed before the General Court in Luxembourg, which together with the CJEU and the Civil Service Tribunal, form the institution of the Court of Justice of the European Union.

24. This includes instances where national courts are designated under article 95 CTMR to act as Community trademark courts.


26. See TFEU, supra note 25, at art. 114 (1).
substantive law was harmonised, while the existing disparities of procedural law were not straightened out. 27 Trademark procedures in the Member States have therefore retained a considerable degree of diversity. Specifically, in twelve 28 of the twenty-eight EU Member States, prior rights of third parties—the “relative grounds for refusal”—are examined ex officio in the registration process; in most other Member States and at the OHIM, ex officio examination only covers the absolute grounds for refusal (lack of distinctive character, descriptiveness, etc.) In case of a conflict with prior rights, it is for the proprietors of those rights to file an opposition or, after registration, a request for cancellation. Differences also prevail with regard to the exact grounds on which an opposition may be filed, the type of procedures to be brought in case of a conflict with a prior right, and other details of the registration and/or cancellation processes.

Considering that the economic relationship between the Member States is now more close-knit than in 1989, the Commission found that time is ripe to promote legal harmonisation with regard to procedural issues. The Commission proposals therefore suggest a nearly complete alignment of national procedures with those at the OHIM concerning: the registration process (articles 38 – 44 CP-TMD 29), procedures for opposition, revocation and invalidity (articles 45-49 CP-TMD), and the duration and renewal of registrations (articles 50, 51 CP-TMD).

Inter alia, the Commission proposals oblige Member States to provide for efficient administrative procedures for opposition as well as for cancellation requests that are based on the invalidity of the mark 30 or its liability to revocation, in particular due to lack of genuine use. 31 The apparent reason is

27. Cf. TMD, supra note 1, at 1 (“. . . Member States . . . remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks acquired by registration; . . . they can, for example determine the form of trade mark registration and invalidity procedures, 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; . . . Member States remain free to determine the effects of revocation or invalidity of trade marks[.]”).

28. In Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia and Sweden.

29. The provisions concern: formal requirements, filing date, designation and classification of goods and services, ex-officio examination, observations of third parties, division of applications and registrations, and fees. CP-TMD, supra note 12, refers to the Commission proposal for a recast of the TMD, supra note 3; the proposals for amendment of the CTMR, supra note 2, are cited as CP-CTMR, supra note 11.

30. Invalidity is found if the mark was registered in spite of absolute or relative grounds for refusal, or when the application was filed in bad faith. See CTMR, supra note 2, at art. 52, 53; TMD, supra note 1, at art. 3, 4.

31. In addition to lack of genuine use, a mark is also revoked if it has become generic or deceptive. See CTMR, supra note 2, at art. 51; TMD, supra note 1, at art. 12.
that court proceedings are usually too slow and costly to provide efficient relief; furthermore, trademark proprietors as well as their counterparts should be able to rely on the same procedural framework throughout the EU.32

Although the proposals will force a number of Member States to change their laws, the proposals appear largely un-contentious. However, the Commission proposals have raised strong concerns where they attempt to abolish ex officio examination of relative grounds for refusal as well as searches for informational purposes (article 41 CP-TMD).33 In the Commission’s view, it is regularly more efficient to leave the monitoring of conflicts to the proprietors of prior rights, because they have inside knowledge of the actual situation on the market and are therefore in a better position to appreciate whether any negative effects will ensue from registration of a younger mark. However, as ex officio examination is an established feature in a fairly large minority of Member States,34 a total ban risks clashing with national policy decisions—many offices consider searches and ex officio examination as a token of their commitment, vis-à-vis the public, to grant only valid and non-infringing rights. The Council has therefore signalled that the Commission proposal will not be accepted in that regard.35 Also the European Parliament, in its first reading, followed suit and proposed amendments explicitly acknowledging Member States’ rights to conduct ex officio examination and searches.36

Indeed, the Commission’s case for abolishing proactive involvement of national offices (and the OHIM) in the monitoring of conflicts is rather weak. It appears doubtful that the free movement of goods or services is actually hampered, or that it leads to distortion of competition,37 if some national offices continue to do what they consider as their job—namely to watch out for conflicts between new applications and prior rights. And even if it is true that the system functions more smoothly if the decision to pursue conflicts with subsequent registrations is left to the proprietors of prior rights, without offices becoming involved on their own motion, it is hardly for the Commission to improve the efficiency of national agencies against their own prerogatives. Also, trademark

