Reputation in the Community
Consequences for the Community Trade Mark system after the judgment of the PAGO case

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

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Abstract

On the 6 of October 2009 the European Court of Justice came with a preliminary ruling in the PAGO case concerning the geographical extent for a Community Trade Mark with reputation within the European Community. The judgment has given rise to a lot of questions. The fact that the ECJ, the Advocate General and Lawyers have different opinions on the geographical extent and on the outcome of the case creating big discussions on the topic of the necessity of Community Trade Marks. This has given rise to the purpose of this thesis which is to investigate the requirement for having a reputation in the Community according to Art 9.1 (c) CTMR, and analyze the legal consequences and possible threats to the Community Trade Mark system and proprietors of trade marks after the judgment of the PAGO case.

This investigation has shown that there are four possible consequences for the CTM system after the judgement. Small countries, such as Luxembourg, are now might seen as a substantial part of the Community, PAGO is now protected within the European Community even in those countries where no one has heard about the brand, companies can obtain injunction in a country without proving reputation there and companies can put all their marketing effort into one country and thereby get protection in the whole Community. The outcome of this case is positive for proprietors of CTMs since it makes it easier for them to gain protection against other actors on the market.

The biggest threat for the CTM system is the fact that unclear terms and judgements disrupt the Countries within the Community and destroys the harmonization, which the TMD, CTMR and the CTM is trying to build up.
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“Live as if you were to die tomorrow, learn as if you were to live forever.”

-Mahatma Gandhi

Varberg, December 2010

Linnea Theilkemeier
Abbreviations

Art   -   Article
BOIP  -   Benelux Office for Intellectual Property
CFI   -   Court of first Instance
CTM   -   Community trade mark
ECJ   -   European Court of Justice
HPO   -   Hungarian Patent Office
MARQUES - Association of European Trade Mark Owners
OHIM  -   Office for Harmonization in the Internal Market (Trade Marks and Designs)
TFEU -   Treaty of the function of the European Union
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1 Introduction

1.1 Background

Intellectual property law consists of a wide range of different forms of protection for intellectual property rights, each modified to protect a particular case of intellectual property. It has prospects that are shaped by international, European and national considerations. One of the intellectual property rights are trade marks.\(^1\) Trade marks operate in order to distinguish goods and services of one enterprise from those of another.\(^2\)

An award of protection against other actors on the market is given through registration of a trade mark. A trade mark can either be registered on a national level, which in Sweden is made by the Swedish Patent and Registration Office (Patent- och Registreringsverket), or on a European Community level through a Community Trade Mark (hereinafter called CTM) at the Office of Harmonization for the Internal Market (OHIM). Depending on what kind of protection the proprietor is looking for he can choose either one of them or both of them parallel.\(^3\)

Consequently, from a series of legislation, treaties and agreements, certain minimum standards for the protection of trade marks have been established. Also has, as mentioned above, a system by virtue of which traders can register and protect marks in many countries throughout the world been established.\(^4\) The trade marks are designed to indicate the origin of the goods or services,\(^5\) but also to be quality indicators and means of advertising goods and services.\(^6\) A trade mark is also a vehicle for investment. These functions of the trade marks are increasingly reflected in provisions in trade mark laws

\(^1\) MacQueen, Waelde, Laurie, Contemporary Intellectual property law, p 4-5.

\(^2\) Case C-206/01 Arsenal Football Club plc v Matthew Reed [2002] ECR I-10273 para 48.

\(^3\) MacQueen, Waelde, Laurie, Contemporary Intellectual property law, p 4-5.

\(^4\) MacQueen, Waelde, Laurie Contemporary Intellectual property law, p 539.


because they seek to protect the reputation of a mark against damaging and parasitic use by third parties.\textsuperscript{7}

A registration of a trade mark does not give the trader a monopoly in either the mark, or the underlying goods or services in connection with which the mark is registered. A registration only gives the proprietor a monopoly over the use of the mark in conjunction with the goods or services for which it is registered. This leads to a constant tension between proprietors of trade marks, who want the monopoly construed as broadly as possible so that they get as much exclusivity on the market as possible while competitors wants it construed narrowly so that they can encroach competitors trade marks and trade unhindered.\textsuperscript{8}

Case law has occasionally set inconsistent signals in recognizing and balancing these interests regarding CTMs. The provisions of current interest on registered trade marks have brought forth more case law than any other area within intellectual property law. This is not only because these central questions remain unsettled, but also because of the financial importance of trade marks to businesses.\textsuperscript{9}

Since the CTM system is rather extended, various areas are up for discussion since they have lack of definition or problems within application. One current topic is the territorial scope of reputation for trade marks within the European Community. A trade mark gains extra protection against other trade marks if it has a reputation in the Community. On the 6 of October 2009, the European Court of Justice (ECJ) came with a preliminary ruling in the \textit{PAGO}\textsuperscript{10} case concerning the geographical extent of the reputation for a CTM with reputation with a quite surprising outcome. This has given rise to many questions. The fact that the ECJ, the Advocate General and Practitioners have different opinions about the geographical extent of reputation and about the outcome from the case created big discussions, once again, on the topic of the necessity of CTMs. This has

\textsuperscript{7} MacQueen, Waelde, Laurie \textit{Contemporary Intellectual property law}, p 539-540.

\textsuperscript{8} MacQueen, Waelde, Laurie, \textit{Contemporary Intellectual property law}, p 540.

\textsuperscript{9} MacQueen, Waelde, Laurie, \textit{Contemporary Intellectual property law}, p 541.

\textsuperscript{10} Case C-301/07 \textit{PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH} [2009] ECR I-0000 (not yet reported) (hereafter \textit{PAGO}).
given rise to the purpose of this thesis. Some even believe that the outcome of this case may create chaos for the CTM system and possible legal uncertainty for CTMs with reputation in small parts of the Community.  

1.2 Purpose

The purpose of this thesis is to investigate the requirement for having a reputation in the Community according to Art 9.1 (c) CTMR, and analyze the legal consequences and possible threats to the Community Trade Mark system and proprietors of trade marks after the judgment of the PAGO case.

1.3 Delimitations

This thesis will not explain the general relationship between European Community law and national law. It is considered that the reader has some basic knowledge about intellectual property law. Due to lack of time not all grounds for refusal for a Community Trade Mark will be described in detail.

This thesis will have focus on European Community level. No national law will be taken into consideration. Chapter five will contain information about some national statements which are used for explaining possible threats to the CTM system but the national law will not be examined.

