

Trade Mark Filing Strategies In Europe Selected Aspects Of The EC Trade Mark Reform

By Dr. Frank Remmert

A. Introduction

Trade marks are of substantial importance in an industrial and commercial sense and are closely associated with business image, goodwill and reputation. It is therefore very important to protect trade marks in those countries where they are to be used.

The purpose of this article is to illustrate the different routes to efficient trade mark protection in Europe and to identify the basic principles, the advantages and disadvantages of each trade mark protection system in Europe which will be helpful for companies to find an efficient filing strategy. The main focus of this article is on pointing out the characteristics of the Community Trade Mark System (the *CTM System*) as the most significant trade mark system in Europe compared to the *Madrid System* for the International Registration of marks.¹ Also, the article points out the basic procedural aspects of the proposed reform of the new European Union trade mark system initiated by the EC Commission (the *Reform Package*) published in March 2013² and its possible effects on trade mark filing strategies in Europe. A good pre-filing strategy will have direct positive effects on post-filing strategies such as licensing.

B. Strategic Planning Before Filing a Trade Mark

There are various strategic considerations before filing a trade mark.³ The reasons for filing a sign as a trade mark can vary. For example, a reason can be building up an investment (active strategy) or it might only be making sure that no third party, especially a competitor, has the chance to monopolise a sign (defense strategy). A good pre-filing strategy should to be preceded by an analysis of the marketing and product strategy of the company. For example, when is a certain brand to be introduced in the market, and in which countries? On this basis, the trade mark filing strategy will depend on the right choice of the protection system.

But which system offers the best strategy? If protection in all major countries of the European Union is needed,

a CTM might be a good solution. If the trade mark is only to be used in a few European countries, the *Madrid System* can be an alternative. Deciding whether and when to apply for a CTM registration, for an individual National Registration or for an International Registration by using the *Madrid System* depends on a lot of factors such as costs, the strengths of the trade mark, existing prior rights and differences in the scope of the trade mark office examination.

C. Different Routes to International Registration

Since 1993, the European Union has introduced the *CTM System* in order to overcome the territoriality of national trade mark law and to facilitate the free movement of goods and services in the EC. With one single application, uniform trade mark protection for the whole territory of the European Union can be obtained. The *CTM System* was launched by the Council Regulation No. 40/94 of December 20, 1993 and the Office for Harmonization in the Internal Market (OHIM) opened its doors for receipt of Applications for a CTM. For more than twenty years, the CTM System is a success story. Since its introduction in 1994, more than 500,000 trade marks have been registered.⁴ The European Union trade mark legislation now consists of the Trade Mark Directive 2008/95/EC and the Community Trade Mark Regulation 207/2009/EC.

Beside this system, an international trade mark filing system called *Madrid System*, which is much older and based on the *Paris Convention of the Protection of Intellectual Property*, offers further opportunities. The *Madrid System* has become more attractive in the past since the European Union and the United States have joined the system in 2003 and 2004.⁵ Based on a national trade mark it is possible to register an International trade mark and to extend the protection to selected or all members of the *Madrid System* either in Europe and/or in many other countries outside Europe with one single application.

In 2013, the European Commission published a *Reform Package* to improve the *CTM System* and to harmonize

1. Filing at national level in EC Member States is not subject of this Article.

2. Executive Summary of the EC Commission of March 27, 2013, COM (2013) 95 final.

3. For different marketing strategies, please see: Philipp G. Sandner, "The Identification of Trademark Filing Strategies—Creating, Hedging, Modernizing and Extending Brands," TMR 2009, 1257; see also: Cynthia Walden, "Strategic Brand Management in a Global Marketplace," *Intellectual Asset Management (IAM)* May/June 2013, 112.

4. See recent Annual Report 2014 published by OHIM on www.oami.eu.

5. Also, the *African Intellectual Property Organization (OAPI)* is a member since 2015; the year 2013 was the best year ever for trade marks filed under the Madrid System with an increase of 6.4 percent compared to 2012. In December 2014, there were nearly 600,000 International Registrations in force, see Madrid Yearly Review 2014, published April 2015, http://www.wipo.int/edocs/pubdocs/en/wipo_pub_940_2015.pdf.

national trade mark law systems in the EU. The aim of the Reform is “to make trade mark registration systems all over the European Union cheaper, quicker, more reliable and predictable.”⁶ The proposed changes shall include amendments to the Community Trademark Regulation (207/2009),⁷ a recasting of the Trade Mark Directive (2008/95/EC)⁸ and an overhaul of the filing fees regime leading to a “one-fee-per-class”-approach and the reduction of application and renewal fees.⁹ Based on a study published by the MPI 2011,¹⁰ there will be no fundamental changes. The report of MPI found, in line with user’s feedback, that the coexistence of these systems—national, *CTM System* and the *Madrid System*—is desirable and in general meets the business needs of the users. However, there will be significant changes to the CTM System as well as on a national scale by adopting a modified European trade mark Directive affecting the attractiveness of the European trade mark system in Europe. The European Parliament adopted its report with amendments to the Commission’s proposals in February 2014¹¹ and the debate of the EC Council in May 2014¹² revealed issues which were still controversial. After two years of discussions, the EC Commission, the European Parliament and the EC Council have reached a provisional political Agreement in April 2015 to implement the Reform.¹³ Now, the Agreement needs to be formally con-

firmed by the European Parliament which is expected in autumn 2015. A new revised draft of the Regulation and the Directive were published in June 2015.¹⁴ After the formal adoption of the package, there will be a transition period of three years for Member States to implement the new rules in the Directive into national law.

I. The Community Trade Mark System

1. Fundamental Principles

a. *The architecture of co-existence*

The Community trade mark Regime is an autonomous system with its own set of objectives and rules and independent of any national system (architecture of co-existence). The system provides for a single standard of registrability with EC-wide protection in addition to protection under national law. According to the Reform Package, this fundamental principle will remain untouched and shall be expressly recognized in the recast Directive as follows:¹⁵

Coexistence of trade mark system and balance of trade mark systems at national and Union level in fact constitutes a cornerstone of the Union’s approach to intellectual property protection.

