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The extent of ‘use’ necessary for Community Trade Marks

and the relation to the test of reputation

Bachelor’s Thesis in Commercial Law (Intellectual Property Law)

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Abstract

Article 15(1) of the Community Trade Mark Regulation states that the Community Trade Mark holder has to put the mark into genuine use in the Community within five years from registration. Even though the regulation does not deal with the extent of use necessary, the Joint Statements uphold that genuine use within one country is enough.

However, recent case law from national offices have ruled in the opposite direction, resulting in legal uncertainty concerning how much use that is needed. The courts claimed that use within merely one Member State is not use in a substantial part of the Community and therefore not genuine.

This paper shows that it is not satisfactory to define genuine use in the Community by way of analogy to the term substantial part of the territory. The latter derives from the test of reputation concerning a different case entirely.

Instead, most indicators point towards a market-oriented approach where national frontiers do not matter. Focus should be on the extent of use being made compared to the market concerned in the entire EU. A case-by-case assessment is required, where all relevant circumstances are taken into consideration.

Abbreviations

BOIP	-	Benelux Office of Intellectual Property
CFI	-	Court of First Instance
CTM	-	Community Trade Mark
CTMR	-	Community Trade Mark Regulation
EC	-	European Community
ECJ	-	European Court of Justice
EU	-	European Union
HPO	-	Hungarian Patent Office
OHIM	-	Office for Harmonisation in the Internal Market
SME	-	Small- and Medium size Enterprises

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1 Introduction

1.1 Background

A Community Trade Mark (hereinafter called CTM) is a trade mark that gives the trade mark holder an exclusive right to use the trade mark and prevent others from using it within the EU.¹ CTMs are regulated by the Community Trade Mark Regulation (CTMR) and have identical scope and wording as the Trade Mark Directive². The difference between the two lies in the geographical extent, as the directive concerns specific countries.

The CTM is in contrast to a national trade mark supranational, which means that it is a pan-European trade mark that with its unitary character is equally effective throughout all the member states in the EU.³

The most vital function of the CTM is to ensure the consumer of a badge of origin. The mark is a guarantee for the identity of the origin of the product in question, and enables the consumer to distinguish without confusion, the product at issue from products of other undertakings.⁴

Through the badge of origin there are sub-factors worth protecting, such as the quality that the trade mark conveys,⁵ the advertising investments that communicate specific values such as youth and luxury,⁶ and the trade mark as an investment itself since it can be sold, licensed or similar.⁷

¹ Art 1(1) and 9(1) Council Regulation (EC) No 207/2009 of 26 February 2009 of the Community Trade Mark.

² Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

³ Art 1(2) CTMR.

⁴ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2003] ECR I-10273 paras 47-48.

⁵ Case C-10/89 *SA CNL-Sucal NV v Hag GV* [1991] ECR I-3711, paras 13 and 16.

⁶ Case R 283/1999-3 *Hollywood SAS v Souza Cruz SA* [2002] ETMR (64), para 129.

⁷ Case C-337/95 *Parfums Christian Dior and Parfums Christina Dior BV v Evora BV* [1998] ECR I-6013, para 54.

However, the protection of a CTM for these purposes is lost when the mark has not been put to genuine use in the Community for five consecutive years, in connection with goods or services in which it has been registered. If not used then it can be subject to an opposition or revocation.⁸ In these cases the purpose of the CTM has been lost, which is to ensure consumers of the identity of the origin.

The territorial scope of use necessary in this criteria has not been dealt with by the CTMR itself, which is why the legal position concerning how much use that constitutes use in the Community remains unclear. This is a matter important for CTM owners and applicants, as they risk to losing their CTM or be denied of renewed CTM protection in the future depending on the outcome of the subject.

1.2 Purpose and limitations

The uncertainty of the legal position regarding the territorial scope of use necessary in the Community has resulted in surprising case law that have given rise to the purpose of this thesis, which is to analyse:

- How much ‘use’ does there need to be of a Community Trade Mark in the Community – and how does this relate to how widely-known a mark have to be to have reputation?

The purpose is deliberately narrow to ensure a sufficient analyse in proportion to the space and time given for a thesis of this scope. The scope of the subject is not limited further since it is sufficiently narrow as it is.

1.3 Method and material

The processed materials consist of the CTMR, EU-principles, case law and literature, as these are the vital sources within the EU.⁹ The preparatory works in the EU does not have quite as high value as on national level in some states, which is why focus has not

⁸ Art 15(1), 42(2) and 51(1) CTMR.

⁹ Bernitz, Ulf, *Finna rätt: juristens källmaterial och arbetsmetoder*, 10 uppl, Norstedts juridik, Stockholm, 2008, [Bernitz] p. 61.

been on these. Instead, the preamble of the CTMR is in focus, since this gives guidance on the purpose of the legislation.¹⁰

The term genuine use needs to be interpreted uniformly throughout the Community, which is why the materials are interpreted autonomously.¹¹ However, since this method does not give much guidance in the relevant subject, the three main interpretation approaches used by the ECJ have been applied. Linguistic, systematic and teleological interpretations are used. The linguistic method includes an examination of the wording of the provision, its grammatical context and the normal meaning of the used terms and phrases. In the linguistic approach different language versions are also compared.¹² All language versions are equal when interpreting.¹³ Beside the linguistic interpretation, regard is taken to a systematic method, where the context of the provision is looked upon with background of the logic in structure of the legislation. With this method, exceptions in a provision are interpreted narrowly. Yet another interpretive method used is the teleological interpretation, where the purpose, function and effect of provision in the legislation is taken into consideration.¹⁴

The paper also discusses the nature of genuine use by a comparative method very shortly, due to such arguments being brought forward by case law. Finally it should be noted that the opinion of the two representatives of the national authorities in Benelux and Hungary are important since their papers came before the rulings of two cases. The reasonings of the cases have most likely been guided by the papers.

1.4 Outline

The second chapter of the thesis introduces the reader shortly to the concept of genuine use as it is looked upon today, to ensure a sufficient understanding of the area before entering into the core of the issue. In order to enable the reader a comprehension of the main question early, the third chapter introduces the reader to the position taken by the

¹⁰ Ibid, p. 65.

¹¹ Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECR I-2439 [hereafter *Ansul*] para 26.

¹² Bernitz, p. 68.

¹³ Ibid, p. 73.

¹⁴ Ibid, p. 68.

two countries' authorities that have ruled in the matter. The reasoning of these approaches are discussed continuously throughout the paper. Their reasoning and arguments in behalf of and in controversy to the position taken by the two existing cases are brought forward in chapters 4-7, under the interpretive method that they belong. Since most arguments fall under the effects of the teleological method, this chapter have been divided into describing sub-headings.

The following chapter (chapter 8) deals with a possible application of the criteria of substantial use. This is an inevitable analyse since the earlier discussions lead to the need to examine this criteria. Chapter 9 discusses the market-oriented approach to the extent of use, as this approach is brought up many times.

The results of the interpretations are analysed under each subchapter, except the subchapters under the effect of article 15(1). These subchapters are analysed after they have all been presented, to give a good overview of the analysis that derives from the effects as such. Finally the outcome of the interpretations and the thesis is presented in the conclusion, in chapter 10.

2 Introduction to genuine use in the Community

2.1 Genuine use

Article 15(1) CTMR provides statues of when the CTM shall be subject to the sanctions provided in the regulation:

“If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered...”