No international agreements besides the TMD and the CTMR will be taken into consideration.

1.4 Method

A traditional legal method has been used in this investigation. In European Community law, the traditional legal method consists of primary legislation and secondary legislation. The primary legislation is the Treaty on the function of the European Union

\[\text{Angelini,} \text{ Unintended consequences: Pago meant well, but may deliver chaos, Journal of Intellectual Property Law & Practice, 2010, Vol. 5, No. 1.}\]
(TFEU) whereas the secondary legislation consists of regulations, directives, decisions, recommendations and opinions.\textsuperscript{12}

Since the area of this investigation is not represented in the TFEU, this investigation starts with the study of secondary legislation. Within the European Union, all Member States have their own national trade mark laws. These laws have been harmonised through the 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 trademarks (hereafter referred to as TMD). The law concerning the Community Trade Mark, which focus will be on, is the same through the entire Community through the direct application of the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark that regulates the Community Trade Marks (hereafter referred to as CTMR).

The CTMR and the TMD have mainly the same wording. Therefore, these can be seen as parallel provisions.\textsuperscript{13} The base of this thesis is the interpretation of Art 9.1 (c) in the CTMR, but parallels to the TMD has been drawn continuously throughout this thesis.

In order to interpret these two instruments and to find clarification within the legal text guidance has been taken from the ECJs and the General Courts case law, which is binding to whom it is addressed.\textsuperscript{14} When considering case law, guidance and clarification has been acquired from the, not binding, advisory opinion brought by the Advocate General. Even though the opinion has no binding force, the opinions are described in detail and other legal solutions are presented which is can be of interest and a helpful tool when seeking for answers on a specific topic.\textsuperscript{15}

Even though this thesis has a European perspective as base, some information has been taken from national considerations. This because the reader should get an implication of how some of the rules are applied and used on national level. National law and national

\textsuperscript{12} Art 288 consolidated version of the treaty on the function of the European Union (hereafter TFEU) and Hettne, \textit{Eu-rättslig metod}, p 24-26.

\textsuperscript{13} Art 288 TFEU.

\textsuperscript{14} Art 288 TFEU.

\textsuperscript{15} Hettne, \textit{Eu-rättslig metod}, p 68-70.
case law are legally binding within the own country. When there is a conflict between national legislation and Community legislation the Community legislation is superior, as stated by the ECJ.\footnote{Case C-6/64, Flaminio Costa v. ENEL [1964] ECR 1141.}

To get a broader picture of this area, soft law, such as literature, has been used as an important source within this thesis. Both German, European and international literature is analysed in order to gain a complete picture of the different opinions in the matter. Most of the literature consists of articles, mainly because the \textit{PAGO} case is relatively new. The articles have been collected from respected journals such as the Journal of Intellectual Property law and Practice. The analysis and conclusions have been based on the relevant facts stated throughout this thesis.

Opinions from MARQUES and Practitioners are mentioned throughout this thesis. MARQUES is the Association of European Trade Mark Owners, which represents trade mark owners' interest before the relevant EU and other international bodies. Their opinion legally binding since it is a non-governmental organization. The opinions from these persons are however an interesting point of view for the purpose of this thesis.

\section*{1.5 Outline}

Chapter one has presented the background to the issue, and the purpose of the thesis has been clarified. The delimitations have been stated and the method used in this thesis has been described.

For the reader to get a deeper understanding on the chosen topic, the second chapter presents the legal background and the concept of the CTM. This chapter will also describe the grounds for refusal of a CTM and Art 9.1 CTMR were the focus within this thesis lies.

The third chapter will be focusing on case law from the ECJ. The \textit{PAGO} case, which is of great importance for this investigation, will be presented in this chapter.

In order to as deep understanding as possible regarding all circumstances to the \textit{PAGO} case the opinion from the Advocate General will be presented in chapter four. Thereafter effects for CTMs will be presented.
Chapter five will introduce the concept of genuine use in the Community and investigate if there is a possible link between the criterion for genuine use in the Community and reputation of a CTM in the Community.

The aim of the last chapter, chapter six, is to conclude the information presented in this thesis in the light of the purpose. The analyses are made throughout the thesis with a concluding analysis in the end of each chapter.
2 Legal Framework

2.1 Community legislation

There has been an ongoing process towards harmonization of the trade mark legislation within the European Community for over three decades. That the Member States apply the same legal provisions for the protection of both national and European intellectual property rights is of importance when it comes to the harmonization. Also important for this harmonization are the rulings from the ECJ because they bring the interpretation of the intellectual property law in favour of the national courts.17

The legal framework for trade marks within the European Community consists of the CTMR and the TMD. The difference between these two legal instruments is to whom they address. The directive is binding upon each Member State to which it addresses. It sets out aims that the national legislation must achieve but it leaves the choice of method and form for the implementation to the Member States.18 In other words, the directive is the legal base for the national trade mark legislation. This way of harmonizing Community law gives the Member States a wider area of discretion.19

The CTMR on the other hand is the law for the CTMs and it is the same throughout the entire Community. A regulation is directly applicable and it is binding in its entirety in all Member States.20 Because of the CTMR, the law concerning CTMs is the same in all Member States. Regulations are legally valid without implementation.21

One thing that is of importance to notify is that these two legal instruments are parallel provisions and not competing rules. It is therefore necessary to interpret provisions of


18 Art 288 TFEU.

19 Foster, *Foster on EU law*, p 90.

20 Art 288 TFEU.

21 Foster, *Foster on EU law*, p 90.
these instruments in the same way. Because the CTMR and the TMD are similar, the rules concerning CTMs and national trade marks are almost the same.

Through the regulation EC 3288/94 the CTMR also has been harmonized with international agreements such as the World Trade Organization and the Agreement on Trade-Related Aspects of Intellectual Property Rights. This means that the CTM legislation has been conformed internationally. As mentioned above, this investigation is focusing on the CTMR, but the TMD will continuously be discussed since provisions of these two instruments can be interpreted in the same way.

2.2 Community Trade Marks

Registering trademarks separately in different Member States can cause problems for the internal market if the trade mark owner chooses different trade marks for different Member States. This could lead to partitioning the single market along territorial boundaries. Another problem that can occur is that a trade mark proprietor can maintain national registration for the same mark in several Member States with a view to keeping out parallel imports positioned on the market by the proprietor or with his permission in another Member State of the Community. To stop problems like this, the Community Trade Mark was created and came into force in 1994.