This is to be welcomed because this principle is a key element in the European trade mark system. It follows from this principle, *i.e.*, that the scope of registration of national marks do not fall within the competence of OHIM. Thus, in opposition proceedings against a CTM Application, the validity of (earlier) national trade marks may not be called into question. It is therefore not possible to find a national trade mark of being without distinctive character. In such cases where the distinctive character of an earlier national trade mark is put into question, it is necessary to acknowledge (at least) a certain minimum degree of distinctiveness of the national mark on which an opposition against the registration of a CTM is based.¹⁶ Also, as a consequence of the principle of co-existence, a CTM can be devoid of any distinctive character even if the identical sign has already been

■ Dr. Frank Remmert,
REMMERTZ SON
Rechtsanwälte,
Partner and Certified
Lawyer for IP,
Munich, Germany
E-mail: remmertz@rs-iplaw.de

6. See Press Release of the European Commission, IP/13/287 of March 27, 2013.

7. Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 on the Community trade mark, COM (2013) 161 final March 27, 2013.

8. Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast), COM (2013) 162 final of March 27, 2013.

9. According to latest proposals, a new fee table shall be an Annex to the revised version of the Community Trade Mark Regulation, as amended, the new text is available online, please see note 13.

10. Report of the Max Planck Institute for Intellectual Property and Competition Law, 2011, “Study on the overall functioning of the European trade mark System,” published on 15 February 2011 (“MPI study”), http://www.google.de/url?sa=t&ct=j&q=&esrc=s&source=web&cd=1&ved=0CC4QFjAA&url=http%3A%2F%2Fec.europa.eu%2Finternal_market%2Ffindprop%2Fdocs%2Ftm%2F20110308_allensbach-study_en.pdf&ei=DxXhU8XCHue6ygOWtoDYDA&usq=AFOjCNFehlzrsAjPzegaf2vsGm5hMqguA&bvvm=bv.65636070,d.bGQ.

11. <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1332678&t=d&l=en>.

12. 2013/0088 (COD)—26/05/2014—Debate in Council, see: <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1349012&t=e&l=en>.

13. Press Release of European Commission of 21 April 2015, http://europa.eu/rapid/press-release_IP-15-4823_en.htm.

14. Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation EC No. 207/2009 on the Community Trade Mark and Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast) of 8 June 2015, 2013/0088 (COD), 2013/0089 (COD), <http://data.consilium.europa.eu/doc/document/ST-9547-2015-ADD-1/en/pdf>; <http://data.consilium.europa.eu/doc/document/ST-9547-2015-ADD-2/en/pdf>.

15. Recital 3 of the recast Directive.

16. ECJ, C-196/11, Judgment of 24 May 2012, *Formula One Licensing BV v OHIM*.

registered as a national mark in an EC Member State.¹⁷

b. *The unitary character of a CTM*

A CTM is of **unitary character** and has equal effect throughout the European Community, which actually consists of 28 countries. As a result, only marks which can have effect throughout the entire Community will be accepted. This is one reason why existing national systems will continue to operate. It follows from the unitary character of the CTM that a CTM may only be transferred for the whole territory of the EC. On the other hand, a registered CTM or a CTM Application may be licensed in some but not all EC member states or for some or all of the goods or services for which the CTM is registered or applied¹⁸ in the same way as a national mark. According to Article 22 (5) CTMR, the grant and transfer of a licence can be entered in the Register.

c. *Who may apply?/Representation before OHIM*

The CTM system is open not only to residents of EC Member States but also to natural or legal persons of all other states which are parties to the Paris Convention of the Protection of Industrial Property. Natural or legal entities domiciled or established in an EC Member State can file a CTM without being represented by a professional representative (*i.e.* a lawyer); however, the appointment of a professional representative based in the EC (*i.e.* a German lawyer) is mandatory for parties to proceedings before OHIM which have neither domicile nor their principal place of business nor a real and effective industrial or commercial establishment in the EC. This obligation exists for all proceedings before OHIM, except for the act of filing a CTM.¹⁹ Thus, a U.S. or Swiss company needs to be represented by a professional representative in accordance with Article 93 CTMR. The company can file the CTM, but is obliged to designate a professional representative in the application form. It must be noted that the criterion for mandatory representation is the domicile or place of business or commercial establishment, not nationality. Example: A French citizen domiciled in the U.S. needs to be represented, a U.S. national domiciled in France does not have to be.²⁰

d. *Application and registration of a CTM*

Contrary to German Law, for example, a CTM can only be obtained by registration,²¹ **not by use only**, even if

the sign has acquired secondary meaning.

Actually, more than 96 percent of all applications are filed electronically by using the Online Application Form on the official website www.oami.eu.²² According to the Reform proposals, the further possibility to file a CTM before a national office in a member state shall be abolished since this way has become negligible. The CTM must be filed in any of the 22 languages of the European Community: the “first language.” In addition, a second language must be indicated which must be different from the first language and must be one of the five languages of the Office, namely, Spanish, German, English, French or Italian. The second language serves as a language for opposition and cancellation proceedings in the interest of the owners of earlier rights.

As from November 2014, OHIM will examine CTM Applications only once the Application fee has been paid, not before. This procedure has been introduced in order to prevent refused Applications that will never be paid for. As a result, it is no longer possible to apply for a CTM and wait for the payment until it has been refused for lack of distinctiveness. Furthermore, in order to accelerate the application and registration process, OHIM has introduced the option of a so called “Fast-track-application” free of charge as from 24 November 2014. This means that the CTM Application will be published in half time or less compared to “regular” Applications.²³ The “fast-track-application” provides that the Applicant selects validated terms for goods and services from a database already accepted by OHIM. Additionally, the Application fee must be paid at the time of filing or immediately afterwards.²⁴

In combination with the proposed reduction of the application fee, the application and registration of a CTM will become faster and at a lower price.