In the question of the term *use*, it is necessary for the use to be compatible with the fundamental purpose of trade marks, namely to guarantee origin. Accordingly, it must be actual use, where the consumers can benefit from the trade mark by means of the functions behind it, for example to assure the consumer of the identity of origin. If there is no use at all or not in a way to ensure the consumer of the origin, it does not constitute use.¹⁵

In the *Ansul* case the ECJ ruled in the matter of the term *genuine* use, stating that token use or internal use is not permissible. However, advertising campaigns for products soon to be marketed under the sign are to be recognised as use.¹⁶ The use must be a step towards acquiring a share in the market for those products. Concerning this test the court held that a case-by-case assessment is required where the result depends on the relevant goods or services, the regularity and the frequency of the use. However use is deemed to be acceptable if it is in connection with after-sale services on products that no longer are sold on the market.¹⁷ In the case of *La Mer Technology* the court said that it is also genuine use when the trade mark has been used on products sold to agents or similar. The ECJ also emphasised that not even a minimal use of the mark (in this case in the UK) hinders it from being genuine.¹⁸

¹⁵ OHIM Opposition Decision No 1042/2001 *Magrinya v Sportsmania Ltd* of 25 April 2001, p. 5.

¹⁶ *Ansul*, paras 36-37.

¹⁷ *Ibid*, para 38, 40-41.

¹⁸ Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-01159 [*La Mer Technology*] para 27.

The nature of genuine use for non-profit-making associations on the other hand is determined when:

*“a trade mark is put to genuine use where a nonprofit-making association uses the trade mark, in its relations with the public, in announcements of forthcoming events, on business papers and on advertising material and where the association’s members wear badges featuring that trade mark when collecting and distributing donations.”*¹⁹

In consequence, the test of genuine use has until now focused on a qualitative aspect.

2.2 ‘In the Community’

According to article 15(1) of the CTMR a requirement for genuine use is that the use is in the Community. The CTMR itself does not deal with the question of the geographical extent of use necessary. Neither has the question been subject to a ruling by the ECJ. However, the CTMR has the exact wording as the first regulation²⁰, to which the Joint Statements apply. It is said in the Joint Statements: *“The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.”*²¹

Even though the Joint Statements have interpretative value, they are not legally binding, as laid down by the ECJ in *Antonissen*.²² However, OHIM complies with these statements.²³ In spite of this, the only existing and relevant case law, have come from national courts that have turned their backs on the consideration in the Joint Statements.

¹⁹ Case C-442/07 *Verein Radetzky-Orden* [2008] ECR I-9223, para 24.

²⁰ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark.

²¹ Joint statements by the Council and the Commission of the European Communities entered into the minutes of the Council meeting at which the Regulation on the Community Trade Mark is adopted on 20 December 1993, OJ OHIM 1996, p. 615.

²² Case C-292/89 *The Queen v The Immigration Appeal Tribunal, ex parte Gustaff Desiderius Antonissen* [1991] ECR I-00745 [*Antonissen*], para 18.

²³ OHIM, *The Manual concerning Opposition - part 6: proof of use*, 14 September 2009, [*The Manual concerning Opposition – part 6: proof of use*] p. 14.

3 The Benelux and Hungarian approach to the extent of use

Important to bear in mind when reading this chapter and the paper in general, is the fact that the Benelux and Hungarian approach is a highly topical phenomenon brought to the public not earlier than in November 2009. As for the case law from these countries, it is as up-to-date as from January and February 2010. Thus it is an outcome of views that have not been discussed earlier and not much material is available on the subject yet. This way of asserting genuine use goes against the general point of view found in the Joint Statements. Therefore it has resulted in a lot of controversy and is the subject of much debate.

The debate began with two presentations at a Conference concerning the CTM system. The presentations were held by Dr Mihály Ficsor, Vice-President of the Hungarian Patent Office, and Mr Edmond Simon, Director General of the Benelux Office for Intellectual Property.²⁴ At the conference they both agreed that use in one single country does not suffice as genuine use.

Shortly after the presentations by Dr Ficsor and Mr Simon, their position was found in case law. The recent case of *ONEL* (15 January 2010) in the Benelux, is the first case to settle a question concerning: if use in one Member State is enough to authorise protection throughout the EU.²⁵ The circumstances of the case involved the registered CTM *ONEL* used only in the Netherlands, and an opposition by its holder towards the application of the trade mark *OMEL*. The proprietor of *OMEL* stressed that he would not use the mark in the same territory, but in Scandinavia. The Benelux Office of Intellectual Property (BOIP) ruled that use in merely one country does not constitute genuine use in the Community.

The Hungarian Patent Office (HPO) gave a statement on its position regarding the geographical extent of the genuine use requirement. It reminded that the ECJ has not yet

²⁴ Paper by Dr Mihály Ficsor, Vice-President, Hungarian Patent Office, *The requirement of genuine use*, [hereafter Dr Ficsor] and Mr Edmond Simon, Director General Benelux Office for Intellectual Property, *The relationship between the Benelux and Community systems of protection* [hereinafter Mr Simon], at the Regional Conference on the Coexistence of the Community and National Trade Mark Systems in Europe (Budapest, 3 November 2009).

²⁵ Opposition Decision No 2004448 *Leno Merken BV v Hagelkruis Beheer bv*, 15 January 2010.

decided in such a matter and that the HPO itself agrees with the judgment by BOIP in the *ONEL* case.²⁶ In its statement, the HPO emphasises that the national courts and authorities have the same right to interpret the geographical extent of genuine use as the OHIM, and that these decisions should be ‘respected’ by all until the ECJ rules in the matter (which would be appreciated in respect of legal certainty).²⁷

Not long after the statement by the HPO, the HPO itself ruled in behalf of the defendant in an opposition proceeding on 11 February 2010.²⁸ The reason for the decision was the fact that the CTM had not been used in more than one Member State.

The case concerned an application by a Hungarian company for the CTM C City Hotel, which was opposed by a UK company with the CTM CITY INN. The opposing company claimed that there was a likelihood of confusion between the marks. The HPO held that protection for the opposed mark is not precluded in this case, due to non-use of the earlier mark by the UK company. The mark had been used in several cities, but none of which were outside the UK. In respect of this, the court did not consider the use to be sufficient use in the Community.

It is likely that these cases reach the ECJ through an appeal or similar cases are brought to the court. If this occurs, the ECJ will most likely base its ruling on linguistic, systematic and teleological arguments, the most central ECJ approaches when interpreting.²⁹ Therefore, this paper have used these interpreting methods when asserting the nature of ‘genuine use in the Community’.

²⁶ *Statement of the HPO on the geographical scope of the genuine use requirement relating to the Community Trade Mark* <http://www.mszh.hu/English/> 2010-04-28 [Hereafter HPO statement], p. 1.

²⁷ *Ibid*, p. 2.

²⁸ Opposition Decision No M0900377 *CITY INN v C City Hotel* 11 February 2010.

²⁹ Bernitz, p. 68.

4 Linguistic interpretation of genuine use in the Community

4.1 The Linguistic approach

*“It must be borne in mind that Community legislation is drafted in several languages and that the different language versions are all equally authentic. An interpretation of a provision of Community law thus involves a comparison of the different language versions.”*³⁰

Taking this citation into account, it is important to examine whether different language versions have dissimilar meanings.³¹ The German version (ernsthaft in der Gemeinschaft benutzt) and the French version (usage sérieux dans la Communauté) confirm the English term ‘genuine use in the Community’. So does the Italian (uso effettivo nella Comunità) and the Spanish (uso efectivo en la Comunidad). It should be noticed that the Dutch version however (‘...binnen de Gemeenschap... normaal gebruik’) gives the term a somewhat dissimilar significance, which is ‘normal use in the Community’.