32. As an element within that framework, Member States shall also ensure that the party whose registration or application is attacked on the basis of a prior right is granted the opportunity to invoke the defence of non-use of the prior right. CP-TMD, supra note 12, at art. 46, 48.
33. Informational searches are currently carried out (mandatorily) by OHIM, CTMR, supra note 2, at art. 38, as well as (optionally) by a substantial number of Member States.
34. Supra note 28.
36. TMD Resolution, supra note 13, at amend. 12 (“Member States should be free to decide whether to conduct ex officio examination for refusal on relative grounds”). TMD Resolution, supra note 13, at amend. 44 (deletion of CP-TMD, supra note 12, art. 41).
37. Only in those cases would harmonization be necessary for the improvement of the establishment and functioning of the Internal Market, as required by Article 114 of the TFEU.
holders themselves appear less positive on the issue than the Commission proposals seem to submit. In a survey conducted in the framework of the MPI Study among users of the CTM system, the question was asked whether ex officio examination of prior rights should be established at the OHIM. The proposition was endorsed by a surprisingly large (relative) majority of trademark proprietors. It is easy to infer therefrom that the same result would have been reached if the maintenance of ex officio examination at the national level had been at stake.

B. Substantive Law

1. Protection requirements

a. Graphical Representation

The current texts of the TMD and the CTMR stipulate that in order to be registered a mark must be capable of being represented graphically. The CJEU has interpreted that requirement as meaning that the representation must be in a form that is clear, precise, self-contained, easily accessible, intelligible, durable, and objective. While most signs—colours, shapes, and musical tunes—can be represented so that the criteria are sufficiently met, it is not yet clear what the criteria mean for the registration of mere sounds (e.g. roar of a lion, sound of a motor-bike, etc.). Especially with regard to the latter, it has

39. Cf. Institut für Demoskopie Allensbach, Survey of Market Participants Who Use the CTM System, http://www.ip.mpg.de/files/pdf2/ctm-systema.pdf (2010) (Question 28: 48% of proprietors were in favor of ex officio examination for prior rights, as compared to 27% who were in favor of maintaining the current system (examination of prior rights only upon opposition). The explanation seems to lie in the fact that those in favor are mainly small and middle sized enterprises, whereas bigger companies are more prone to endorse a system which leaves the monitoring tasks entirely to them. That effect is particularly visible in the case of trade mark proprietors who are active in multiple states instead of confining their commercial activities to one or a narrow group of countries. The Commission proposal therefore appears to indicate a particular commitment to the latter, well-versed group of proprietors whereas the position of SMEs is not valued as much).
40. TMD, supra note 1, at art. 2; CTMR, supra note 2, at art. 4.
45. In Shield Mark, the CJEU only indicated the manner in which musical tunes must be represented but took no stance on mere sounds. OHIM accepts registration of sounds based on sonograms accompanied by an MP3 file or other recording; however, in some Member States (e.g. in Germany), such modes of representation are not accepted. 2003 E.C.R. I-14313.
long been argued that the objective of clarity and precision of trademark registrations might likewise, or even better, be provided by non-graphical forms of representation—in this case, by sound recordings. For other forms of unconventional signs, such as smell or taste marks, which are currently excluded from protection due to their incapability of meeting the requirement of graphical representation, the solution may not be that easy, because no accepted mode of representation exists at present that would be considered as sufficiently safe and precise. However, that may change in the future, and there seems to be general agreement that trademark law should be open for such developments, whatever the mode of representation may be. The Commission proposals therefore suggest deleting the requirement of graphical representation and stipulate instead that the sign must be “represented in a manner which enables the competent authorities and the public to determine the precise subject of the protection afforded to its proprietor.” The change was accepted in the Parliament’s first reading with only slight modifications of the wording.

b. Absolute Grounds for Refusal–Scope of Examination

The main task carried out in registration proceedings at the OHIM as well as at the national offices consists of the examination of absolute grounds for refusal, i.e. assessing whether a mark is devoid of distinctive character, or descriptive, etc. The examination at the OHIM takes into account obstacles existing in any Member State, while, under the current law, Member States only consider obstacles presenting themselves in their own respective territories. This is of relevance not least for the language in which examination takes place. Although all official EU languages are observed in proceedings at the OHIM, Member States usually confine the assessment to their own language. Accordingly, a Lithuanian term that is descriptive of the product it is intended to designate cannot be registered as a CTM, whereas no obstacles exist against registration of that term in Member States other than Lithuania (assuming that the meaning of the word is not understood outside Lithuania).