As in many trademark systems, a CTM must be applied for certain goods and services according to the Nice Agreement Concerning the International Classification of Goods and Services (the *Nice Agreement*).²⁵ In this context, the ruling of the Court of Justice in the case “IP Translator”²⁶ of June 19, 2012, is of significant impor-

17. General Court (Judgment of 16 May 2013, T-356/11—*Equipment—Christian Restoin v. OHIM*).

18. Article 22 CTMR.

19. Article 92 and 93 CTMR.

20. For further details: Guidelines for Examination in the Office for Harmonization in the Internal Market on Community Trade Marks, Version February 2015, Part A, General Rules, Section 5 “Professional Representation”, para. 3.1.1.

21. Art. 6 CTMR.

22. E-filing continued to grow over the past years, see OHIM Annual Report 2014, page 14.

23. Regular Applications are published between 8 and 11 weeks after payment of the Application fee; see *Alicante News*, October 2014, page 1.

24. For further conditions for fast-track-applications see *Alicante News*, October 2014, page 3.

25. The Nice Classification is continuously revised by a Committee of Experts. A new edition is published every five years and a new version is published annually. The 2014 version of the tenth edition of the Nice Classification (NCL 10-2014) entered into force on January 1, 2014.

26. ECJ, C-307/10, Judgment of 19 June 2012—IP Translator.

tance.²⁷ In this case, the Court held that the indication of goods and services for which the protection of a trade mark is sought must be sufficiently clear and precise to enable the competent authorities and economic operators, on that basis alone, to determine the extent of the protection conferred by the trade mark. The use of class headings according to the Nice Agreement is not precluded provided that such identification is sufficiently clear and precise. For example, the indication of footwear or clothing in class 25 is sufficiently clear and precise. In order to determine which indications meet the requisite standard of clarity and precision, OHIM, together with the EU National Offices, have published a harmonised list of non-acceptable class headings which are not sufficiently clear and precise according to the IP-Translator-ruling.²⁸ Applicants are requested to specify goods/services falling under these general indications in order to avoid unnecessary delay in the application process. In Accordance with the Court's ruling, the OHIM has given up its "class heading covers all-approach"²⁹ and follows, like many other EU National Offices already does, the "it means what it says-approach."³⁰ This is to be welcomed because the "class heading covers all-approach" formerly accepted by OHIM was never in accordance with EC trade mark Law. As member states like Germany or UK and also WIPO for International Registrations³¹ follow the literal approach,³² the correction of the practice of OHIM is the right way forward towards harmonization of the European Trademark System. Otherwise there would be a risk that the internal market would be distorted if differing practices were in the Community allowed to continue.

OHIM practice and the practice of National EU member states must now follow the general principles established by the Court. As a result of the Court's ruling, an applicant must specify whether the application shall cover all or only some of the goods or services falling under the alphabetical list of a specific class. If the applicant intends to claim only some of the goods/services, he is required to specify which of the goods/services in that class shall be covered. If the applicant

only uses class headings and does not specify goods/services further, only those goods/services are covered which fall under the literal meaning of a general indication (class heading). For all CTMs registered before Communication No. 02/12 of June 21st 2012, the General Court considered in the decision *babilu/BABIDU*³³ that the intention of the applicant, in view of the contents of the previous Communication No. 04/03, was to cover all the goods or services included in the alphabetical list of that class in the edition of the Nice Agreement in force at the time when the filing was made. Therefore, if the applicant indicated all class headings of a particular class in a CTM application registered before June 21st, 2012, the Court confirmed, in the light of the principle of legal certainty, that all goods/services were covered including in the alphabetical list of that class.³⁴

As a consequence of the IP-Translator ruling of the Court and the discussion connected therewith, the European Commission has adopted the Court's ruling in the *Reform Package*.³⁵

e. Novelty search

The OHIM still carries out a limited novelty search after having established a filing date. Objective of the novelty search is to discover prior CTMs or CTM applications which might constitute a relative ground for refusal under Art. 8 CTMR. The result of the search report of OHIM is for information purposes only. Since 2008, Article 39 of the CTM Regulation establishes that national search reports will be produced **only on request** of the Applicant under an all-or-nothing principle by paying a separate fee.³⁶ It is not possible to select some countries for searches and leave others out. Also, the novelty search carried out by OHIM shall be optional in order to accelerate the application process.

f. Absolute grounds for refusal

The absolute grounds for refusal are provided for in Art. 7 CTMR.³⁷ This provision restricts the availability of trade mark protection to signs which are registrable

27. Christian R. Thomas, "IP Translator: Earthquake Or Tremor?," in: *Intellectual Asset Management (IAM)* May/June 2013, 117ff.

28. Common Communication on the Common Practice on the General Indications of the Nice Class headings of 20 February 2014.

29. OHIM Communication No. 2/12 of 20 June 2012.

30. Wright, *et. al.*, European IP Translator decision further divides the internal market, WTR October/November 2012, 46ff.

31. http://www.wipo.int/edocs/madrdocs/en/2012/madrid_2012_23.pdf.

32. See for Germany: http://www.dpma.de/service/dasdp-mainformiert/hinweise/hinweis_ip_translator_urteil/index.html.

33. General Court, T-66/11, Judgment of January 31, 2013—*babilu/BABIDU*.

34. According to the Reform Proposal, there should be a four month transition period in Article 28 CTMR.

35. In Article 28 of the revised version of CTMR of 08 June 2015.

36. As from 1st January 2012: 120,00 Euro. Only 10 national offices are taking part: Czech Republic, Denmark, Greece, Lithuania, Hungary, Austria, Poland, Rumania, Slovakia and Finland. Significant countries such as Germany, France and Italy were never part of the search system. Spain opted out of this System in September 2011.

37. See for details: Maniatis, Spyros, *Trade Marks in Europe, A practical jurisprudence*, London, Sweet & Maxwell, 2nd edition, Chapter 4; note 14, Tritton, Guy, *Intellectual Property in Europe*, London, Sweet & Maxwell, 4rd edition, Chapter 3-067ff.

under Art. 4, *i.e.* to signs which may be graphically represented and which are not devoid of distinctive character.

According to the Reform, the precondition of graphical representation shall be removed in order to modernize the trade mark system and to facilitate the application of non-traditional marks such as sound marks and odours.³⁸ In the future, a trade mark must be represented in such a manner “which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor” (Article 4 of the new Regulation). Thus, sound marks, for example, can be represented by an mp3 file. “Colours” and “sounds” will be specifically included in the definition of trade marks. This is a right step towards modernization and makes the system more attractive.