Just the same, a comparison between the language versions does not give guidance on the question of the extent of use needed in the Community. Even so Dr Ficsor, considers the Joint Statements to be wrong, as they alter the wording and context of the CTMR by saying that use in one country is equal to use in the Community.³²

Shortly after Dr Ficsor voiced his opinion in the matter, the HPO ruled in a case in the same subject. The reason for the decision was the fact that the CTM had not been used in more than one Member State.³³ The court came to this conclusion partly by a linguistic interpretation of the terms in the CTMR. The HPO maintained that ‘in the Community’ and ‘in a Member State’ should not be confused, and ‘in the Community’ and ‘in

³⁰ Case C-283/81 *CILFIT v Ministero della Sanità*, [1982] ECR I-3415 [*CILFIT*] para 18.

³¹ The translations are taken from each language version of the CTMR.

³² Dr Ficsor, p. 6.

³³ Opposition Decision No M0900377 *CITY INN v C City Hotel* 11 February 2010.

part of the Community’ are to be separated. Article 15 of the CTMR refers to ‘in the Community’, a phrase that deals with the entire EU.³⁴

Consequently, according to HPO’s way of interpreting the regulation, use in one Member State can not be enough by a linguistic approach. ‘In the Community’ is a term that deals with the entire EU, and is not equal to ‘in a Member State’ or ‘in part of the Community’.

4.2 Analysis of the linguistic approach

In analyse, it is worth mentioning that ‘in the Community’ is a term that purely with respect to its wording, not only allows an interpretation where minimal use in the Community is enough, but actually undeniably contains such an interpretation. Any other view would have such extensive consequences when being implemented that it would have been expressed in the CTMR. As it is, a pure linguistic interpretation does not render any higher requirement than use in a single country.

³⁴ English summary of Opposition Decision No M0900377 *CITY INN v C City Hotel* 11 February 2010. <http://www.mszh.hu/English/> 2010-04-28 [Hereafter *CITY INN*], p. 3.

5 Systematic interpretation of genuine use in the Community

5.1 The systematic approach

*“...every provision of Community law must be placed in its context and interpreted in the light of the provisions of Community law as a whole...”*³⁵

Even when a linguistic interpretation has taken place, there is a need for systematic considerations. This is because a linguistic, systematic and teleological approach are all parts of the whole of the assessment of establishing an interpretation of a provision.

Dr Ficsor brings forth such arguments when criticising the consideration in the Joint Statement by claiming it not to be in harmony with article 112 of the CTMR.³⁶ The article states that conversion of a CTM into national trade marks:

*“shall not take place [...] where the rights of the proprietor of the Community trade mark have been revoked on the grounds of non-use, unless in the Member State for which conversion is requested the Community trade mark has been put to use which would be considered to be genuine use under the laws of that Member State”.*³⁷

In the *ONEL* case it was said that existence of this provision would have no meaning if genuine use within the borders of one country would be enough to establish genuine use in the Community.³⁸

In the case of *CITY INN*, the HPO argued (the following argument being new compared to the ruling by the Benelux Office) that the CTMR consists of three underlying principles, none of them possible to override the others without reservation. These are: Unitary character, autonomy and co-existence. The first is often predominated by the last,

³⁵ *CILFIT*, para 20.

³⁶ Dr Ficsor, p. 6.

³⁷ Art 112(2)(a) CTMR.

³⁸ English summary of Opposition Decision No 2004448 *Leno Merken BV v Hagelkruis Beheer bv* 15 January 2010 http://www.boip.int/en/news_display.php?news_id=98 2010-04-28 [*ONEL*], p. 9.

which makes use in only one Member State a condition not in harmony with article 7(2) of the CTMR.³⁹

In the reasoning of *CITY INN* it is mentioned that article 15 of the CTMR undeniably requires that the use is in harmony with the competition policies found in the recitals. The Joint Statements (claiming that genuine use within one country is enough) have given article 15 a very limited interpretation, as reported by the court. The HPO points out that the Joint Statements are not legally binding with reference to the *Antonissen* case and accentuated that this has been declared even more firmly in the case of *Praktiker*⁴⁰.⁴¹ However it is known that rules that are exceptions (such as article 15) are often given a limited interpretation through a systematic approach.⁴²

To summarise, The HPO and BOIP shares the view that a systematic approach can not justify use in only one country as genuine use. This because such a view would be contrary to article 112 and 7(2) of the CTMR.

5.2 Analysis of the systematic approach

Analysing the systematic approach, firstly it is necessary to try to explain the vague view of the HPO concerning article 7(2). The author of the paper believes HPO to mean the following: The unitary character of a CTM is often predominated by the principle of co-existence, which shows that a CTM is not always effective throughout the Community. Article 7(1) provides grounds for non-registrability, and 7(2) clarifies that registration can not take place even though the ground for non-registrability relates only to a part of the Community. Therefore, use in only one Member State with effect throughout the EU is a condition not in harmony with article 7(2) of the CTMR. Therefore, the unitary character of the CTM can be ignored where a CTM is only used in one country, with the ground that there is no use in another part of the EU.

³⁹ *CITY INN*, p. 2. The author will analyse this very vague reasoning brought by HPO in the end of the chapter.

⁴⁰ Case C-418/02 *Praktiker Bau- und Heimwerkermärkte* [2005] ECR I-5873 [*Praktiker*].

⁴¹ *CITY INN*, p. 2.

⁴² Bernitz, p. 68.

This view draws indeed an unreasonable parallel, as it only shows that either a CTM is granted with unitary character in the EU, or it is not granted at all. It does not mean that the principle of unitary character is overruled as such.

Next is an analyse of the argument brought concerning article 112 CTMR about conversion of a CTM into a national trade mark. Notice that article 112 does not say that if there has been genuine use in only one country a CTM loses its protection but can be converted into a national trade mark instead. The article means that if there has been no genuine use (at all, in any country) but the CTM has been used in a way which is considered as genuine use under the laws of that state, it can be converted into a national trade mark. This means that if there has been use of the type that is necessary according to the relevant country's own trade mark law, the CTM can be converted into a national trade mark. In these cases there has not been any use which is genuine according to the CTMR in any of the Member States. Accordingly, Dr Ficsor, BOIP and HPO have brought forth an argument that can not be supported due to an interpretation not possible of article 112 CTMR.

Finally, article 15 is an exception that hinders CTM protection. Exceptions are most often given a restrictive interpretation through a systematic approach.

6 Teleological interpretation of genuine use in the Community

6.1 Purpose of article 15(1) CTMR

6.1.1 Purpose of article 15(1) CTMR

“...every provision of Community law must be placed in its context and interpreted in the light of the provisions of Community law as a whole, regard being had to the objectives thereof...”⁴³ (The underlining is added.)

The objectives of the CTMR are fundamental when establishing the correct interpretation of the provisions. The aims of the regulation can be found in the recitals of the preamble, in the beginning of the legislation.