The Commission proposals undertake to change that system by obliging all national offices to reject trademark applications even if the grounds for refusal only obtain in other Member States, or if a trademark filed in a foreign (i.e.

46. For smell marks, this follows from Sieckmann, in which none of the modes of representation offered by the applicant, including non-graphical representation such as deposit of a sample, was considered sufficient for the purpose. 2002 E.C.R. I-11737.
47. CP-TMD, supra note 12, at art. 3 (b); CP-CTMR, supra note 11, at art. 4 (b).
48. In particular, Amendment 19 of the EP legislative resolution stipulates that “generally available technology” must be used for the representation. TMD Resolution, supra note 13, at amend. 19.
non-EU) language is translated or transcribed in any script or official language of the Member States. The proposal has raised unanimous objection from the Member States, and it was also rejected in the European Parliament’s first reading. After all, it would considerably increase Member States’ burden of examination, which—from their perspective—would be clearly disproportional in view of the fact that the right for which the application is filed will only be valid within the confines of one single Member State.

Although the Commission has not given an express motivation for its move, it is generally assumed to be a reaction to a case in which a generic term “Matratzen”—meaning mattresses in German—was registered in Spain for exactly those products. The Spanish owner of the mark opposed the CTM application of the German mark “Matratzen Concord,” based on the argument—endorsed by OHIM and confirmed as legally valid by the General Court and the CJEU—that for Spanish consumers “Matratzen” was the dominant part of the sign, so that they were likely to be confused by the German mark. Subsequent attempts of the German company to invalidate the Spanish mark because of its descriptive character were in vain. The question of whether the registration was likely to result in an impediment for free movement of goods (i.e. importation of mattresses from Germany) was referred to the CJEU, but was denied.

It is indeed most unfortunate if national offices—as happened in the Matratzen case—do not pay any attention to the fact that a term for which a trademark application is filed simply designates the product in the language of another Member State. Obliging Member States to pay attention to such obvious attempts to capture a generic term is not per se a bad idea; discarding the Commission proposals for good—as in the Parliament’s first reading—may therefore be too harsh a reaction. However, by extending the examining obligation to all possible grounds for refusal, the Commission proposals exceed what is necessary for a sound functioning of the system. It would have been sufficient instead to establish a rule similar to the US doctrine of foreign

49. CP-TMD, supra note 12, at art. 4 (2); The latter clause—translation or transcription from a non-EU language or script—in also found in the proposal for the CTMR; see CP-CTMR, supra note 11, at art. 7 (2).

50. TMD Resolution, supra note 13, at amend. 22.


53. For instance, pursuant to the current proposals, (slang) words having an obscene or deprecatory meaning in only one Member State (or anywhere in the world) would not be registered in others where they are perceived as perfectly plain and innocent. This has obviously nothing to do with the concerns at stake in Matratzen Concord GmbH, 2004 E.C.R. I-03657 and Matratzen Concord AG, 2006 E.C.R. I-02303.
equivalents, that marks cannot be registered if they are generic (or plainly descriptive) in other languages for the goods or services they are intended to designate.

Furthermore, the solution for problems like those occurring in the Matratzen cases should not solely be sought at the level of registration. Rather, courts and offices should be obliged to apply the provisions of trademark law that govern the scope of protection—and in particular the limitations to the rights conferred—in a manner that is sensitive to aspects of competition and free trade. It should be clear that importation of goods under their generic designation falls under article 6(1)(b) of the TMD (allowing use of a sign for descriptive purposes in accordance with honest business practices) and must therefore be admissible, in the absence of any intention to deceive the public or to exploit the trademark’s reputation, even though the descriptive character of the sign may not immediately reveal itself to the domestic population.54

c. Bad Faith as a Relative Ground for Refusal – Discrimination of Trademark Proprietors in Other Member States?