The CTM is the first example of a supranational EU trade mark right. A CTM may consists of any sign capable of being represented graphically, or particularly words or designs, letters, numerals or the shape of goods or their packaging thus provided that such signs are capable of distinguishing the goods or services of one undertaking to

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22 Proposal for a Council Regulation on Community Trade marks, COM (80) 635, p. 23, first paragraph & Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 2.


25 MacQueen, Waelde, Laurie, Contemporary Intellectual property law, p 556.


27 MacQueen, Waelde, Laurie, Contemporary Intellectual property law, p 554.
those of other undertakings.\textsuperscript{28} The CTM needs to be registered in accordance with the conditions contained in the CTMR.\textsuperscript{29} A CTM shall have a unitary character and equal effect throughout the entire European Community. It shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor can its use be prohibited in only a part of the Community.\textsuperscript{30}

The advantages with a CTM for the trade mark owners are many. A CTM simplifies the trade mark application procedure since only one application needs to be made in order to register the trade mark in all countries within the Community. The application only needs to be done in one language and only one fee needs to be paid. It is much easier for trade mark holders to manage one CTM instead of several national trade marks.\textsuperscript{31} A CTMs zone of protection concerns the whole Community and therefore the CTM cannot be protected in only one part of the Community.\textsuperscript{32}

The CTM can be registered at the OHIM, which is located in Alicante Spain. The OHIM is supervised by the European Commission but it has legal autonomy.\textsuperscript{33} Beyond being responsible for registering CTMs the OHIM also upholds the public registers for CTMs and rules on applications for declaration of invalidity of the CTM after registration.\textsuperscript{34} The enforcement of the CTM is left to national law but the applicable law is being that of the CTMR. Each Member State has designated first and second instance national courts to deal with matters of litigation concerning the enforcement of the CTM.\textsuperscript{35} This means that a dispute concerning a CTM is judged by a national court, acting as a

\textsuperscript{28} Art 4 CTMR.

\textsuperscript{29} Art 1(1) CTMR.

\textsuperscript{30} Art 1 (2) CTMR.

\textsuperscript{31} MacQueen, Waelde, Laurie, \textit{Contemporary Intellectual property law}, p 556.

\textsuperscript{32} Granmar, \textit{Varumärkesskydd}, p 139.

\textsuperscript{33} Institutional information OHIM, 

\textsuperscript{34} MacQueen, Waelde, Laurie, \textit{Contemporary Intellectual property law}, p 554.

\textsuperscript{35} Art 14 & 97 CTMR.
CTM court, in the Country were the proceedings taking place. The applicable law is that of the CTMR.  

It is of importance to notify that abandoning the national trade mark system, is not the aim of the CTMR and they should continue along with and parallel to the CTM system. It also would appear to be unjustified to require undertakings to obtain a CTM, if they are not in need of one. The legal rules of the coexistence of CTMs and national trade marks are therefore necessitated, stating that the CTMR does not replace the law of the Member States on trade marks.

2.3 Grounds for refusal of a registration

As stated above, it is after the enforcement of the CTMR possible for any natural or legal person to register a trade mark that is protected throughout the entire European Community. Still, there are grounds for rejection of an application for a CTM. These grounds for rejection of CTMs can be divided into two different groups: absolute grounds and relative grounds for refusal.

The absolute grounds for refusal refer to the trade mark itself. To name a few, an absolute ground for refusal can be if the CTM does not conform to the requirements for CTMs stated in the CTMR, or that the CTM is devoid of any distinctive character. Another absolute ground for refusal could be that the CTM is contrary to public policy or that the sign consists exclusively to a shape that gives substantial value to the goods. Art 7 and 8 of the CTMR deal with the matters of absolute grounds for refusal. The equivalent Art in the TMD are Art 3 and 4.

When it comes to the relative grounds for refusal, account is taken of other trade marks that are already registered. Only these other trade marks can determine if the trade mark

36 Levin, Lärobok i Immaterialrätt, p 361-363.


38 CTMR (6).

39 Art 5 CTMR & Granmar, Varumärkesskydd, p 39.

40 Art 7 CTMR.
can be registered or not. Art 8 of the CTMR states the relative grounds for refusal. Upon opposition by an owner of an earlier trade mark, a CTM cannot be registered if; it is identical with an earlier trade mark, if there exists a likelihood of confusion between the trade marks, or where a representative of the proprietor of the trade mark applies for registration thereof in his own name without the proprietor's consent. A proprietor of a non-registered trade mark can also upon opposition hinder that the trade mark applied for shall be registered where the rights to that sign were acquired prior to the date of application for registration of the CTM. Another ground could be that the date of the priority claimed for the application for registration of the CTM or that sign confers on its proprietor the right to prohibit the use of a subsequent trade mark.

The last relative ground for refusal is stated in Art 8.5. The proprietor of an earlier trade mark can upon opposition hinder that the trade mark applied for shall be registered if it is identical with, or similar to, the earlier trade mark. It also needs to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, where, in the case of an earlier CTM, the trade mark has a reputation in the Community and, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned and where the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

2.4 Rights conferred by a Community Trade Mark

The grounds for refusing a registration of a CTM bring rights conferred by a trade mark to the proprietor of a CTM. Art 9 of the CTMR deals with the rights conferred by a CTM. The proprietor of a CTM shall confer exclusive rights therein and be entitled to prevent all third parties, which not have his consent, from using the CTM in course of trade.

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41 Art 8.1(a) & Art 8.1 (b) CTMR.

42 Art 8.3 CTMR.

43 Art 8.4 (a) & (b) CTMR.

44 Art 8.5 CTMR.

45 Art 9.1 CTMR.
As will be seen when reading Art 9 CTMR below, Art 8.5 & 9.1 (c) CTMR almost mirrors each other in phrasing. The reason for this is simple. If a trade mark cannot be registered because of a relative ground for refusal, according to Art 8.5 CTMR, then the use of that trade mark will cause infringement on the registered trade mark in accordance with Art 9.1 (c) CTMR. Therefore, the same considerations apply as to whether a trade mark can be registered and whether the use of a sign will infringe on another trade mark.\textsuperscript{46}

The article of most relevance for this investigation is Art. 9.1 (c) CTMR (5.2 TMD). To understand the concept this article, the whole article will be presented below. The article states as follows:

“A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) any sign which is identical with, or similar to, the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark.”\textsuperscript{47}

\textsuperscript{46} MacQueen, Waelde, Laurie, \textit{Contemporary Intellectual property law}, p 577.