According to BOIP in *ONEL*, the consideration in the Joint Statements is not in conformity with the second, third and sixth recitals in the preamble to the CTMR.⁴⁴

“(2) It is desirable to promote throughout the Community a harmonious development of economic activities and a continuous and balanced expansion by completing an internal market which functions properly and offers conditions which are similar to those obtaining in a national market. In order to create a market of this kind and make it increasingly a single market, not only must barriers to free movement of goods and services be removed and arrangements be instituted which ensure that competition is not distorted, but, in addition, legal conditions must be created which enable undertakings to adapt their activities to the scale of the Community, whether in manufacturing and distributing goods or in providing services. For those purposes, trade marks enabling the products and services of undertakings to be distinguished by identical means throughout the entire Community regardless of frontiers, should feature amongst the legal instruments which undertakings have at their disposal.”

“(3) For the purpose of pursuing Community’s said objectives it would appear necessary to provide for Community arrangements for trade marks whereby undertakings can

⁴³ *CILFIT*, para 20.

⁴⁴ *ONEL*, para 32.

by means of one procedural system obtain Community trade marks to which uniform protection is given and which produce their effects throughout the entire area of the Community. The principle of the unitary character of the Community trade mark thus stated should apply unless otherwise provided for in this Regulation.”

“(6) The Community law relating to trade marks nevertheless does not replace the laws of the Member States on trade marks. It would not in fact appear to be justified to require undertakings to apply for registration of their trade mark as Community trade marks. National trade marks continue to be necessary for those undertakings which do not want protection of their trade mark at Community level.” (The underlinings are added.)

In addition, BOIP believes that the consideration in the Joint Statements affect the essence of the regulation further, as it contradicts the object of the CTMR found in the fourth recital:⁴⁵

“In order to open up unrestricted economic activity in the whole of the internal market for the benefit of undertakings, trade marks should be created which are governed by a uniform Community law directly applicable in all Member States.” (The underlining is added.)

It is worth mentioning that the Danish Patent and Trademark Office (DKPTO) has sided with Benelux and Hungary in the matter of distorted competition.⁴⁶ So has Helena Morgonsköld, head of the trademark and design department at the Swedish Patent and Registration Office.⁴⁷

Dr Ficsor, holds that the purpose behind the CTMR is to ensure applicants of an alternative in line with their commercial needs. He is of the opinion that the choices applicants are making do not reflect the purpose, because they are not making the choices on the grounds of a EU-market including the entire EU or a substantial part of it, but by reasons such as a lower fee and an easier procedure. This is a result of the discrepancy be-

⁴⁵ Ibid, para 35.

⁴⁶ DKPTO Statement on the ONEL case <http://www.dkpto.org/updates/dkpto-statement-on-the-onel-case.aspx> 2010-05-10.

⁴⁷ Little, Trevor, *Hungarian Patent Office intensifies debate over genuine use of CTMs*, World Trademark Review, 24 February 2010.

tween the monopoly given by a CTM right and the low fees in order to gain such a monopoly.⁴⁸

As a response to this, OHIM replies that the criticism towards the selection of protection by proprietors is unwarranted, since the critics only say that the selection is wrong, yet they do not comment why such reasons are wrong.⁴⁹

Notwithstanding the opinion of OHIM, Dr Ficsor considers the tenth recital of the CTMR to underline his position:⁵⁰ *“There is no justification for protecting Community trade marks or, as against them, any trade mark which has been registered before them, except where the trade marks are actually used.”*

He claims further that this position can be found in the OHIM Manual concerning Opposition:⁵¹ *“Trade marks must be used in the territory where they are protected (European Community for CTMs, the territory of the Member States in case of national marks)”*⁵²; and *“The mark has to be used in the relevant market, that is the geographical area where it is registered.”*⁵³

All the same, Mr Simon stresses that the development of use in a single Member State is detrimental to the second recital of the Directive, which has as its objective to remove *“...disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market.”*⁵⁴

In conclusion, the HPO, BOIP and Mr Simon look upon use in only one country as conflicting with the essential recitals in the preambles of the CTMR and the Directive. Dr Ficsor holds that applicants are choosing the wrong kind of protection for their trade marks, whereas the OHIM demands an explanation of Dr Ficsor to why this selection is wrong.

⁴⁸ Dr Ficsor, p. 2.

⁴⁹ OHIM, *Contribution to the study on the overall functioning of the trade mark system in Europe*, 27 January 2010 [hereafter Contribution] p. 14.

⁵⁰ Dr Ficsor, p. 4.

⁵¹ Ibid.

⁵² *The Manual concerning Opposition - part 6: Proof of use*, 3.1.

⁵³ Ibid, 3.4.

⁵⁴ Mr Simon, para 5.

6.1.2 Analysis of the purpose of article 15(1)

By an analyse of the views taken in this chapter, it must be observed that recital 2 speaks of ‘enabling’ undertakings to carry out activities to the scale of the Community. Enabling means that the CTMs should authorise undertakings/make possible for undertakings/give the opportunity to undertakings, to carry out broad activities. The recital does not require enterprises to carry out such activity though. The recital is written through the perspective of an undertaking and should be interpreted in the same way.

As for the analyse of recital 3, it only states that the unitary character of CTMs applies in so far as nothing else is provided for in the regulation. Unless a good argument of ‘something else’ appears, this recital has not been impeded.

Neither has recital 4 been impeded, as the perspective of undertakings is equally applied here. Economic activity in the whole of the EU should be opened up for, but it is not a requirement.

Continuing to the analyse of recital 6, it should be mentioned that the recital underlines that it would not be justified to require undertakings to apply for protection through a CTM. It carries on by stating that national trade marks are necessary for those undertakings which do not want Community protection. Once again, the recital is written with the perspective of an undertaking. It says that one can not require undertakings to apply for CTMs, not that undertakings can not apply for CTMs. Thus the companies have the choice of applying for the protection they feel suiting, whatever this is. The recital only seeks to maintain the fact that the two protection systems should be in harmony, and that the purpose is not to replace the national protection system.

Dr Ficsor holds that the choices of protection applicants are making are wrong and these choices should be made by commercial considerations. However, considerations concerning time, effort and money are all commercial considerations for undertakings.

Furthermore, he claims use within one country not to be in line with recital 10 that requires actual use, but this recital could just as well contain an interpretation where national use is enough.

It is true that CTMs must be protected in the European Community as the OHIM manual states, however, there could be a particular reason to why OHIM has made a distinc-

tion between the European Community and a Member State. In some cases there might be minimal use in a country that would not suffice, but if there is minimal use in several countries of the EU, that might be justified for a CTM. Therefore, one can not write use in ‘one Member State’ concerning CTMs, but this does not mean that use within one country alone can not be enough.⁵⁵

Finally analysing recital 2 of the Directive, it should be emphasised that free movement of goods and services could just as well be hurt by a requirement of use in more than one country. Companies that have only managed to use their mark in one country earlier due to commercial factors, may be hindered to broaden their activity later if another company has registered the same mark as a CTM.

6.2 Function of article 15(1) CTMR

6.2.1 Function of article 15(1) CTMR

*“...there is genuine use of a trade mark where the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services...”*⁵⁶

Beside the aspect of the purpose of article 15(1) it is therefore important to raise arguments relating to the function of the article. The *VITAFRUT* case links the CTM with its economic function, stating that when it is used in a way to guarantee the origin of the relevant products or services (it’s most vital function), with the aim to form or preserve an outlet for these, it can be said to constitute genuine use.⁵⁷

This principle can also be found in *Ansul*, where it is more defined:

“When assessing whether there has been genuine use of the trade mark, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, in particular whether such use is viewed as warranted

⁵⁵ For a more detailed discussion on this, see chapter 5.