It is important to bear in mind that the absolute grounds for refusal prevent registration for the whole Community even if the grounds only exist in a part of the Community, *i.e.* only in the English spoken part of the EC.³⁹

Further changes affecting trade mark filing in Europe is the harmonization of the scope of black-and-white trade marks as a result of the convergence programme between OHIM and the national IP-offices. In contrast to German trade mark law, for example, the registration of a black-and-white trademark does not cover all coloured trade marks.⁴⁰ Concerning priority, seniority claims and as regards infringement cases, black-and-white and coloured marks cannot (further) be regarded as identical.⁴¹

g. Relative grounds of refusal

OHIM will not examine *ex officio* relative grounds for refusal. These may only be raised by third parties in opposition proceedings or in cancellation proceedings after registration of the CTM.

In Germany, *i.e.*, the German Patent and trade mark Office does not conduct any searches in the trade mark Register and the applicant cannot file a request to do so. There is, however, an official online database which can be used by everyone (www.dpma.de).

In order to harmonize the CTM System and the national systems, the EC had proposed to abolish searches on a national level. This proposal has been criticized by some trademark organizations as well as many member states

still examining for relative grounds.⁴² As a consequence, the proposed restriction of *ex officio* examination to absolute grounds at national level has been surrendered.⁴³ Instead of *ex officio* searching for relative grounds, opposition procedures and administrative cancellation actions shall become mandatory in all EU National Offices if they do not already have them.⁴⁴ Additionally, objections on the grounds of lack of use of earlier marks shall be permitted in opposition proceedings (like in Germany, *i.e.*).

Opposition may be lodged within three months following the publication of the CTM application. Where the outcome of opposition proceedings is positive for the applicant, or where no opposition has been filed, the CTM will be registered. In contrast to German trade mark law, where opposition follows the registration of the trade mark, the opposition procedure is the last step before registration of the CTM. Astonishingly, this difference shall be untouched irrespective of votes to harmonize the opposition proceeding before the registration of a mark.⁴⁵

It must be emphasized that a CTM will not be registered, upon opposition of the proprietor of an earlier mark, if that earlier mark only exists in one Member State of the EC. Therefore, if an opposition is only based on an earlier similar polish trade mark, the CTM will not be registered even if the applicant only intends to use the CTM in Germany, France and UK, for example.

h. Third party observations

Another characteristic of the CTM System are so-called **third party observations**. In addition to the opposition procedure, OHIM accepts third party observations on applications before or after they have been published, within an opposition period or even before a pending opposition procedure is closed. The procedure is used primarily by individuals and associations that are keen to protect the “purity” of the trade mark register (Ex: “Bavarian Beer”). Third party observations can only be made on absolute grounds for refusal in accordance with Article 7 CTMR, such as the argument that the mark is not eligible because it is descriptive (in a part of the Community) or, for example, is contrary to public policy.⁴⁶ The “observer” does not become a party to the proceedings before OHIM and they are not informed of any action taken by OHIM, but the observations are copied to the applicant, who may then comment on them. This makes it clear that the

38. In case of odours, however, there is still uncertainty how to represent a smell mark in accordance with the case law of the ECJ in “Sieckmann,” C-273/00, Judgment of 12 December 2002.

39. Art. 7 (2) CTMR.

40. General Court, T-623/11, Judgment of 9 April 2014—Pico Food GmbH ./ OHIM.

41. ECJ, C-252/12, Judgment of 18 July 2013—Specsavers; General Court, Judgment of 19 January 2012—T-103/11—JUSTING.

42. WTR June/July 2014, 6: National offices hit out at plans to abandon relative grounds examination.

43. The proposed Article 41 in the Recast Directive has been deleted in the new version of 8 June 2015: <http://data.consilium.europa.eu/doc/document/ST-9547-2015-ADD-2/en/pdf>.

44. According to Art. 45 and 47 of the Recast Directive.

45. See proposal in MPI study 2011, page 197.

46. The legal basis for so called “third party observations” lies in Art. 40 CTMR and the Communication of OHIM No. 02/2009 of 9 November 2009.

Office may refuse the application on absolute grounds even after it has been published, in particular as a result of third-party observations.

Example: In one case, the application for the trade mark “Not made in China” was initially published by OHIM, but re-examined and then refused after an observer pointed out that the mark could harm the reputation of Chinese workmanship and was therefore “contrary to public policy or to accepted principles of morality.”⁴⁷

The number of such observations received by OHIM is relatively small compared to the number of CTMs filed. For example, compared to the CTMs filed in 2014 (117.456), only 230 (0,2 percent thereof) observations were filed.⁴⁸

i. Priority and seniority

Priority may be claimed for a CTM application based on any earlier application in or for any state which is a party to the Paris Convention or the Agreement establishing the WTO during a period of six months from the date of the filing of the first application (priority period). The effect of claiming priority is that the filing date of the CTM will be dated back to the filing date of the earlier trade mark application.⁴⁹

Whereas the system of claiming priority of earlier filing dates is traditional under Art. 4 of the Paris Convention, the concept of **seniority** is unique in the CTM system:

The CTM has been designed to complement the national systems of protection. If applicants or proprietors of a CTM already hold a prior identical national trade mark or an International trade mark which is effective in a Member State for identical goods and services, they may claim the seniority of that mark.⁵⁰ This allows them to preserve their prior rights even if they surrender their national trade mark or do not renew it.⁵¹ Even if a CTM has been registered for a long time, seniority can be claimed which can reduce costs by saving renewal fees of parallel national registrations.

Seniority can only be claimed if the earlier national trade mark is identical.⁵² For example, there is no identity between the signs if they only differ in colour.⁵³ Concerning the protected goods or services, seniority can be claimed in whole or in part. Example: If the earlier

47. Confirmed by the Boards of Appeal, Case R 1454/2006-4 of 11 December 2007.

48. See recent overview in Alicante News March 2015, page 6.

49. Art. 31 CTMR.

50. Art. 34 (1) CTMR.

51. Art. 34 (2) CTMR.

52. ECJ, Case C-291/00 LTJ Diffusion [2003] ECR I-2799, para 54; General Court, Judgment of 19 January 2012—T-103/11—JUSTING.