\textsuperscript{47} Art 9.1 CTMR.
As can be seen from the article stated above, there are three possible grounds for infringement of a CTM. The first, 9.1 (a), is when the sign is identical with the CTM and the goods or services are identical with the CTM. The second ground is, 9.1 (b), when a sign is identical with, or similarity to the CTM and the identity or similarity of the goods or services covered by CTM and the sign create likelihood of confusion or association between the sign and the CTM. The third ground, stated in 9.1 (c), is when a sign is similar or identical to the CTM in where the goods or services are not similar to those of which the CTM is registered.

It should be noted that the provisions in Art 9.1 (c) CTMR refer to signs that are used in relation to goods or services that are not similar to those that the trade mark is registered for. The ECJ has however also made it clear that the provision also apply when a sign is used in relation to goods or services that are identical or similar to those that the trade mark is registered for.48

As stated above, the focus within this thesis will be on examining Art 9.1 (c). Please note that the wording of this article is the same as in Art 5.2 TMD. To demonstrate the parable of these two, Art. 5.2 TMD will be presented shortly.

“Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”49

In order to refuse a registration of a CTM on grounds of Art 9.1 (c) it is important to notice that this article contains two criteria that need to be fulfilled in order for the older CTM to gain protection. The first one is the need of reputation, as stated above. When


49 Art 5.2 TMD.
this criterion is fulfilled there also needs to be proven whether the new CTM takes unfair advantage of the distinctive character or the reputation of the CTM.

2.5 Analysis

The TMD and the CTMR are a parallel provision that allows interpretation of similar articles in the same way or by analogy. This is a helpful tool while seeking answers for articles within the CTM system. The purpose of the CTM is to simplify the use of trade marks in the European Community. Even though there are many grounds for refusal of a registration, this should not be seen as a barrier to register trade marks. Moreover, it should be seen as a protection for already registered trade marks.

Art 9.1 (c) seems like a clear article, but when it comes to the application of it, problems can occur when determining how to fulfil the two requirements stated in the article, since this is not explained in neither the CTMR nor the TMD.
3 Case Law

3.1 Introduction

Now that the legal framework has been presented and no definition of the wording has a reputation in the CTMR or the TMD are found, the question arises; what is included in the meaning of the wording has a reputation according to Art 9.1 (c) CTMR. This question has been raised for a preliminary ruling to the EC J two times. The first was the interpretation of Art 5.2 of the TMD in the General Motor\textsuperscript{50} case, and secondly the interpretation of Art. 9.1 (c) of CTMR in the PAGO\textsuperscript{51} case.

3.2 General Motors\textsuperscript{52}

The General Motors case was raised to the ECJ on the interpretation of Art 5.2 TMD. The problem occurred was whether the Belgium Company Yplon was allowed to use the mark “Chevy”. General Motors was the proprietor of the Benelux trade mark Chevy that was registered in particular for motor vehicles. Yplon was also the proprietor to the Benelux trade mark Chevy which was registered for detergents and cleaning products. General Motors applied for an injunction restraining Yplon from using the sign Chevy because it entailed dilution of its trade mark and damaged its advertising function\textsuperscript{53}.

The question referred to the EJC was to explain the meaning of the expression has a reputation that is used in article 5.2 of the TMD, and to specify the first of the two conditions that a registered trade mark must satisfy in order to enjoy protection extending to non-similar goods or services. After that, the referring court wanted to know whether that condition must be satisfied throughout the Benelux countries, or whether it is sufficient for it to be satisfied in a part of that territory\textsuperscript{54}.

\textsuperscript{50} Case C-375/97 General Motors Corporation v Yplon SA [1999] ECR I-05421(hereafter General Motors).

\textsuperscript{51} Case C-301/07 PAGO International GMBH v Tirolmilch registrierte Genossenschaft mbH.

\textsuperscript{52} Case C-375/97 General Motors.

\textsuperscript{53} Case C-375/97 General Motors, paras 7-9.

\textsuperscript{54} Case C-375/97 General Motors, para 12.
The ECJ stated that the first condition for the wider protection provided for in Art 5.2 TMD is expressed by the words “has a reputation” in the English version. The article protects trade marks registered for non-similar products. The condition “has a reputation” entails a certain amount of knowledge of the earlier trade mark amongst the public. A possible association between two trade marks by the public may only happen when there is a sufficient degree of knowledge of that earlier trade mark which leads to that the earlier trade mark may be damaged by the other one. The public amongst which the earlier trade mark must have acquired a reputation is that concerned by that trade mark either at the public at large or a more specialised public, depending on the product or services marketed.

The ECJ continued saying that it cannot be inferred from either the letter or the spirit of the article that the trade mark must be known by a given percentage of the public so defined. The degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark.

Factors to be considered while examining if this condition is fulfilled are the market share held by that mark, the intensity, the geographical extent and duration of its use, and the size of investment made in promoting it. The territorially condition is fulfilled when the trade mark has a reputation in the Member State. In the absence of any definition of the Community provision in this respect, a trade mark cannot be required to have a reputation “throughout” the territory of the Member State. It is sufficient for it to exist in a substantial part of it.

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55 Case C-375/97 General Motors, para 20.
56 Case C-375/97 General Motors, para 23.
57 Case C-375/97 General Motors, para 24.
58 Case C-375/97 General Motors, para 25.
59 Case C-375/97 General Motors, para 26.
60 Case C-375/97 General Motors, para 27.
61 Case C-375/97 General Motors, para 28.
The Benelux territory must be treated like the territory of a Member State. Therefore, Art 5.2 TMD must be understood as meaning a reputation acquired “in” the Benelux territory. The same reasons for the existents of a reputation need to be applied here and therefore it is sufficient for a Benelux trade mark to have a reputation in a substantial part of the Benelux territory, which part might consist of a part of one of the Benelux Countries.62

In order to enjoy protection extending to non-similar products or services Art 5.2 of the TMD is to be interpreted as meaning that a registered trade mark must be known by a significant part of the public concerned in a substantial part of that territory, which part may consists of a part of one of the countries composing that territory.63

3.3 PAGO Case

The ECJ has recently judged a case for finding clarification within the interpretation of Art 9.1 (c) CTMR. This Art is similar to 5.2 TMD were the General Motors case already has set is clarification, but as stated in chapter 2, the CTMR concerns CTMs in the Community whereas the TMD concerns national trade marks in a Member State.