⁵⁶ Case C-416/04 P. *The Sunrider Corp v OHIM* [2006] ECR I-04237 [*VITAFRUT*] para70.

⁵⁷ *Ibid*, para70.

in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark.”⁵⁸

Nevertheless, above conditions have been comprised by case-law such as in the case of *La Mer Technology*, where the court voiced that no quantitative threshold can be decided for genuine use, since a minimum rule would not allow all the necessary circumstances to be taken into account. Genuine use can be acknowledged even when such use is only minimal.⁵⁹

What is more, genuine use can not be ignored on the sole ground that the relevant goods are sold to merely one customer, even though the use does not cover a substantial part of the territory of a country. The geographical extent of use is merely one of many elements relevant in assessing genuine use.⁶⁰

A case with a diverging criteria is *HIWATT*, ruled by the CFI before above cases in this chapter. The CFI held that among other things: “...*genuine use means that the mark must be present in a substantial part of the territory where it is protected, inter alia exercising its essential function, which is to identify the commercial origin of the goods or services...*”⁶¹

The view of Mr Simon is that the ruling by CFI in the *HIWATT* case should be brought into light, where the CTM needs to be present on a substantial part of the territory.⁶² Although he is fully aware that he has few legal arguments supporting his position and that these arguments are rather political. He reminds that the OHIM will examine this question in a study, and that this study might bring clearness.⁶³

Nonetheless, in its study of the overall functioning of the trade mark system, OHIM dedicates an entire chapter to the matter of genuine use. OHIM makes clear that even though the Joint statements are not legally binding, the opinion of the Council and the

⁵⁸ *Ansul*, para 43.

⁵⁹ *La Mer Technology*, para 21.

⁶⁰ *VITAFRUT*, para 76.

⁶¹ Case T-39/01 *Kabushiki Kaisha Fernandes v OHIM* [2002] ECR II-05233 [*HIWATT*], para 37.

⁶² Mr Simon, para 8. The criteria of substantial use is discussed further in chapter 8.

⁶³ *Ibid*, p. 5-6.

Commission at the time of ratification of the regulation was that genuine use in one single state constitutes genuine use in the EU.⁶⁴

Summarising the aspect of the function of article 15(1) CTMR, the article strives to achieve the aim of the CTMR by the requirement to guarantee the origin of the product or service at issue. There is a need to create or maintain a share in the market for this use to be genuine. When determining if such market-creating or market-maintaining activities have taken place, regard must be had to all circumstances. One of many factors is the geographical extent of use, however it is not relevant to establish a quantitative threshold for genuine use.

6.2.2 Analysis of the function of article 15(1)

To analyse this chapter, the *HIWATT* case actually requires use in a substantial part of the territory. Even so, the *HIWATT* case was ruled by the CFI and not the ECJ, and the requirement of substantial use was never confirmed in the following cases by the ECJ.

Worth mentioning is that the geographical extent of use does matter, but it is only one of many factors to be considered. Yet, a quantitative threshold can not be established since the cases differ from time to time.

6.3 Effect of article 15(1) CTMR

6.3.1 Effect of article 15(1) CTMR

6.3.1.1 Registration difficulties

An important consideration when approaching a provision by a teleological interpretation, is to pay attention to the effects resulting by the interpretation and if these are reasonable. Such considerations is presented below under the subchapters of 6.3.1.

The ruling in *ONEL* maintained that an approach in line with the Joint Statements is not legitimate when comparing it to the ninth recital in the preamble to the Directive. The court held that there is a need for actual use in order to reduce registrations of trade marks and conflicts between them.⁶⁵ The recital reads as follows:

⁶⁴ Contribution, p. 13.

⁶⁵ *ONEL*, para 34.

“In order to reduce the total number of trade marks registered and protected in the Community and consequently, the number of conflicts which arise between them, it is essential to require that registered trade marks must actually be used or if not used, be subject to revocation. It is necessary to provide that a trade mark cannot be invalidated on the basis of the existence of a non-used earlier mark, while the Member States should remain free to apply the same principle in respect of the registration of a trade mark or to provide that a trade mark may not be successfully invoked in infringement proceedings if it is established as a result of a plea that the trade mark could be revoked. In all these cases it is up to the Member States to establish the applicable rules of procedure.”

Notwithstanding, OHIM does not believe this worry about the increasing registrations of trade marks to be legitimate. Neither does it consider that the registrations make it harder to find new brands. Once again OHIM points out the lack of proof in the matter and mentions signs actually pointing in the other direction. OHIM sustains that the CTM opposition rate is an evidence of the fixed (and somewhat decreasing) conflicts arising between registrations.⁶⁶

Also countering the opinion that some proprietors register trade marks that are not genuinely used, OHIM emphasises that many trade marks are not reregistered by their proprietors. This shows that the CTM holders do not habitually hinder registrations and that the registration procedure itself makes possible use of earlier registered trade marks. If the registrations were a severe problem, the rate of cancellation actions because of lack of use would not be as low, as these exist to prevent these exact acts.⁶⁷

Concludingly, the BOIP once again defends its position in *ONEL* by reference to the preamble of the CTMR. It holds that use in one single country is contrary to the ninth recital, which speaks of need for actual use in order to reduce registrations of trade marks and conflicts between them. Responding to this statement, OHIM argues that evidence of the supposed detrimental effect the registrations have on new trade marks is not existent, and that indicators actually provide the contrary.

⁶⁶ Contribution, p. 14.

⁶⁷ Ibid, p. 15.

6.3.1.2 Detrimental effect on national trade marks

Mr Simon, held in his presentation concerning trade marks, that the CTMs are the reason behind the downward trend of the national trade mark registrations in the Benelux. He considered this being unfortunate and resulting from a non-existing legal definition of 'territorial use'.⁶⁸

The angle held by critics such as Mr Simon is that the resolution lies in altering the legislation. However, OHIM answers that for this to happen concrete, clear, practical and achievable alternatives are needed. Such alternatives have not been brought forward. In addition such options have to be in conformity with the principle of the Single Market. If the regulation would be changed in this direction, a breach of the principle would be a fact.⁶⁹

OHIM made a statement of its own after the ruling by BOIP in *ONEL*, highlighting:

*"OHIM – applying the principle of the unitary character of the CTM – continues to consider that boundaries of member states should not play a part in assessing 'genuine use' within the EU single market, as recently outlined in its contribution to the Europe Commission study on the overall functioning of the trademark system in Europe."*⁷⁰

Despite the position taken by the OHIM, it should be noted that Dr Ficsor shares Mr Simons concern about the CTM system. He claims that this is causing an unbalance between national trade marks and CTMs where the latter is overthrowing the first. Just the same, Dr Ficsor himself highlights that the need of countrywide protection always will be necessary and a financial fact. Dr Ficsor upholds that the current situation is contrary to the sixth recital in the preamble of the CTMR, the recital ensuring co-existence between protection systems.⁷¹

Subsequently, Dr Ficsor rejects the existing remark that these arguments are held in order to protect the continuance of national offices, but defies the arguments on the ground that the applicants and trade mark holders are the ones being hurt. The national

⁶⁸ Mr Simon, p. 2.

⁶⁹ Contribution, p. 14.