It is a well-established principle that marks become invalid, or applications must be rejected, if they are filed in bad faith.55 In particular, this concerns the situation when a mark was filed with the intention to disrupt the business of a person who owns and uses that mark abroad, and who is expected to extend his/her business into the country where the filing occurs. The current text of the TMD lists bad faith filing as an optional ground for refusal, both in the context of absolute and relative grounds, leaving the choice and the regulation of procedural details to the Member States.56 In the CTMR, bad faith only constitutes a ground for cancellation;57 no possibility exists at present to keep

54. As indicated in the text above, the partly generic mark “Matratzen Concord” is validly registered in Germany and would therefore, under the Commission proposals, not face any obstacle against registration in other Member States. When other German makers of mattresses import products with the generic term (in German) appearing (boldly) on the package, this might arguably give rise to a likelihood of confusion, given that consumers (e.g. in Spain) consider “Matratzen” to be the dominant element in the registered trademark, without recognizing its generic character (as was assumed, and confirmed by the General Court and the CJEU, in Matratzen Concord GmbH, 2004 E.C.R. I-03657). Unless courts seized with infringement claims in such situations are ready to accept that Art. 6 (1) (b) of the TMD must be interpreted in the light of the principle of free movement of goods, the registration of marks that are only partly generic would yield to their proprietor the power to ban the import of goods under their proper designation.


56. TMD, supra note 1, at art. 3 (2) (d), 4 (4) (g).

57. CTMR, supra note 2, at art. 52 (1) (b).
the mark from being registered in the first place. One reason why ex-officio examination for bad faith applications usually does not produce satisfactory results is that offices will only rarely be in a position to appreciate the issue on their own motion, without being provided with the relevant facts and arguments by the party whose interests are negatively affected by the registration. With a view to that, the Commission proposals for the TMD make bad faith filing mandatory as an absolute and relative ground for refusal, i.e. Member States can no longer choose between the options but must have both.58 Also, in the CTMR, bad faith shall become a relative ground for refusal in addition to remaining a ground for invalidation.59 The practical importance of the changes thus effected in the TMD and the CTMR lies in the fact that the proprietor of the allegedly misappropriated sign will be entitled, in the registration process at the OHIM as well as on the national level, to file an opposition instead of being referred to cancellation proceedings subsequent to registration. As expressed in article 5(3)(c) of the CP-TMD, the obstacle obtains “where the trade mark is liable to be confused with an earlier mark protected outside the Union, provided that the mark was still in genuine use at the date of the application and the applicant was acting in bad faith” (emphasis added). The same wording is used in article 8(3)(b) of the CP-CTMR.

While the concept underlying the rule is fair and appropriate as such, its restriction in the TMD to marks that are protected outside the EU is problematic, as it would lead to a discrimination of EU proprietors of national marks. For instance, the holder of a Swiss trademark that is allegedly filed in bad faith in France would be able bring opposition proceedings whereas the same would have to be denied to the holder of an Austrian mark (Austria being a member of the EU while Switzerland is not).

It is hardly conceivable that this result was actually intended by the drafters of the Commission proposals. Another, more plausible, explanation would be that the provision was copied and pasted from the proposal for amendment of the CTMR, where it makes more sense: pursuant to article 4 of the CTMR, all national rights, whether registered or not, form obstacles for protection on which an opposition against a CTM may be based. The Austrian trademark holder in the example above would therefore not have any difficulties enforcing his/her rights against a CTM application. The TMD is different, however—national rights existing in other Member States do not count as relative grounds for refusal. That difference may have been overlooked by the Commission. It is hoped that the drafting error—if it is one—is corrected during the legislative

58. CP-TMD, supra note 12, at art. 4 (3), 5 (3) (c); see discussion infra Part III.2.1.3.
59. CP-CTMR, supra note 11, at art. 8 (3) (b).
process. The European Parliament, in its first reading, did not pay attention to the issue; however, in the Council proposal of July 2014 the words “outside the EU” were replaced by “abroad”.

2. Scope of Protection

   a. “Double Identity”

   The paradigm case of trademark infringement occurs when the similarity of marks and goods or services results in a likelihood of confusion. In addition to that, European trademark law recognizes another two categories of trademark infringement. One is protection against taking unfair advantage of, or doing detriment to, the reputation or distinctive character of marks having a reputation in their proper territory (in the EU or the Member State where they are registered). Protection under this clause is optional under the current TMD but shall become mandatory under the new legislation. Since this protection already exists to-date in all Member States (except Cyprus), this will not lead to any sizeable changes in practice.