The referring court was unsure whether a full prohibition could be issued when the CTM only has a reputation in one Member State, since PAGO applied for an injunction restraining use throughout the entire Community.64 The reference for a preliminary ruling therefore concerns the interpretation of article 9.1 (c) of the CTMR.

PAGO is a fruit juice producer and the proprietor of a CTM for fruit drinks and fruit juices. The essential element for their CTM is the green bottle that the drink/juice comes within. This trade mark is widely known in Austria, were the proceedings took place.65 Tirolmilch who produces milk and whey drinks started to sell these drinks in bottles similar to the ones from PAGO. PAGO started interlocutory proceedings seeking to for-

62 Case C-375/97 General Motors, paras 29 & 26.

63 Case C-375/97 General Motors, para 31.

64 Case C-301/07 PAGO, para 13.

65 Case C-301/07 PAGO, para 6.
bid Tirolmilch from using these bottles.\textsuperscript{66} The Oberster Gerichtshof in Austria took the view that there was no likelihood of confusion between the bottles of the two companies. Still, PAGO claimed that Tirolmilch took unfair advantage of PAGO’s reputation in Austria in accordance with article 9.1 (c) CTMR.\textsuperscript{67}

The Oberster Gerichtshof in Austria expressed uncertainty as to the meaning of the wording has a reputation in the Community used in Art 9.1 (c) in the CTMR. The first question raised to the ECJ was “\textit{Is a CTM protected in the whole Community as a trade mark with reputation for the purpose of article 9.1 (c) of the regulation if it has a reputation only in one Member State?}”\textsuperscript{68}

The second question raised was “\textit{If the answer to the first question is in the negative: is a mark which has a ‘reputation’ only in one member State under Art 9.1 (c) of the CTMR, so that a prohibition that is limited to that Member State may be issued?}”

The ECJ needed to clarify the meaning of the expression \textbf{“has a reputation in the Community”} and whether that condition was satisfied from a geographical point of view were the trade mark only has a reputation in one Member State, namely Austria, within the Community.\textsuperscript{69}

First of all the ECJ started out with comparing Art 9.1 (c) of the CTMR and Art 5.2 of the TMD for showing that the “has a reputation” phrase is written in both of legislations.\textsuperscript{70} The difference between these two is that the CTMR stated reputation in the Community and the TMD states reputation in the Member State.\textsuperscript{71} It is not upon question if the goods are similar or not.\textsuperscript{72} Furthermore, it should be noted that art 9.1 (c) CTMR and 5.2 TMD do benefit a CTM in respect of goods that are not similar to those

\textsuperscript{66} Case C-301/07 PAGO, para 8.

\textsuperscript{67} Case C-301/07 PAGO, paras 10-11.

\textsuperscript{68} Case C-301/07 PAGO, para 14.1.

\textsuperscript{69} Case C-301/07 PAGO, para 20.

\textsuperscript{70} Case C-301/07 PAGO, paras 3-5.

\textsuperscript{71} Art 9.1 (c) CTMR & Art 5.2 TMD.

\textsuperscript{72} Case C-301/07 PAGO, paras 15-16.
for which that trade mark is registered. Nevertheless, the protection for a CTM with a reputation cannot be less where a sign is used for identical goods that were a sign is used for non-similar goods. Therefore, Art 9.1 (c) of the CTMR benefits a CTM with reputation in respect of similar goods to those for which that trade mark is registered. The ECJ used the General Motors case by way of analogy and thereafter stated that; the concept of reputation assumes a certain degree of knowledge. The relevant public is that concerned by the CTM depending on the product marketed. This can be either the public at large or a more specialised public. A given percentage of this public cannot be required. When examining this, the national court must take all relevant facts of the case into consideration. It needs to look at the market share, the intensity, the geographical extent and duration of its use. It is up to the national court to decide whether a CTM is known by a significant part of the public. The condition “has a reputation in the Community” must be fulfilled when the CTM has a reputation in a substantial part of the territory of the Community. The court referred to the General motors’ case and said that a substantial part of the Benelux territory may consist of a part of one of the Benelux countries. Therefore, the view may be taken that the territorial requirement for substantial part of the Community is satisfied if a CTM has a reputation throughout the territory of a Member State.

The answer to the question referred to the ECJ is, Art 9.1 (c) CTMR must in order to benefit from the protection afforded in that provision be interpreted as meaning that; a CTM must be known by a significant part of the public concerned by the products or services covered by that trade mark, in a substantial part of the Community, and that, in

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73 Case C-301/07 PAGO, paras 17-19, & Case C-292/00 Davidoff, paras 24-25 & 30.

74 Case C-301/07 PAGO, paras 21-25, & Case C-375/97 General Motors, paras 24-27.

75 Case C-301/07 PAGO, para 26.

76 Case C-301/07 PAGO, para 27.

77 Case C-301/07 PAGO, paras 28-29.
view of the facts of the main proceedings, the territory of the Member State in question may be considered to constitute a substantial part of the territory of the Community.\footnote{78}{Case C-301/07 PAGO, para 30.}

The ECJ does not give any comments on the opinion from the Advocate General Sharpston. Neither did the ECJ answer the second question.\footnote{79}{Case C-301/07 PAGO, para 31. The Opinion de Advocate General Sharpston will be presented under chapter 4.} The judgement only refers to the General Motors case and does not add any new information or more guidance. The judgement is a bit unsatisfying since it does not come up with any specific thoughts on how to apply reputation in a substantial part of the Community.

A question raised in connection with the PAGO ruling is the geographical extent of any injunction based on reputation which only is established in one Member State. Would a CTM court have jurisdiction to grant an injunction covering the whole of the Community where the taking of an unfair advantage of, or damages to, the reputation had been established in one Member State only.\footnote{80}{Linklaters, Trade marks: juice mark dilution considered 2010-11-15.}

### 3.4 DHL v Chronopost

The question raised was if a decision made by a CTM national court is valid throughout the entire Community or only in some Member States. DHL vs. Chronopost considers the geographical scope of a prohibition issued by a CTM court.\footnote{81}{Opinion of de Advocate General Cruz Villalón in Case C-235/09 DHL Express (France) SAS vs. Chronopost SA (hereafter DHL), paras 1-2.}

This case has not been judged yet. Nevertheless the opinion from the Advocate General has been published which is of interest for this investigation. Critics of the PAGO outcome have referred to the upcoming case\footnote{82}{See Hoyng, Noorda, PAGO: EU-Wide Injunction on the Basis of Reputation and Infringement in Only One Member State?, Howrey IP Intelligence Newsletter, Spring 2010 & Linklaters, Trade marks: juice mark dilution considered 2010-11-15.}, since it is about whether Community wide prohibition should be imposed, and it deals with the scope of “in the Community”. The
most interesting facts and opinions from Advocate General Cruz Villalón are going to be presented below.