⁷⁰ OHIM statement <http://oami.europa.eu/ows/rw/news/item1273.en.do> 2010-05-02.

⁷¹ Dr Ficsor, p. 2. See the cited recital 6 in chapter 6.1.1

trade mark proprietors face difficulties when attaining trade marks and have to go through more opposition proceedings as numerous CTMs are being registered. The price for CTMs has gotten lower at the cost of national trade marks, especially since “...everything under the Sun can be registered as a Community trade mark”, as Dr Ficsor puts it.⁷²

As for the HPO, it retains that the system of CTMs are not meant to take the place of national trade marks and accentuates in a statement that an inherent principle of the CTMR is co-existence between the national trade marks and CTMs. Accordingly, the most appropriate system can be chosen by the claimants. At the moment, use in merely one Member State is enough to constitute genuine use within the EU, an approach with an unwanted effect. This approach impedes the activities of enterprises that operate in other territories than those where the CTM holder is active.⁷³

Finally, it should be noted that the *ONEL* case has been appealed and that MARQUES, the European trade mark organisation has been briefed by the appellate court. The organisation says: “It is unacceptable to suggest that a company must be obliged to use one system rather than another simply because the system exists.”⁷⁴

In recap, there are some critics holding that the system of the CTM as it is implemented today, has a detrimental effect on national trade marks. Some say that this is a result of the lack of definition of genuine use in the CTMR and that the view is not in harmony with the principle of co-existence anymore. Opposed to this view, OHIM holds firstly that up-to-date, no working alternative is present, secondly, that even if that would be the case, an alteration would result in a breach of the principle of the Single Market.

6.3.1.3 Damaging for SMEs

Next to the discussion of effect on national trade marks, there is the aspect of SMEs. The statement by the HPO stands by the view that the present situation needs to be reviewed. The reason is that SMEs and national trade mark holders may be put in a position where that kind of protection is no longer an option, regardless of the fact that the

⁷² Dr Ficsor, p. 3.

⁷³ HPO statement, p. 1-2. See following chapter.

⁷⁴ *AMICUS CURIAE submission by the MARQUES Association* (in the case of Leno Merken B.V v Hagelkruis Beheer bv), 4 May 2010 [hereafter MARQUES], p. 9.

users only operate in one country. By requiring only ‘national’ use instead of substantial use within the Community, enterprises are given a restricted choice of alternatives for their trade mark needs, forcing them to request for CTM protection, even though they only need national protection.⁷⁵

Mr Simon expresses that the unrest the extensive CTM protection is causing is damaging to the Benelux SMEs, which are parties in increasing opposition actions. The co-existence between the national, international and Community system for trade marks is disrupted, and is hurting all trade mark holders.⁷⁶

OHIM on the other hand, responds to the criticism made by highlighting that this damage to SMEs has not been proved. In contrary to the opinion by Mr Simon for example, OHIM argues that SMEs can benefit from its approach of territoriality. This approach allows companies to broaden their business to include more countries after having established themselves on the market. For SMEs, it would be an almost impossible task to defend their brands when widening their activity if their mark could only be protected in the areas where they have been used. Larger companies with more money could register the same mark in parts of the Community where the original mark has not been used yet, hindering SMEs to spread and widen their activities. This would also be harmful compared to the second recital in the preamble of the CTMR, which underlines the importance of the functioning of the internal market.⁷⁷ This difficulty is particularly evident now that 27 countries are included in the EU.⁷⁸

In conclusion, critics argue that the CTM system is damaging to SMEs, as they risk losing the possibility to register national trade marks in the future. However, quite opposite, OHIM believes that SMEs benefit from this situation. These companies do not risk having larger companies using the SMEs’ trade mark in areas where the SMEs have not yet managed to widen their activity, which is important today as the EU is expanding.

⁷⁵ HPO statement, p. 1-2.

⁷⁶ Mr Simon, paras 6-7.

⁷⁷ Contribution, p. 13-14. See the cited recital 2 in chapter 4.3.1.

⁷⁸ HPO statement, p. 1-2.

6.3.1.4 The expansion of the EU

When interpreting provisions of Community law regard must be had to: “...*the objectives thereof and its state of evolution at the date on which the provision in question is to be applied.*”⁷⁹

In *ONEL*, BOIP underlines the fact that one country should not be in the same position as the Community, as this would have excessive and illogical consequences. At the time of the Joint Statements, the Community merely consisted of a few Member States, whereas it has enlarged to include 27 Member States and further increase is expected. In consequence, today, genuine use in one Member State can only be considered as local use. This use can not maintain the exclusive protection required by a CTM.⁸⁰

Just as BOIP the HPO states in *CITY INN* that the geographical extent of the EU itself bears significance, reminding once again that the size of the EU has increased to include 27 countries. At the time of the Joint Statements the EU merely consisted of 12 countries. In other words, these statements were made at a time when the conditions were quite different, and applying these statements now would neither be logical nor in line with economical reflexions.⁸¹

Not only has the EU expanded greatly since the CTMR first became effective, but the expansion is expected to continue to include several more countries, according to Mr Simon. Already, in the measures of today, a CTM owner active in only Luxemburg (covering about 0,05% of the whole Community territory and 0,08% of its inhabitants) can receive a EU-wide protection including the 99,5% of the territory where it is not present as well. Mr Simon does not look upon this local use as justified compared to the extent of the EU and the market concerned. Neither does he consider it to be justified in relation to the exclusive rights towards other applicants.⁸²

⁷⁹ *CILFIT*, para 20.

⁸⁰ *ONEL*, para. 34.

⁸¹ *CITY INN*, p. 2.

⁸² Mr Simon, paras 2-4.

Moreover, the court held in *ONEL* that the most essential aim of the Directive and the CTMR is threatened by the consideration in the statement.⁸³ The second recital in the preamble of the first mentioned states:

“The trade mark laws applicable in the Member States before the entry into force of Directive 89/104/EEC contained disparities which may have impeded the free movement of goods and freedom to provide services and may have distorted competition within the common market. It was therefore necessary to approximate the laws of the Member States in order to ensure the proper functioning of the internal market.” (The underling is added.)

Regarding the fourth recital in the preamble of the CTMR, it states:

“The barrier of territoriality of the rights conferred on proprietors of trade marks by the laws of Member States cannot be removed by approximation of laws. In order to open up unrestricted economic activities in the whole of the internal market for the benefit of undertakings, trade marks should be created which are governed by a uniform Community law directly applicable in all Member States.” (The underlining is added.)

In conclusion of its opinion in *ONEL*, BOIP highlights that a monopoly is given to trade mark holders. The monopoly creates a barrier for free movement on the internal market when it is extended to include more than the areas where it is used. This monopoly can not be justified by a proprietor that simply uses its mark locally. The monopoly can not hinder another company from using the mark locally in another part of the internal market, since the relevant public is not likely to be confused by the marks.⁸⁴

Dr Ficsor declares that normally in legal matters, rights entail conforming responsibilities. In the case of CTMs however, this is shown not to be a fact. He acknowledges that OHIM has even gone further by claiming that even use in just a part of, or a limited area of a country suffices as genuine use in the Community. Although Dr Ficsor mentions that OHIM itself also considers markets and not boundaries of states to be of vital inter-

⁸³ *ONEL*, para 35.