53. Even if the earlier TM is registered in black/white; General Court, Judgment of 20 February 2013—T-378/11—MEDI-NET.

national mark is registered for clothing, footwear and headgear and the CTM is registered for clothing, games and playthings, seniority may be claimed for clothing or for goods belonging to clothing such as “shirts.” Moreover, the Applicant must show, at the time of filing, that he is exactly the same natural or legal person owning the earlier trade mark (identity of ownership).⁵⁴ A licensing relationship is not sufficient.

Whereas the priority of the earlier filing date affects the filing date of the CTM as a whole, claiming seniority is limited to the country in or for which an earlier trade mark was registered. Example: If the earlier national TM is registered in Spain with a priority date of 1st January 1998, the seniority of the CTM can only be claimed for Spain.

Seniority can only be claimed on the basis of prior national registrations or International Registrations having effect in a Member State, **not applications**, and may be claimed within two months from the date of the application of the CTM or any time after registration of the CTM.⁵⁵

j. Genuine use

A CTM may be maintained in all the countries of the European Union by using it effectively and genuinely⁵⁶ “in the Community.”⁵⁷ In principle, any company, even if it wishes to use its trade mark in one or a few Member States only, may therefore validly obtain a CTM without having to fear revocation proceedings on the grounds of lack of use.⁵⁸ The genuine use can be made by a licensee. In 1993, the European Commission and the European Council jointly stated that use in a single member state is sufficient to constitute genuine use in the Community.⁵⁹ However, since then the EU rapidly expanded from 15 to 28 member states and due to this enormous growth, there is some uncertainty as to whether use in a single member state fulfils the requirement of sufficient use “in the Community.” The Court of Justice⁶⁰ held in the ONEL/OMEL-case that Article 15 (1) CTMR has to be interpreted as meaning that the territorial borders of the

54. Decision of the Board of Appeal of 15 May 1998—R 5/97—BATMARK.

55. Art. 35 CTMR.

56. For details Maniatis (note 37), Chapter 6.

57. See wording of Art. 15 (1) of CTMR; See also in general: Machnicka, Territorial Aspects of Community Trademarks—The Single Market’s Splendid Sovereignty, IIC (International Review of Intellectual Property and Competition Law, December 2014 (No.8), p. 915ff., 919ff.

58. See text of Art. 10 and 12 of the Directive.

59. Joint statement of the Council and the Commission 1993. This statement is legally not binding, confirmed in ECJ, C-149/11, Judgment of 19 December 2012—*Leno Marken BV v Hagelkruis Beheer BV*, para 48.

60. ECJ, C-149/11, Judgment of 19 December 2012—*Leno Marken BV v Hagelkruis Beheer BV*.

Member States should be disregarded in the assessment of whether a trade mark has been put to “genuine use in the Community.” The Court held that a CTM is put to genuine use when it is used in accordance with its essential function and for the purpose of maintaining or creating market share within the EC taking into account of all relevant facts and circumstances, including the characteristics of the market concerned. Thus, the territorial scope of the use is not a separate condition for “genuine use” but (only) one of the factors determining it.⁶¹ The Court stressed that the market for goods/services for which a CTM has been registered can be restricted to the territory of a single member state.⁶² In the PAGO-case,⁶³ the Court of Justice ruled that a CTM with a reputation in just one member state (Austria) was entitled to protection against dilution and misappropriation. But the Court did not say in principle that reputation in one single member state is always sufficient.⁶⁴ Like in many cases, it depends on the circumstances on the case. In Germany, the Federal Patent Court⁶⁶ and the Federal Supreme Court⁶⁵ confirmed that use of a CTM only in Germany is sufficient to constitute genuine use in the European Union.

The use “in the Community” according to Article 15 (1) CTMR cannot be substituted by the use in another non-EC-member state such as Switzerland, even if Germany has a bilateral convention with Switzerland under which use in Switzerland is deemed to be use in Germany and vice versa.⁶⁷

2. Advantages and Disadvantages of the CTM System

a. Advantages

One of the big advantages of the CTM is that the Applicant can get a trade mark for the whole territory of the European Union: The CTM offers the advantage of uniform protection in all countries of the EC on the strength of a single and simple registration procedure. The CTM Application is cheap compared to national

trade mark applications (900 Euros).⁶⁸ This simplification results in considerably reduced costs as compared with the overall costs of national registration in all or many of the countries of the European Union. Turning to the proposed fee changes initiated by the EC Commission, the CTM will become more attractive. Basically speaking, there will be a “one-fee-per-class”-approach leading to a fee reduction for filings and renewals only claiming one or two Nice classes. If the Applicant only claims one class, the costs will be 850 Euros and in future 1,050 Euros if 3 classes are chosen.⁶⁹ The aim of this is to diminish the clutter of the trademark register and to discourage applicants from choosing goods and services they actually do not need for their business. Indeed, for companies always trying to find new names with the existence of so many unused trademarks on the register, this will be a step into the right direction.

The fact that the CTM system is open to natural or legal persons of all states which are parties to the Paris Convention makes the system also attractive to Non-EU-members, *i.e.* U.S. companies, because they can file directly. It is not necessary to file through affiliates established in an EC Member State if they are represented by a professional representative, *i.e.* a lawyer established in the EC.

The proposed abolishment of mandatory searches for earlier CTMs and CTM Applications conducted by OHIM is able to accelerate the application.

The uniform nature of the CTM also makes it easy to fulfil the requirements of genuine use in contrast to simple national registrations. It is not necessary to use the CTM after the 5-years period in each Member State but “in the Community.” As mentioned, the Court of Justice has decided in 2012 that genuine use is not dependent on territorial borders but on market shares. It follows that the use requirement must be decided on a case by case basis following a market approach. Use in a big country such as Germany would probably be considered as sufficient⁷⁰ to fulfil the use requirements in contrast to small countries such as Malta. However, there is still some uncertainty as to whether use in a (small) regional part of an EC Member State will be regarded as sufficient, *i.e.*, if a company uses a CTM only in a small regional market.