   The second additional category of infringement regards use of identical marks for identical products or services (“double identity clause”). In this case, protection is “absolute.” There is no need to establish likelihood of confusion; and the law does not refer to any other additional requirements. The provision applies without problems when the mark is used for goods or services that do not originate from the proprietor of the mark. In such cases, infringement will be found irrespective of whether consumers are actually aware that they are not buying the original, for instance, when copies of luxury goods are sold on street markets. However, it is less obvious whether the double identity clause is also meant to apply in a situation when the mark is used in commercial speech to designate products as originating from the proprietor, such as in comparative advertisement or similar cases.

   The question has figured strongly in the jurisprudence of the CJEU, whose rulings, mildly said, were not always clear and consistent. Some of the decisions–concerning marketing of original goods imported from outside the

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60. TMD, supra note 1, at art. 5 (2); CTMR, supra note 2, at art. 9 (1) (a). The EU variety of anti-dilution protection differs from its US counterpart, in particular, because it does not require that damage, by blurring or tarnishment, is done to the mark, but that free-riding, as such, is sufficient to establish infringement.

61. CP-TMD, supra note 12, at art. 10 (2) (c).

62. TMD, supra note 1, at art. 5 (1) (a); CTMR, supra note 2, at art. 9 (1) (a).
EU\textsuperscript{63} and indications concerning the compatibility of product features\textsuperscript{64}—simply applied the double identity clause without even addressing possible limitations of its ambit. Other decisions seemed to indicate that the clause is inherently limited by the need to show that unauthorised use of the sign by others jeopardizes or is likely to jeopardize the essential function of the mark which is to guarantee to consumers that the product originates from its proprietor.\textsuperscript{65} Lastly, however, the CJEU has settled for the approach that the clause is applicable if detrimental effects are likely to occur on \textit{any} of the functions attributable to trademarks—which comprise, in addition to the origin function, also the quality, advertisement, investment, communication functions, and possibly even more.\textsuperscript{66}

That jurisprudence and its implementation in practice have given rise to confusion and concern.\textsuperscript{67} As stated in Recital 19 of the CP-TMD and Recital 15 of the CP-CTMR, the Commission proposals seek to re-establish transparency and legal certainty by stipulating, in article 10 (2) (a) of the CP-TMD and article 9 (2) (a) of the CP-CTMR, that protection under the double identity clause shall only be granted, “where such use affects or is liable to affect the function of the trademark to guarantee to consumers the origin of the goods or services.”

Contrary to the intention stated in the Recitals, however, the proposal is not likely to enhance legal clarity; it will rather lead to new puzzlements and fruitless debates. If it is accepted as a general rule that only use affecting the origin function falls under the double identity clause, it would follow that referring to another person’s trademark in comparative advertising cannot be dealt with under trademark law where the goods included in the comparison are correctly ascribed to their proprietor. Article 10 (3) (f) of the CP-TMD nevertheless stipulates that using a sign in comparative advertising in a way that is contrary to Directive 2006/114/EC is “prohibited under paragraph 2.”

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{64} Case C-228/03, The Gillette Co. and Gillette Grp. Fin. Oy v. LA-Labs. Ltd Oy, 2005 E.C.R. I-02337.
\item \textsuperscript{65} Case C-48/05, Adam Opel AG v. Autec AG, 2007 E.C.R. I-01017; Case C-2/00, Hölterhoff v. Freiesleben, 2002 E.C.R. I-04187; Case C-206/01, Arsenal Football Club plc v. Reed, 2002 E.C.R. I-10273.
\end{itemize}
\end{footnotesize}
That clause is contradictory in itself: by referring to paragraph 2, it is implied that the origin function must be jeopardized in order for the provision to apply, but the phrase “contrary to Directive 2006/114/EC” refers to any use of a mark that doesn’t comply with the directive, whether or not the origin function is negatively affected. Accordingly, when applying article 10 (3) (f) of the CP-TMD, courts must treat one or the other part of the provision as irrelevant. Furthermore, the Commission proposal deletes the legal ground on which, until now, claims against parallel importation have rested. As the CJEU pointed out in its seminal Silhouette judgment, that legal basis is to be found in the double identity clause.68 If, however, the clause can only be invoked against use which affects the origin function, it will hardly be operative in a case where products designated by the mark were manufactured under the control of the trademark holder and must therefore be considered as “genuine,” even though they were first marketed outside the EU.