⁸⁴ *Ibid*, para 36.

est when assessing genuine use. Moreover, OHIM states that in some cases EU quantity requirements can be dissimilar to a national criteria.⁸⁵

Agreeing with BOIP in *ONEL*, the HPO also accentuates in *CITY INN* that this kind of (local) use does not constitute genuine use within the Community, as it is insignificant use in the Community.⁸⁶

To sum up, critics remind that the size of the Community has increased to include more than twofold of the number of Member States that existed at the time of the Joint Statements. Bearing this in mind, the Joint Statements are no longer in conformity with several recitals in the preamble of the CTMR. Use within merely one single state can only be seen as local use with the measures of today and does not conflict with a later mark in another territory. Trade marks are given a monopoly right, a right that can not be justified by local use. However both critics and OHIM believe boundaries of Member States to be irrelevant. Attention should be brought to markets within the Community.

6.3.2 Analysis of the effects of article 15(1)

6.3.2.1 Registration difficulties

By an analyse the following should be noted. The argument in *ONEL* claiming that an interpretation in line with the Joint Statements is not in accordance with recital 9 is insufficient. This because the recital demands use, but the main question of how much use is left unanswered. Therefore it is strange to support such an argument when the recital could just as easily support the opposite opinion.

6.3.2.2 Detrimental effect on national trade marks

An analyse of the supposed detrimental effect on national trade marks, shows the following. National trade marks are still a cheaper alternative than attaining protection through a CTM, if an applicant only wishes to protect its trade mark in one country. Therefore, this alternative is not deemed to disappear. This is a fact that Dr Ficsor himself has admitted.

⁸⁵ Dr Ficsor, p. 6 with reference to *The Manual concerning Opposition – part 6: proof of use*, 3.1-3.2.

⁸⁶ *CITY INN*, p. 1.

Furthermore, a legislative change is not at all relevant at the moment, because of the many factors that need to be developed in advance. Even so, such a change would definitely distort the single market.

6.3.2.3 Damaging for SMEs

When analysing the supposed damage to SMEs, OHIMs opinion should be emphasised in this matter. This is the most vital argument to why it is unreasonable to oblige CTMs to be used in more than one country. The entire aim with the CTM would disappear, as the effects would result in unwanted situations. It is not legitimate to demand SMEs to be able to widen their activity to include more than one country in just a few years. An implementation of such a criteria would indeed have detrimental effect on these.

6.3.2.4 The expansion of the EU

Now to an analyse of the discussion on the expansion of the EU. Firstly, it should be mentioned that even though the Community has expanded, the legislators had to know at that moment that the EU would widen. This is the entire idea with the EU.

Secondly, regarding recital 2 of the Directive, the recital has been misinterpreted in *ONEL*. The recital expressly states that the national trade mark laws distorted the free movement of goods and services, before the Directive was enforced.

Now analysing recital 4 of the CTMR, it expresses that the Community should open up for unrestricted economic activity. It does not require that such activity must be present for a CTM. This recital is also written through the perspective of undertakings and for the benefit of these.

Reaching the final analyse in this chapter, surprise surprise, both Dr Ficsor and OHIM considers markets and not national borders to be of interest. Do they actually agree? Perhaps the resolution in this area can give guidance in some aspect. It is not only the critics and OHIM that have considered markets to be of value, but as can be seen earlier in this paper (see citation of *Ansul* in chapter 6.2.1), case law by the ECJ points in this direction.

7 Comparative interpretation

7.1 Comparative interpretation

Some of the arguments brought by HPO does not relate to any of the three fundamental interpretational methods used by the ECJ. Instead, these have a comparative character and is therefore placed in a chapter of its own.

One of the comparative arguments is found in the reasoning of *CITY INN*. The HPO initiates a comparison with national trade mark law and declares that CTMs have a lower requirement of use than the national trade marks. As an example it holds that a trade mark protected in three different countries needs to be used in each of these countries in order to maintain protection in all three.⁸⁷

The next comparative discussion brought by HPO relates to competition law. The court ends its reasoning in *CITY INN* by drawing a parallel to competition law, saying that not even such considerations could motivate a result where use in one single country in the Community gives unitary rights throughout the EU. If the UK company would have wanted to expand its business to the entire EU, it had a chance of doing so during the ten years that the company was active.⁸⁸

7.2 Analysis of comparative interpretation

First, the comparison with national trade mark law will be commented and next the comparison to competition law. An aspect that should be emphasised is the fact that a comparison with national trade mark law is irrelevant. The two systems are different from each other and parallels should not be drawn. However, if one decides to make such a parallel, following factors should be noted. Firstly, that the example mentioned above under chapter 7.1 is illogical. If a proprietor protects its mark in three different countries, the mark should naturally be used in each country. This is not a controversial issue, since no one is saying that a CTM protected in the Community should be anything but used in the Community. One can not expect the mark to be used outside the countries in question. Secondly, a national trade mark can be acquired by use in a rather

⁸⁷ *CITY INN*, p. 2.

⁸⁸ *Ibid*, p. 3.

small part of the country. Thus, the comparative argument relating to national trade marks are far reaching and irrelevant.

As for the discussion about competition law, it is not unusual that competition law and intellectual property law collide, as this is very common. This is a factor that can never be disregarded from entirely. Just the same, use in only one country could actually promote competition law, as SMEs would be able to compete with larger companies more extensively.

The last sentence in the chapter above should also be paid attention to. In *CITY INN*, the HPO declared that if the company would have wanted to expand its business, it had a chance of doing so. What happens if a company does not have such an opportunity in respect of their commercial situation? If they do not manage to expand their business to include more than one country in five years, will there be an exception that applies to them? This is not likely to be the case.

8 Substantial part of the territory

8.1 The application of substantial part of the territory

The critics of the Joint Statements have all claimed that there should be a requirement of use in a substantial part of the territory for genuine use to be present. For such a criteria it is necessary to also investigate what can be said to form a substantial part of the Community, and if such a condition is at all possible.

In the recent case of *PAGO*, the court ruled that the territory of one country “*may be considered to constitute a substantial part of the territory of the Community*” and Austria was said to be a substantial part of the Community.⁸⁹ However, this case dealt not with genuine use as such, but with the conditions for a mark to have reputation according to article 9(1)(c) CTMR. The question of substantial part of the territory therefore includes three questions. The first one is if one country can be said to be a substantial part of the territory. The second question relates to if all countries can be considered to constitute a substantial part of the territory. The third question is whether or not it is at all possible to draw a parallel to the test of reputation by way of analogy.

As mentioned in the paragraph above, according to *PAGO*, one country could be enough. Mr Simon commented the case, sharing his concern about one country constituting a substantial part of the territory of the EU. He held that if this is the case, then Luxemburg (only covering 0,05% of the territory) can be said to be a substantial part of the Community.

In its study of the functioning of the CTM system, OHIM responds to the suggested requisite. The OHIM upholds that presently, the burden put on the CTM holder to provide proof of genuine use in proceedings are great enough without also adding evidence of a minimum scope of use. The possible new criteria of territoriality results in uncertainty, as it is not defined what constitutes a substantial part of the EU.⁹⁰

MARQUES has also made a comment on the parallel to the *PAGO* case, stating that defining the extent of use necessary with ‘substantial part of the territory’ would be unfor-

⁸⁹ Case C-301/07 *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH* [2009] ECR I-0000 (not yet reported) [*PAGO*], paras 29-30.