The possibility to claim seniority of a mark can save

61. ECJ, C-149/11, *para.* 36.

61. ECJ, C-149/11, *para.* 50.

63. ECJ, C-301/07—Judgement of 6 October 2009, *PAGO International GmbH v. Tirolmilch registrierte Genossenschaft mbH*.

64. INTA, for instance, criticizes that there still remains a great deal of uncertainty and favours a statement in the CTMR confirming that use of a CTM in a Member State shall be considered genuine use; see INTA, Comments on the Proposed Revisions to the EU Community Trade Mark Regulation and Trade Marks Directive, 17 June 2013, page 12; <http://www.inta.org/advocacy/documents/June2013intacommentseutmsystemsreview.pdf>.

65. BGH, Judgment of 6 February 2013—I ZR 106/11—VO-DOO = GRUR 2013, 925.

66. BPatG GRUR 2011, 1147—TOLTEC/TOMTEC.

67. ECJ, C-445/12, Judgment of 12 December 2013—Rivella International AG *./.* OHIM.

68. Provided that the CTM is filed online and covers only 3 classes.

69. The fees for 3 classes have been increased compared to actual fees of 900,- Euros, the latest fee table is published by the EC Commission on 21 April 2015 in FAQ for the trade mark reform: http://europa.eu/rapid/press-release_MEMO-15-4824_en.htm.

70. Confirmed by the Federal Patent Court in TOMTEC/TOLTEC, BPatG GRUR 2011, 1147.

renewal costs and administration of parallel national registrations. This is an advantage especially in the management of existing trade mark portfolios.

With respect to oppositions, it is an advantage that the applicant of a CTM can choose between different languages as the first and the second language. This can make opposition proceedings difficult if, for example, the applicant chooses Dutch as the first language and Italian as the second language. The opponent then has to file the opposition in Dutch or in Italian. It illustrates that the language can be used to make opposition proceedings more difficult.

b. Disadvantages

On the other hand, the unitary nature of the CTM is also its weakness due to the “all or nothing-rule.” This rule means that the Office will refuse a CTM application when a ground for refusal exists only in a part of the Community. If, for example, the trade mark consists of the designation of the product in one official language of a Member State of the Community, the Office will refuse the CTM application. It also follows from the “all or nothing-rule” that the CTM application can be rejected in total due to an opposition based on an earlier right which is valid only in one member state and is not even registered.

As a result of the unitary nature of the CTM, the Mark can only be registered, transferred, revoked or surrendered in respect of the whole Community. This makes the CTM less flexible, if the owner wants to exploit the CTM only in one country or in a small part of the Community.

Another disadvantage might be that opposition proceedings follow the publication of the application before registration. Therefore, a CTM can be blocked for a long period of time by opposition proceedings.

It should also be noted that users still continue to experience a degree of inconsistency in OHIM examiners’ approach to similar cases and lack of certain quality standards, although the quality of OHIM-decisions has improved considerably during the past few years. The consistency of decision making by OHIM, especially provisions stipulating that OHIM decisions should constitute binding precedents, have not been addressed by EC although this question has been raised by MPI in the study 2011.

Without any doubt, the CTM system is a success story and frequently used by many applicants. According to the recent Reform proposals and adapting terminology to the Lisbon Treaty,⁷¹ the CTM will be renamed in “European Union trade mark” (EUTM) administered by the “European Union Intellectual Property Office” (still acting as

71. Treaty of Lisbon amending the treaty of European Union and the treaty establishing the European Community, signed at Lisbon, 13 December 2007.

OHIM).⁷² In future, the CTM System will be referred to as the “European Union trade mark system.”

II. The Madrid System

The *Madrid Agreement Concerning the International Registration of Marks* (“*Madrid Agreement*”) was concluded in 1891 and came into force in 1892. The Protocol relating to the Agreement (“*Madrid Protocol*”) was adopted nearly 100 years later in 1989 and came into force on December 1, 1995. Both treaties were adopted at Diplomatic Conferences held in Madrid, Spain. They are conveniently referred to jointly as the *Madrid System*. The Madrid Agreement was concluded shortly after the Paris Convention 1883⁷³ and is based on it. The fundamental object of the Agreement was to provide an International procedure for applicants who wished to acquire registered trade marks in different countries. As such, the Agreement was essentially a procedural convention as opposed to the Paris Convention which sought to harmonise the substantive trade mark law of member states.⁷⁴

Both treaties are independent with separate but overlapping memberships.⁷⁵ All Member States of the EC—except Malta—are also Member States of the *Madrid System*.

1. Fundamental Principles

The *Madrid System* of International Registration of marks is administered by the *International Bureau* of the World Intellectual Property Organization (WIPO) in Geneva, Switzerland, and may only be used by natural persons or legal entities which have a real and effective industrial or commercial establishment in, or are domiciled in, or are nationals of, a country which is party to the Madrid Agreement or the Madrid Protocol (“Office of Origin”).

An application for International Registration can be based on a national application or registration and must designate one or more contracting parties (countries) in which the mark is to be protected. The application for International Registration must be identical with the basic application or registration. However, the list of goods and services in the international application may be narrower than the list in the basic application or registration. But it may not be broader or contain different goods or services. It goes without saying that the applicant can claim priority within a time limit of 6 months following

72. Recital 2 of the Proposed Regulation, see note 13.

73. The last amendment is the so-called “Stockholm version” 1967.

74. Tritton, (note 37), Chapter 3-033.

75. See parties of the *Agreement* and the *Protocol* (Status on April 15, 2015): http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf. In total there are 95 member states. 94 member states also belong to the Protocol except Algeria.

the application date of the basic national application. The applicant is free to designate any country belonging to the system any time after the first designation subsequently against payment of an additional fee (so called “subsequent designation”).⁷⁶ Example: If the applicant designates France and the UK subsequently, the date of filing for France and the UK will be the date when the application will be received by the Office.