Being alerted to those inherent contradictions in the Commission proposal, the European Parliament69 as well as the Council70 suggest deleting the restriction. While the motives for that suggestion are commendable, simply confirming the status quo appears equally unsatisfactory, as the current concerns about the uncertainties resulting from the CJEU decisions will persist. A better way to amend the situation would be to clarify that—without any reference to trademark functions being needed—use of an identical mark for identical goods or services will fall under the double identity clause, irrespective of whether it designates the infringer’s own products or those of the proprietor. In addition, it should be stated that in the latter case the use made will only be found infringing if it is incompatible with honest business practices, as set out in the limitations and exceptions (as complemented, see below) as well as in Directive 2006/114/EC, or if the products are not legitimately marketed in the EU.

b. Limitations and exceptions

In order to fully appreciate the scope of protection conferred by a trademark, the limitations and exceptions delineating the contours of the exclusive right must be taken into account as well. In EU trademark law, that

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69. See TMD Resolution, supra note 13, at amend. 5, 30 (deletion of Recital 19 and amendment of CP-TMD, supra note 12, art. 10 (2) (a)); see also CP-CTMR, supra note 11 (corresponding amendments were adopted by the Parliament in regards to Recital 15 and article 9 (2) (a)).
70. Presidency Compromise Proposal, supra note 15 (amendment of CP-TMD, supra note 12, at art. 10 (2) (a); amendment of CP-CTMR, supra note 11, at art. 9 (2) (a)).
task falls primarily\textsuperscript{71} to article 6 of the TMD and article 12 of the CTMR, which declare as admissible the use of (a) one’s own name or address; (b) indications concerning the kind or properties of goods or services; and (c) the mark where it is necessary to indicate the purpose of the goods, in particular to serve as spare parts or accessories. In all those cases, the use made must comply with honest business practices. The list under (a)-(c) is finite and does not provide for extensions; in particular, it does not contain a general exemption for free speech issues such as comments, criticism, or parodies. The closed character of the limitation clause is a matter for concern, especially if, with the CJEU’s jurisprudence on protected trademark functions, the scope of double identity protection is construed rather broadly. Such tendencies can only be balanced if an equally broad approach applies to the limitations. The Commission proposals take a step in that direction by allowing for referential (nominative) fair use of marks, specified as “for the purpose of identifying or referring to goods or services as those of the proprietor of the trade mark[.].”\textsuperscript{72} The European Parliament has suggested a more explicit approach, complementing the provision with examples of admissible trade mark uses, such as comparative advertising, alerting consumers to the resale of genuine goods, putting forward legitimate alternatives to the goods or services offered, or use made for the purposes of parody, artistic expression, criticism, or comment.\textsuperscript{73} Contrary to that, no changes of the Commission proposal are endorsed by the Council. The final solution is therefore unclear. However, that does not necessarily impact future practice. Although the European Parliament’s position appears preferable, it is possible, even on the basis of the Commission proposal, to arrive at satisfactory solutions in the critical cases.\textsuperscript{74}

Further proposed amendments concern the scope of the privilege to use one’s own name—this is restricted to use of personal names, whereas in CJEU case law it had been extended to use of trade names\textsuperscript{75}—and the permissible use

\textsuperscript{71} The scope of protection is also limited by the principle of regional exhaustion, TMD, supra note 1, at art. 7; CTMR, supra note 2, at art. 13; see also discussion supra Part III.B.2.a., and by acquiescence, TMD, supra note 1, at art. 9; CTMR, supra note 2, at art. 54.

\textsuperscript{72} CP-TMD, supra note 12, at art. 14 (1) (c); CP-CTMR, supra note 11, at art. 12 (1) (c).

\textsuperscript{73} TMD Resolution, supra note 13, at amend. 33.

\textsuperscript{74} Use of marks in comparative advertisement (provided it complies with Directive 2006/114/EC) is also declared permissible in the Commission proposal; use of marks in the context of legitimate resale is covered by exhaustion, putting forward legitimate alternatives is either covered by comparative advertisement or else considered permissible based on the CJEU’s interpretation of the functions doctrine; the same applies to parodies and criticism. Nevertheless, spelling that out expressly is commendable as it would greatly enhance transparency and legal certainty.