Chronopost took proceedings against DHL for injunction in their CTM for the word webbshipping at the French national court, acting as a CTM court. The court referred to the ECJ for a preliminary ruling. One of the four questions to be answered was the territorial scope of the prohibition issued by a CTM court. 83

Advocate General Cruz Villalón stated “a prohibition issued by a national court acting as a Community trade mark court has effect as a matter of law throughout the entire area of the European Union.”84

Furthermore, Cruz Villalón stated that when the infringement of the CTM is limited geographical, the courts’ territory is limited as well. This means if an infringement has taken place for a CTM in France, the prohibition against the infringement will only be in France and not in the rest of the Community. If the infringement has no geographical scope than the prohibition is usually in the whole Community. 85 He believes this is a natural consequence of the declaration of infringement and continues with stating “coercive measures have effect within the territory in which the declaration of infringement was made and the prohibition issued.”86

Therefore, in the Opinion from Advocate General Cruz Villalón a prohibition, from a national CTM court, to an infringer from continuing to use a registered trade mark has, in principle, effect throughout the entire area of the Community. 87

83 Opinion of de Advocate General Cruz Villalón in Case C-235/09 DHL, para 15.

84 Opinion of de Advocate General Cruz Villalón in Case C-235/09 DHL, para 69.

85 Opinion of de Advocate General Cruz Villalón in Case C-235/09 DHL.

86 Opinion of de Advocate General Cruz Villalón in Case C-235/09 DHL, paras 38-39.

87 Court of Justice of the European Union, PRESS RELEASE No 100/10, 2010.
3.5 Need of reputation in a significant part of the public

The outcome from both the General Motors and the PAGO case have not conduced to a clear approach of the wording has a reputation. The conclusions to be drawn from the ECJ rulings are;

For a CTM to get protection within the Community it needs to fulfil two requirements. According to article 9.1 (c) of the CTMR these two requirements for the trade mark are the need to have a reputation in the Community and a geographical extend of this reputation.

The concept of reputation assumes a certain degree of knowledge amongst the relevant public. It cannot be required that the CTM must be known by a given percentage of the public so defined. In addition, in accordance with the General Motors’ case, the ECJ stated here that the degree of knowledge required must be considered to be reached when the CTM is known by a significant part of the public concerned by the products or services covered by that trade mark.

3.6 Analysis

The General Motors and the PAGO case have the same outcome stating that in order to gain protection against other trade marks according to Art 9.1 (c) CTMR and Art 5.2 TMD they need to have a reputation in a substantial part of the Community. The case law show that Austria may is a substantial part of the Community. If countries smaller that Austria are seen as a substantial part of the Community is still doubtful.

One can argue if it is right to draw parallel between the General Motors case and the PAGO case. The Benelux territory is much smaller than the territory of the European Community. A part of a Benelux Country is more likely to form a substantial part of the Benelux territory than that a single Member State is likely to form a substantial part of the European Community. This is nothing the ECJ seemed to take into consideration.

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88 Case C-301/07 PAGO, para 21.

89 Case C-301/07 PAGO, para 23.

90 Case C-301/07 PAGO, para 24.
The opinion from Advocate General Cruz Villalón presented in this chapter goes in line with what is stated in the legal framework chapter and the argumentation from the ECJ in the *General Motors* and *PAGO* case.

Furthermore, there is not much one can say about the *General Motors* case. This case was very helpful for the subject in matter when the ruling was made by the ECJ in 1997. The fact that the case is from 1997 might gives the implication that there is time for a new ruling since the trade mark area is constantly developing. Therefore, the *PAGO* case was a great opportunity to do so. Instead of make a clear and well explained judgement, the ECJ took all opinions from the *General Motors* case.
4 Consequences for CTMs after the judgement of the PAGO case

4.1 Different outcome according to Advocate General Sharpston

When reading the judgement of the PAGO case, one cannot find any parallels drawn or comments made on the opinion from the Advocate General Sharpston. She made some good points towards a different judgement for this case that will be presented below.

Advocate General Sharpston agreed with the Court to interpret parallel provisions of the TMD and CTMR in the same way since these two are rather complementary than competing regimes.\(^91\) Therefore, she also agreed upon that the General Motors case can be used by analogy.\(^92\) After this, the opinions from Advocate General Sharpston and the ECJ took separate ways.

Both articles 9.1 (c) of the CTMR and 5.2 of the TMD have two aspects to the reputation condition. Both of these must be satisfied in order for the trade mark to enjoy protection. The trade mark must have a reputation and that reputation must be present in a specified geographical area.\(^93\) To establish whether a CTM has a reputation in the Community based on whether that trade mark has a reputation in any one Member State is not possible. To consider the Community territory as a whole follows from the unitary character of the CTM.\(^94\)

The question raised leads, according to Sharpston, to the difficult question of what is a sufficiently important Member State to be considered substantial.\(^95\) To decide whether a country is a substantial part of the Community is not only a question about trade and CTMs. This is a political question, which for some is quite sensitive. Lerach agrees with Advocate General Sharpston that the ECJ with this outcome avoids a political sensitive

\(^91\) Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 2.

\(^92\) Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 19.

\(^93\) Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 17.

\(^94\) Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 40.

\(^95\) Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 26.
question about which Member State is big enough to be a substantial part of the Community. 96

Neither the Oberster Gerichtshof nor the ECJ deals with the question noticed by Advocate General Sharpston on how one determines what constitutes a substantial part of the Community in General, nor why Austria should be regarded as a substantial part of the Community. 97 Answering these questions might would have been a useful guidance.

4.1.1 Community without borders

The CTM was created in order to place at the disposal of undertakings, despite frontiers. Therefore focusing on Member States boundaries in order to establish the extent of a CTMs reputation is essentially misconceived. The starting point must be to consider the territory of the Community regardless of frontiers, as a single and inseparable piece. As a corollary, it is not relevant to whether a reputation exists in one Member State or in several Member States. It is also irrelevant whether those Member States are big, medium sized or small. 98 Therefore, Sharpston is of the opinion that the national court must identify the public concerned by the CTM in the context of the Community as a whole. After identifying the public, the court should proceed to determine whether the reputation exists amongst a significant part of the public concerned by the goods or services covered by that CTM. 99 “In order to determine if an earlier CTM enjoys a reputation in a substantial part of the Community for the purpose of article 9.1 (c) CTMR the national court must make an overall assessment of the case in conjunction with establishing the public amongst whom that earlier trade mark is known. Any such test should be flexible.” 100

This seems to be the right way of answering the question, since it is dependent on the circumstances in the single case. To have a flexible test that identifies the public


97 Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 26.