An application must be presented to the International Bureau through the Office of Origin. Direct filing to the *International Bureau* is actually still not admissible. Where the international application complies with the applicable requirements, the mark is recorded in the International Register and published in the *WIPO Gazette of International Marks*. The International Bureau then notifies each country in which protection has been requested (*national phase*). Each designated country has the right to refuse protection within special time limits. For countries governed by the Protocol, the time limit is 18 months. As of January 1, 2011, offices designated in an international application are required to issue a statement of grant of protection once an application has been examined. This gives Trade mark holders timely and positive information about the status of their mark.

2. Advantages and Disadvantages of the Madrid System

a. Advantages

Under the *Madrid System*, the applicant has to file only one application and pay fees to one office and in one language (English, French or Spanish). The *Madrid System* has this simplicity of the application process in common with the CTM system. An advantage of the system is that, from the date of filing, the protection of the mark in each of the designated countries is the same as if the mark had been deposited directly with the office of that country. The possibility of subsequent designation makes the system also very attractive, because the owner of an International Registration can decide at a later stage if it makes sense to add new countries according to his business needs.

As regards the management of an existing trade mark portfolio, an owner can benefit from the possibility to record a transfer of ownership, a change of name or address, the limitation of goods or services or any other change in the registration or a renewal of the International Registration only at WIPO against payment of single fees. Compared to national filings, the administrative efforts and costs can be reduced significantly.

The advantages and disadvantages of the *Madrid System* compared to the CTM System arise from the fact that a bundle of national registrations is obtained in contrast to the unitary character of the CTM System. The trade mark might be accepted in one country but refused in another. Having said that, a bundle of opposition proceedings with increasing costs may arise under the *Madrid System*, if there are conflicting earlier rights in more than one country. Compared to the CTM system, this might also be an advantage, because the CTM can only be accepted or refused for the whole EC territory due to the unitary character of the CTM.

The structure of the *Madrid System* has changed considerably since 2008 and makes application under the system easier and more attractive. In particular, the so called “safeguard clause”⁷⁷ has been repealed. This means that, for states bound by both the Madrid Agreement and the Madrid Protocol, only the provisions of the Protocol—the more recent and flexible of the two treaties—will apply. That in turn means that the Madrid Agreement alone shall be applicable if the party (member state) only belongs to the Agreement. This is actually only relevant for *Algeria* and is therefore of minor importance. The change of the *Madrid System* has facilitated applications as follows:

- Applications with designated states belonging only to the Protocol or to the Protocol and the Agreement, can be based on registered or applied trade marks.⁷⁸
- Any international application may be in English, French or Spanish.
- If the Application is governed by the Protocol, an international registration may be transformed into national applications (*i.e.* if the basic registration has been cancelled).

It is also very attractive that the United States have become a member of the Protocol on November 1, 2003⁷⁹ if trade mark protection shall be extended to the U.S. A German application can now be the basic mark for protection in the U.S. without instructing a U.S.-lawyer. Applicants must be aware of the fact, however, that trade mark protection in the United States requires **actual**

77. The safeguard clause meant that where countries belong to both the Agreement and the Protocol (most of the countries were governed by that rule) the Application was governed exclusively by the Agreement.

78. Under the so-called “safeguard clause” a mark could be the subject of an International Registration only if it had already been registered or, where the International Registration was governed by the *Protocol* only, if the registration had been applied for.

79. Since joining the System in 2003, the United States have been designated in more than 157.000 International Registrations; see Madrid Highlights—U.S. Special Edition,—March 2015, p. 3.

76. The basic fee for a subsequent designation is actual 300 CHF (Swiss Francs) plus 100 CHF for each designated country; see full fee table under <http://www.wipo.int/export/sites/www/madrid/en/fees/pdf/sched.pdf>.

use of the mark.⁸⁰ Therefore, applicants designating the United States, must certify that they are using the mark in the U.S. market or that they at least have a *bona fide* intention to do so by submitting a *Declaration of intention to use the Mark*.⁸¹ It must also be noted that U.S. Trade Mark law allows for both absolute and relative grounds for refusal.

Furthermore, the EC as a whole has been a member of the Protocol since October 1, 2004. It is possible to file an international application based on a CTM or CTM Application⁸² or to designate the EC (link between the CTM System and the *Madrid System*).⁸³ If OHIM is the Office of Origin, the applicant must be a national of, or has a domicile or a real and effective industrial or commercial establishment in an EU Member State. Thus, a Swiss company established only in Switzerland is not entitled to file an International Application through OHIM. Also, the Madrid Application may not be filed by a licensee or an affiliated company of the holder of the CTM or CTM Application. If the EC has been designated in the International Registration, OHIM examines the indication of the goods and services under the same standard and conditions as CTM Applications for vague terms as from October 1, 2014.⁸⁴

b. Disadvantages

On the other hand, a CTM as a basic trade mark for an International Registration can be more expensive than using a German trade mark because Germany belongs to the Madrid Agreement, which is in general cheaper than the Madrid Protocol. Furthermore, direct filing of a CTM is in general cheaper than using the Madrid Route and designating the EC.

Additionally, the owner of a trade mark has to consider that, for a period of 5 years from the date of its registration, an International Registration remains dependent on the **basic** mark registered or applied for. This means, for example, that if the basic mark ceases to have effect within this 5-year period, *i.e.* following a cancellation procedure, the International Registration will no longer

80. See also: Heavner/Luepke, *The Top 10 Mistakes of Foreign Applicants in U.S. Trademark Registration Practice and How to Avoid Them*, *Mitteilungen der deutschen Patentanwälte* 2010, 564; Shannon/Greenbaum, *WTR* April/May 2011, p. 92; Leonard/Brant, "Do not be afraid of designating the United States, Managing IP" 2014, 112ff.; see also for a quick guide extending registrations to U.S. via the Madrid Route: Lawrence Apolzon, "Coming to America," *WTR* April/May 2015, 42ff.