⁹⁰ Contribution, p. 14.

fortunate. This because the requirement gives rise to another problem, the problem of defining a substantial part of the territory.⁹¹

In *MARQUES* opinion there can be no analogy between ‘genuine use in the Community’ and ‘substantial part of the territory’ since the two cases are different. Even though a reasoning in line with *PAGO* can give protection by use in one country, infringement might be inexistent. A test of reputation includes considerations regarding a later mark taking unfair advantage of or having detrimental effect on the earlier mark. If a later mark does not take unfair advantage of or have detrimental effect on an earlier mark, use by the latter mark can not be prevented.⁹²

To summarise, a substantial part of the territory can be present by one country alone, however it is not clear if countries that are smaller than Austria are all considered as substantial. Nevertheless, the test of a substantial part of the territory derives from an assessment not linked with the question of genuine use as such. Due to this matter, the territorial test could have an outcome not in line with the *PAGO* case. In spite of the mentioned, the possibility of applying such a criteria is far from solved and the legal certainty is at risk. Furthermore CTM holders face an unreasonable burden proving genuine use, according to OHIM. In *MARQUES* opinion, no analogy to ‘substantial part of the territory’ should or could be applied.

8.2 Analysis of substantial part of the territory

By way of analyse, it is not satisfactory to draw a parallel between ‘a substantial part of the territory’ and ‘genuine use in the Community’. These are different assessments important to keep separate, with regard to the confusion an analogy would create. Even if such a parallel would be drawn, it would need to be adjusted in essential ways. Therefore it is more wise not to make comparisons between the two.

⁹¹ *MARQUES*, p. 10.

⁹² *Ibid*, p. 10.

9 A market-oriented approach to the extent of use

9.1 A market-oriented approach

A concrete solution to the extent of use necessary, was brought by the HPO in *CITY INN*. The court discussed the adequate extent of genuine use, alleging that this needs to take account of the cross-border business activity of the entity, instead of applying quantitative routine methods. It claimed that a market-oriented method is acquired, where every relevant condition needs to be taken into consideration, especially the nature of the goods or services. The court believed this to be a more proper approach, rather than putting to the test the use in each country in the EU. Factors such as the economic extent of the business makes a difference, as greater activity is expected from a larger company than a minor one. Bearing this in mind, a general requirement for genuine use in the Community can not be suitable, because of the case-by-case assessment needed.⁹³

In the briefing sent to the appellate court in the case of *ONEL, MARQUES* seems to agree with such a consideration.

“As regards the territory of use, the only relevant circumstance is use “in the Community” – as opposed to any use made outside the Community. The CTMR treats the EU like only single territory, as follows from the unitary character of the CTM. For a CTM, geographical or political boundaries and national frontiers do not exist. This requires that the examination of use must not refer to member states of the EU at all, be it to find use in one state sufficient, be it to request use in more than one member state.”⁹⁴

“Using trade marks is about addressing markets, not states. Asking about the number of member states covered by the use would disregard this finding and therefore be the wrong question.”⁹⁵

In spite of the two paragraphs above, *MARQUES* also points out that the rights of the CTM holders comes with expectations, stating that:

⁹³ *CITY INN*, p. 3.

⁹⁴ *MARQUES*, p. 8.

⁹⁵ *Ibid*, p. 8.

“The free choice of rights owners must be guaranteed, and rights owners must take responsibility for their choices even if it means that they may in fact stand to lose their right because of a change in the market conditions resulting in a change in the use of a trade mark.”⁹⁶

MARQUES also brings up the discussion relating to the size of the EU, determining that:

“The only relevant criterion must therefore be the relation between the extent of the trade mark use and the extension of the EU territory in its entirety before the background of the characteristics of the particular market concerned. The question whether use is sufficient to maintain or create market share for the goods or services protected by the mark thus depends on several factors and on a case by case assessment. Use in one member state may be sufficient in the one case, and may not be sufficient in the other case...”⁹⁷

As a conclusion MARQUES states that:

“Art. 15 (1) CTMR should be interpreted in a way that it does not depend on the use of the trade mark in a specific number of EU member states but takes into account all facts and circumstances of the individual case and will therefore have to be assessed by the national court in each individual case. The opposite interpretation would affect the main principles of the CTM system”.⁹⁸

It should be noted that the European Commission has authorised another study on the overall functioning of the trade mark system in Europe. This will be presented some time around November 2010.⁹⁹

9.2 Analysis of a market-oriented approach

This approach is logical and easier to justify than the requisite of substantial part of the territory. Furthermore it is in harmony with earlier rulings by the ECJ. It is also a solu-

⁹⁶ MARQUES, p. 9.

⁹⁷ Ibid, p. 9.

⁹⁸ Ibid, p. 11.

⁹⁹ European Commission: The study on the overall functioning of the Trade Mark System in Europe <http://www.marques.org/EuropeanCommissionStudy/> 2010-05-10.

tion brought forward by both the HPO in *CITY INN*, and *MARQUES*, as well as *OHIM*. Additionally, this approach is more or less in line with the position taken in the Joint Statements, where it is said that genuine use in one country constitutes genuine use in the Community. If the use is not deemed to be genuine in the Community (with regard to markets) genuine use in a country can not be established either.

However, it is to be remembered that such considerations that are necessary for a market-oriented approach are not easily done, and demands thorough and comprehensive examinations. Even though the reasoning in HPO can be justified as such, the question remains if the HPO followed its own reasoning. It is to be questioned whether the court made concrete considerations about the markets concerned and the percentage of the use with background to the entire market in the EU. This is an extensive investigation needed, which requires real numbers being brought forward by market research.

With this in mind, it is also important to underline the extended burden of proof put on the CTM holder if such an approach was to be applied. It is vital that the burden put on proprietors are not unreasonable, and not detrimental to the CTM system.

10 Conclusion

The legal uncertainty in the question of the extent of use necessary for CTMs is still a fact. However, much seems to point in the direction of an approach by means of markets and not national borders. Focus should not be on geographical and political boundaries or national frontiers. Relevance lies in the extent of use being made compared to the market concerned in the entire EU. This question is solved in each case individually, as all the relevant circumstances have to be taken into consideration.

It is not satisfactory to draw a parallel to the test of reputation in order to define the term 'genuine use in the Community'. An analogy between the mentioned term and 'substantial part of the territory' would not solve the question of use necessary.

After examining the subject matter of the paper, it is clear that the uncertainty in the legal position gives rise to a number of unwanted scenarios. For instance, it is possible that a national office rejects an enforcement of a CTM in an opposition proceeding. This same CTM might have been granted continuing protection in a cancellation proceeding before the OHIM, at an earlier stage.

The CTM system has promoted the economy of the EU in a way that might be jeopardised due to the dissimilar views. Companies have been able to protect their marks in the entire EU while having a chance to establish themselves on the market. As it seems, these companies will be brought an unreasonable ultimatum: You have five years to establish yourselves on a substantial part of the territory (whatever that is). One is none, use it or lose it! This in turn, might make companies not apply for CTMs if it is impossible for them to broaden their activity in five years.

An unfortunate result might be that CTM holders file an application to register the same mark again, instead of renewing it. This in order to benefit from the first five years given without any expectancy to use the mark in more than one country.

The position is as mentioned unclear today, making it necessary for companies to be careful if they only use their mark in one country. Nevertheless, the *ONEL* case has been appealed. Ultimately, the case might be brought before the ECJ. However, it is to be questioned if this matter should be solved by the ECJ, or if such a change would need such elemental considerations that it best be solved by legislation.

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