98 Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 29.

99 Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 30.

100 Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 35.
concerned by the CTM in the context of the Community as a whole should answer the reputation test in a proper way since the outcome coming from this case not can be the outcome of all similar cases.\textsuperscript{101}

4.1.2 The judgement according to Sharpston

The outcome according to the Advocate General Sharpston should therefore be that a CTM is protected in the entire Community on the ground that it has a reputation within the meaning of article 9.1 (c) CTMR if it has a reputation in a substantial part of the Community. A substantial part of the Community must be determined by a consideration of all the relevant circumstances, in particular the public concerned by the products and the proportion of that public which knows of the mark. Furthermore, the importance of the area in which the reputation exists shall be defined by factors such as its geographical extent, population and economic significance.\textsuperscript{102}

The second question referred to the court will not be examined in dept but Advocate General Sharpstons suggestion is that a CTM that has a reputation that is not a substantial part of the Community does not enjoy protection limited to that area. A prohibition against infringement limited to that areas may not be issued.\textsuperscript{103} The ECJ did not comment on the second question referred to the court.

Advocate General Sharpston brings some good arguments that seem like a good solution to the referring question. The fact that the ECJ ignores her opinion is quite surprising. Mr Simon agrees with her opinion saying that seeing the territory as a whole seems totally convincing to him. To strengthen her arguments even more General Sharpston referred to the outcome of the Nieto Nuño case in which the ECJ judged what should not be seen as a substantial part.

\textsuperscript{101} Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 13.

\textsuperscript{102} Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 41.

\textsuperscript{103} Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 59 (2).
4.2 Nieto Nuño

Advocate General Sharpston mentioned the Nieto Nuño case in her argumentation as a use for guidance. The Nieto Nuño case does not deal with what is seen as a substantial part, moreover what is not seen as a substantial part. This case was about a conflict between two trade marks, where on claimed that his trade mark was well known in Spain according to article 4.2 (d) TMD. The article states:

“trade marks which, on the date of application for registration of the trade mark, or, where appropriate, of the priority claimed in respect of the application for registration of the trade mark, are well known in a Member State.”

Even though this concern is not about the same article, analogy can be drawn to the extent to what is seen as well known or having a reputation in a geographical area. The national court had observed that the defendant in the main proceedings uses his non-registered trade mark only in the city of Tarragona and its surrounding area, meaning that the relevant sector of the public, of the clientele, of the consumers and of the competitors is not the whole of Spain, nor a significant part of it. Therefore the national court addressed this question for a preliminary ruling: “Must the concept of trade marks which are “well known” in a Member State, referred to in Article 4 of [the Directive] be taken to indicate solely and exclusively the degree of knowledge and establishment in a Member State or in a significant part of the territory of that State, or may the determination of whether a mark is well known be linked to a territorial scope which does not coincide with that of the territory of a State but rather with an autonomous Community, region, district or city, depending on the goods or services which the mark covers and the persons to whom the mark is actually addressed, in short, depending on the market in which the mark is used?”

The assessment for well-known needs to be made in the Member State. Therefore, the scope of the expression in the Member State needs to be explained. The conclusion

104 Art 4.2 TMD.


106 Case C-328/06 Nieto Nuño, para 12.
from the ECJ was that the meaning of the expression ‘in a Member State’ preclude to a situation where the fact of being well known is limited to a city and to its surrounding area which, together, do not constitute a substantial part of the Member State.107

The city of Tarragona and its surrounding area cannot be seen a substantial part of Spain. According to Advocate General Sharpston applying the same reasoning by analogy to the concept of a substantial part of the Community, that a part cannot be considered to constitute a substantial part of the Community. This conclusion follows from the common meaning of the word substantial and with common sense according to Advocate General Sharpston.108

4.3 The legal outcome of the PAGO case
With the judgement of the PAGO case, the ECJ stated that a CTM is protected in the whole Community as a trade mark with reputation if it has a reputation in only one Member State. Important to bear in mind is that this Member State need to have the size of Austria, since the ECJ has not clarify the outcome for a country smaller that Austria.

For some this was an extremely disappointing outcome. Not only because some had hoped for the outcome to be more clear but also because the judgement did not leave a lot of comments or motivation from the ECJ. At a regional conference on the coexistence of the Community and national trade mark system in Europe, Mr Simon, the General Director of Benelux Office for Intellectual Property (BOIP), stated his point of view. Mr Simon thinks that this judgement is extremely disappointing. As an example for a possible outcome of this case would mean that this home country Luxembourg would be considered being a “substantial part” of the territory of the Community, even though Luxembourg only is 0.05% of the territory of the Community. He believes that

107 Case C-328/06 Nieto Nuño, para 18.

108 Case C-328/06 Nieto Nuño & Opinion of de Advocate General Sharpston in Case C-301/07 PAGO, para 32.
the outcome of this case is contradicting in terms since 0.05% might be considered as a substantial part of the Community.\textsuperscript{109}

Mark Lerach said in his article in the European Law Reporter\textsuperscript{110} that the outcome of this case is striking since having a reputation in one out of 27 Member States should be enough to get Community wide protection. Austria is only 1.9% of the territory of the Community and its population is 1.7% of the total. Another backside of the judgement is the fact that the PAGO trade mark now is protected in all Member States in the Community, even in the ones were no one knows about the juice.\textsuperscript{111}

4.4 Impact on the CTM system

The judgement of the PAGO case still leaves some question and room for interpretation. However, most important of all it leaves consequences for the CTM system. The ECJ meant well with this judgement but may delivered chaos, since this case leads to unintended consequences due to a decision by the ECJ that is meek and parsimoniously worded. This judgement can also be seen as a potential recipe for chaos. It is a disappointment that the ECJ did not try to clarify the test to determine what a “substantial part” is, neither did the ECJ elucidate whether the outcome had been the same if the country at issue had been for example Latvia or Malta. Lots have changed since the CTM regulation was adopted and the discipline of protection for well-known trade marks have to be updated. The ECJ missed a great chance to tackle the legal consequences of growth on the structure of the CTM system. The outcome of this case could lead to two different consequences for owners of trade marks with reputation. These two are according to Fabio Angelini.\textsuperscript{112}

\textsuperscript{109} Mr Edmond Simon, Director General Benelux Office for Intellectual Property, The relationship between the Benelux and Community systems of protection at the Regional Conference on the Coexistence of the Community and National Trade Mark Systems in Europe (Budapest, 3 November 2009).