\textsuperscript{75} Case C-245/02, Anheuser-Busch Inc. v. Budějovický Budvar, 2004 E.C.R. I-10989, ¶ 77-81 (the Commission proposal reinforces a joint declaration by the Council and the Commission, which was recorded in the minutes of the Council when the TMD was adopted, that article 6 (1) (a) of the TMD covers only natural persons’ names. In paragraph seventy eight of the Anheuser-Busch decision,
of signs which, although validly registered, are or have become indistinctive.\textsuperscript{76} Those changes as well were found acceptable in principle by the Parliament and the Council.

c. Goods in Transit

As trademarks are territorial rights, infringement will only be found if the allegedly infringing use occurs in the territory where the mark is protected.\textsuperscript{77} For some time it was unclear what this means in regard of goods entering the territory of the EU merely in transit. CJEU jurisprudence appeared somewhat inconsistent. In cases concerning the interpretation of the European Border Measures Regulation (BMR),\textsuperscript{78} it was held that the BMR was “designed to apply to goods in transit.”\textsuperscript{79} On the other hand, in decisions addressing the application of trademark law, it was declared that in order for marks used on transit goods to be found to infringe upon a domestic right, it is necessary to establish that the products are about to be diverted on the Internal Market.\textsuperscript{80}

Being seized with two references from the Netherlands and the UK that sought to dissipate the lingering doubts, the CJEU reaffirmed its previous decisions in the trademark cases that infringement must be denied unless a pertinent risk of diversion of the transit goods to European Union consumers can be established.\textsuperscript{81} Taking account of the fact that full proof of such a risk is rarely possible in a transit situation, the Court further clarified that the requirements are already satisfied, for instance, when the destination of the goods is not sufficiently declared, when precise or reliable information on the identity or address of the manufacturer or consignor of the goods is lacking, in

\textsuperscript{76} This may occur for instance if a shape or color was registered based on a showing of acquired distinctiveness, but after registration has lost that distinctiveness without becoming generic and thereby liable to cancellation.

\textsuperscript{77} Exceptions from that rule, as were found to exist under US law in the Bulova case, are unknown in the EU.


\textsuperscript{79} Case C-383/98, The Polo/Lauren Co. LP v. PT. Dwidua Langgeng Pratama Int’l Freight Forwarders, 2000 E.C.R. I-02519, ¶ 34; Case C-60/02, Montres Rolex S.A. and Others, 2004 E.C.R. I-00651.


case of insufficient cooperation with the customs authorities, or when documents or correspondence are discovered that suggest a risk of diversion on the EU market.

From the perspective of trademark proprietors, however, the situation remained unsatisfactory; they argued that requiring such proof constitutes a severe set-back in the fight against global piracy. Those arguments were obviously heeded by the Commission. The proposals include a clause pursuant to which the proprietor of a registered trademark shall be entitled to prevent the bringing into the customs territory of the EU (or, in case of a national mark, the territory of the Member State where the mark is registered) any goods not originating from the trademark proprietor bearing identical or quasi-identical trademarks, even when they are not meant to be released for free circulation.82

While the clause is welcomed by stakeholder organisations, it has raised concerns that it goes too far and may clash with international norms, in particular with article V of the GATT, which obliges World Trade Organization (WTO) members to safeguard the freedom of international trade. Indeed, not long ago, EU law was tagged as violating international obligations by India and Brazil, following the interception of pharmaceuticals allegedly violating rights in a European patent while on transit from India to South America. The case was brought before the WTO,83 but has remained dormant after the EU declared that the seizure had been a mistake and that no such measures would be taken again. The Commission proposals could be perceived as contradicting that declaration and might, therefore, trigger the continuation of the complaint.

As a compromise solution, the Legal Committee of the European Parliament had suggested in its report of 16 January 2014 that goods in transit should only be found infringing if the proprietor proves that the trademark is also validly registered in the country of destination, so that the goods could not be legally marketed there (provided of course that no evidence exists of their actual or imminent diversion on the internal market). In the plenary, however, that position was discarded in favour of the broad approach taken by the Commission, with the caveat that this shall apply “without prejudice to WTO rules, in particular Article V of the GATT on freedom of transit.”84

Furthermore, in Recital 22 of the TMD it should be pointed out that the finding of infringement “should be without prejudice to the smooth transit of generic

82. CP-TMD, supra note 12, art. 10 (5); CP-CTMR, supra note 11, art. 9 (5).
83. See Dispute Settlement Body, European Union and a Member State – Seizure of Generic Drugs in Transit, WT/DS408; Dispute Settlement Body, European Union and a Member State – Seizure of Generic Drugs in Transit, WT/DS409 (both disputes inactive since June 18, 2010), For a summary account of the dispute see http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds409_e.htm.
84. See TMD Resolution, supra note 13, at amend. 56.
It can only be guessed why the Parliament adopted those amendments instead of following the recommendations of the Legal Committee. The Parliament’s majority was obviously won over by the argument that endorsing the Commission proposal would be a meaningful contribution to the fight against counterfeiting. The references to WTO rules, article V of the GATT, and the Doha Declaration seem to have been the political price that had to be paid to an otherwise possibly recalcitrant group of Parliamentarians concerned about the situation giving rise to the pending WTO proceedings.