81. See http://www.wipo.int/export/sites/www/madrid/en/forms/docs/form_mm18.pdf.

82. Against payment of a "handling fee" payable to OHIM of EUR 300.

83. For further details see OHIM website www.oami.eu: Extending a CTM outside the EU.

84. WIPO Information Notice No. 17/2014 of 6 November 2014.

be protected. This is one of the biggest disadvantages of the *Madrid System*.⁸⁵ The owner of the International Registration may then transform his right by filing a national application for the same mark while keeping the priority date. However, this transformation is only provided for by the Protocol. This is one of the reasons why, within the initial 5-year period, plaintiffs tend to attack the basic mark (*central attack*). Another disadvantage of the *Madrid System* is that there are still some important territorial gaps outside Europe, especially in Latin America such as Brazil.⁸⁶

D. Conclusion. Strategy and Tactics

In conclusion, the proposed reform of the EC trade mark system will strengthen the CTM System, especially by accelerating the application and registration process and by reducing application and renewal fees. However, in order to find an effective filing strategy, the pros and cons of the different routes to International Registrations of marks should be balanced carefully as each case needs to be considered on its own merits. Applicants should be aware of the fact that the *Madrid System* and the CTM System cover different states. If protection is needed in the whole or in a major part of the European Community, application for a CTM might be a good solution. International protection in countries such as Switzerland, Norway, Turkey or Russia can only be obtained via the *Madrid System*, either alone or in combination with the CTM System. The applicant should always take into consideration that protection in countries might be useful as a defense strategy against product piracy or parallel imports.

The following **ten theses** can help to find a good filing strategy:

1. Compared to the *Madrid System*, the CTM System is in general cheaper: If the applicant designates the EU through the *Madrid System*, the costs will approx. amount to 1764 CHF (including 3 classes)⁸⁷ compared to 900 Euros for filing a CTM online.
2. An applicant should prefer a CTM if there are no absolute or relative bars in the EC Member States due to the "all-or-nothing-rule." An international application through the *Madrid System* is preferable if, for example, Norway, Switzerland, Turkey and/or Russia are important markets.
3. Even if the CTM System and the *Madrid System*

85. Covarrubia/Echeverri, *E.I.P.R.* 2013, 15ff., 21f.

86. Except Colombia which has joined the Protocol in August 2012; see for further details Covarrubia/Echeverri, *The Madrid Protocol in Latin America: Is Colombia changing business strategies or acting as a Guinea pig?*, *E.I.P.R.* 2012, 2013, 15ff.; for recent developments see "Breaking down the barriers," *WTR* April/may 2015, page 36.

87. Based on a German trade mark, for example and provided that the mark is not in colour.

allow an applicant to describe the goods and services broadly, this should be balanced against the risk of conflict with earlier trade marks especially in those countries where Trademark offices searches for relative rights such as Finland.

4. Since the CTM system has been fully integrated into the *Madrid System*, it has two major advantages for the applicant:

- The owner of an International Registration originating in a country that belongs to the Protocol (including an EU Member State) may ask for protection to be extended to the European Community and thus obtain a CTM via the International System;
- A CTM or an application for a CTM can serve as a basic registration or basic application for the purposes of the Protocol. In practise, the CTM proprietor or applicant may apply through OHIM (as the office of origin) for an International Registration and ask for protection to be extended to other Protocol countries.

5. Furthermore, if protection in the U.S. is needed, there is the requirement under the U.S. trade mark law to use a very specific and narrow description of goods and services.⁸⁸ When filing a CTM, there is often the desire to describe the goods and services according to the Nice Agreement as broad as possible quite contrary to the United States, where the goods and services must be described as precise as possible based on how the trade mark is used. This makes it difficult for the owner of a CTM using the *Madrid System* to get the trade mark registered in the United States and vice versa. Both systems, the U.S. and the CTM system are not quite compatible in this regard. This has to be considered when formulating the catalogue of goods and services.⁸⁹ If possible, general terms or class headings according to the Nice Agreement should be avoided in order to prevent office action by the USPTO. For example, the USPTO does not except an indication such as clothing in class 25. It will therefore notify a provisional refusal and will require that the items of clothing be indicated more particularly. However, going the Madrid route can result in a significant cost saving if no U.S. counsel need to be retained. The advantage of the Madrid route is that the applicant may simply limit the goods or services for the U.S. only, *i.e.* by indicating “shirts, coats and socks” instead of “clothing.”

6. In contrast to the common law countries, especially to the U.S. System, the CTM System requires no *bona fide* intention to use the Mark before filing. Under the

CTM system and under national law such as German law, the question of use will only arise in inter parties cases where somebody is facing an opposition to the CTM and the applicant can ask the opponent to prove use of the marks.

7. OHIM still carries out searches for earlier CTMs and CTM applications. These rights do not constitute relative grounds for refusal. National search reports are optional. It is more efficient for a company to have their own searches carried out by professionals before applying which could help to accelerate the application process considerably. The result of private search reports can help to proceed with the application by either narrowing the goods and services or leaving some countries out.

8. If there are difficulties with prior rights in only one member country, it is at risk to file a CTM even if the CTM is not to be used in that Member State at all. It might then be preferable to file a national mark. On the other hand, a CTM application which has been refused, or a CTM which has been declared invalid or revoked, may be converted into national trade mark applications in all the Member States of the EU in which the ground for refusal does not apply. The ensuing national trade mark applications will retain the filing date of the CTM application.

9. There is the obligation of genuine use after the grace period of 5 years for all the goods and services for which the Mark is registered. Actually, there is still some uncertainty as to whether use in one single EC-Member State is sufficient. If the use requirements will be more strict in the future by case law or legislative, this will probably damage the attractiveness of the CTM System for Applicants who want to use their CTM only in a small part of the Community. This could have negative effects on the value and popularity of the CTM System.

10. National applications still remain important, *e.g.* as a basic mark for international applications through the *Madrid System* or in strong economic countries where the trade mark should be protected under any circumstances. In this case, national applications are recommended **besides** international applications or a CTM application. Furthermore, as regards the principle of coexistence between the CTM system and the system of EU Member States, national filings are highly recommended due to the still remaining uncertainty of genuine use of a CTM in the territory of the EU. ■

88. For further details see *Madrid Highlights, Special U.S. Edition*, March 2015, page 18ff.

89. See for the U.S. System, especially note 81.