With due respect to the Parliament’s good intentions reflected in those formulations, the legislative technique employed here bears the signature of a (bad) political compromise that is all but satisfactory. It is a genuine task for the legislature to concretize international norms by stipulating provisions that comply with international obligations, instead of enacting shadowy rules while trying to escape potential consequences by declaring an intention not to infringe. If this was staged as political charade, without the reservation having any genuine meaning, it is close to cheating. If, however, the reservation is meant to be serious, the question remains how it shall work in practice. Shall it be for national courts and authorities to decide, whenever they are seized with transit cases, whether in the concrete situation international norms, in particular article V of the GATT, are affected, thereby assuming the task of a WTO panel? This would obviously create a state of complete uncertainty that cannot be in the interest of anyone involved.

Nevertheless, the majority of Member States represented in the Council first tended to endorse the same solution, with the sole modification that the reference to international law, article V of the GATT, and the smooth transit of medicines is entirely shifted to the recitals, so that the original Commission proposal remains in the black letter of the provision without any qualifications. Against that, resistance was formed in an ad-hoc group consisting of the representatives of the United Kingdom, Belgium, Hungary, the Czech Republic, Austria, and Denmark. In a ‘Non-paper on Goods in Transit,’ they warned against potential conflicts with international law, violation of basic trademark principles, and the risk that the EU might lose its attraction as a major

85. See TMD Resolution, supra note 13, at amend. 55.
87. No official publication; paper on file with the author.
trade hub. According to the alternative proposal submitted by the ad hoc-group, the interests of trademark proprietors would already be sufficiently safeguarded if the burden was placed on the consignor of transit goods to establish that they are not intended for the EU market. This approach ultimately found the majority’s support. In the Common Position adapted by COREPER on July 23, 2014 it is foreseen that the plaintiff’s infringement claim lapses if the defendant establishes, in the proceedings following the seizure of goods at the border, that the plaintiff is not entitled to prohibit the marketing of the goods in the country of destination.

CONCLUDING REMARKS

While the transit problem, as well as some issues of a mainly political nature, such as distribution of revenues and division of competences between the OHIM, the Member States, and the Commission, may give rise to controversies and negotiations that could further delay the smooth passage of the reform package through the legislative instances, the general direction seems to be clear on most of the topics addressed above. Where the Commission proposals were accepted without modifications (or where such modifications are only slight), or where, on the contrary, the Council and the Parliament stand united in their resistance against the Commission proposals, no further surprises are to be expected.

As indicated above, the results reached so far are not completely fortunate in all their aspects. While the Commission, underestimating the sensitivity of the issue, went too far in its ambition to promote harmonization and uniform practice, the Parliament’s and the Council’s apparent endeavor to preserve the status quo can be criticized for being too timid and for by-passing certain options for moderate but meaningful improvement.

Furthermore, considering that the current reform process offers a window of opportunities that may not present itself again in the next decades, even bolder steps towards creating more harmonization might have been wished for. This concerns first and foremost the regulation of sanctions for infringement of CTMs. The current text of the CTMR is only of a rudimentary character; for sanctions other than injunctive relief CTM proprietors are referred to national law. A certain degree of harmonisation has been achieved in that regard by directive 48/2004/EC of 29 April 2004 on the enforcement of intellectual property rights. However, in practice the law of Member States still shows a number of divergences. Directive 2004/48 of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, 2004 O.J. (L 195) 16 (EC).
use of trademarks for other purposes than to distinguish goods and services. At present, such uses remain within the ambit of national regulations on unfair competition or other regimes adjacent to trademark law, meaning that a mosaic approach needs to be applied when conflicts involve a CTM. Lastly, time may also be ripe to embark upon harmonization of national laws with regard to protection of trade names and other distinctive signs, so as to create a common and consistent body of legal rules governing the area of commercial designations used in the course of trade.