\textsuperscript{110} Which also if referred to in the PAGO judgment.


“1. By referring to PAGO and by proving reputation only in a EU Country in theory one may obtain an injunction in another country without the need to prove reputation over there (or not even use);

2. Rather than investing all over the European Union in advertisements and promotion, as well as scrambling to amass evidence of reputation (including consumers’ surveys) in different countries and languages, one may concentrate all the resources in one single country as to obtain a declaration by a national Court of renown in that country, and then use it as a hammer to nail all other countries.”[^113]

As mentioned in chapter 3.3 the ECJ referred to the circumstances of the main proceedings in the judgement. An injunction was requested for the entire Community based on unfair advantage and reputation in Austria. This might implies that the other fundamentals of infringement also can be established according to the facts in only one Member State. Furthermore, it implies that these circumstances not should lead to a limited prohibition. An interpretation like the forgoing would be in accordance with the legal nature of the CTM according to Hyong and Noorda. They state that “It would furthermore be in line with the “mirror situation” of Article 8 CTR. Article 8 provides that, if in one Member State there is an older conflicting mark, or in the language of one Member State there is lack of distinctive character, then the mark is invalid for the whole Community. Another view would lead to legal uncertainty.”[^114]

As stated earlier throughout this thesis. Art 8.5 and 9.1 (c) CTMR almost mirrors each other in wording. Art 8.5 CTMR states that if there is a conflicting mark or lack of distinctive character in the language of one Member State then the CTM is invalid throughout the whole Community. Appling this to Art 9.1 (c) would mean that they have protection against other trade marks in the whole Community.


[^114]: Hoyng, Noorda, PAGO: EU-Wide Injunction on the Basis of Reputation and Infringement in Only One Member State? Howrey IP Intelligence Newsletter, Spring 2010.
The possibility of enforcing a CTM that enjoys a reputation in one country in another country, into which the reputation does not extend, creates a chaotic, nightmarish situation of legal uncertainty according to Angelini. He also wondering what is the rationale for giving well-known CTMs such a potential paralyzing power, since they are an absolute minority. Angelini is of the opinion that the PAGO case needs to be revisited and its limits rigidly circumscribed.\textsuperscript{115}

Even though the outcome creates chaos and confusion, one should notice that if the outcome would have been different that would probably still lead to various questions. It could lead to legal uncertainty since the next question would have been in how many Member States does there need to be a reputation in order to get Community wide protection. If the prohibition would be limited to a certain state where there is an infringement that would be contrary the idea of a free movement of goods and services since trade mark owner can stop imports from countries where there is no infringement.\textsuperscript{116}

### 4.5 Positive impact on the CTM system

Even though this outcome raised many negative consequences for the CTM system, there are people who welcome this outcome. If the outcome would have been like Advocate General Sharpston had suggested that would have meant that proprietors of CTMs which have reputation in only one Member State would have been forced to also register a national trade mark since they otherwise would not be protected against other trade marks. This ruling strengthens the CTM system.\textsuperscript{117}

MARQUES believe that outcome of the PAGO case will not refuse others from using a similar or identical trademark. This because if a trade mark only has a reputation in one Member State then the use of a similar or identical trademark in another Member State will not lead to infringement. Since the requirement for infringement is that the later


\textsuperscript{116} Hoyng, Noorda, \textit{PAGO: EU-Wide Injunction on the Basis of Reputation and Infringement in Only One Member State?} Howrey IP Intelligence Newsletter, Spring 2010.

trade mark takes unfair advantage of trade mark with reputation, this can be hard to prove since the older CTM does not have reputation in that Country. *PAGO* is protected outside Austria, but there is no infringement outside Austria. According to MARQUES the fact that the protection of the CTM reaches beyond Member States where protection could be found will barely prevent any competitor. Finally, MARQUES stated: “Accordingly and different from what has been mistakenly drawn from the “PAGO” decision by its critics, the “PAGO” decision does not seem to lead to a “protection over-spill”.”

4.6 Analysis

As indicated by Advocate General Sharpston and Lerach the criterion for reputation in the Community is also a political sensitive question. Therefore, it seems the right way to answer the question by not taken national borders into account and see the Community as a whole. Furthermore, General Advocate Sharpston made a good point when referring to the Nieto Nuño case since this also is judged by the ECJ. The probably reason for the ECJ not to name this case in its judgement is that it is contradictive to the outcome of the *PAGO* case. The judgement of the Nieto Nuño case was made right before the *PAGO* case and therefore corresponding judgements seem reasonable.

The negative impacts on the CTM system after this judgement are that small countries are now being considered as substantial parts of the Community and the PAGO trade mark is now is protected in all Member States even in the ones where no one know about the Juice.

Both consequences for the CTM system stated by Angelini seem convincing. If a Company want to act like this, it will be possible for them. The question is if companies are going to act like that on the European market. What is the purpose of gaining Community wide protection if there is no intention on establishing on this market. There are companies that do not have the capability of entering many countries at the same time.

118 AMICUS CURIAE submission by the MARQUES Association (in the case of Leno Merken B.V. v Hagelkruis Beheer bv), 4 May 2010.
If the outcome had been otherwise, it would have meant that PAGO had needed a national trade mark as well in order to gain protection against other actors. This would probably lead to excavating the function of the CTM system.
5 Possible parallel between substantial part and genuine use in the Community

5.1 Genuine use in the Community

As stated in chapter 3, a CTM needs to have a reputation in a substantial part of the Community in order to gain protection against other trade marks. Another up to date issue within the CTM system is the geographical extent of genuine use in the Community. The proprietor of a CTM needs to put the CTM to genuine use in the Community in order to gain protection, as stated in Art 15.1 CTMR.

“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, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use”.

The requirement for genuine use according to this article is that the use is in the Community. Neither the article nor the CTMR handle the question of the geographical extent of the use necessary. There has not been judgement by the ECJ on this topic and therefore there is no legal answer to this question.

Both wordings has a reputation in the Community and genuine use in the Community are up to date issues within the CTM system. There is no clear definition of what is included in the phrase in the Community. This gives the implication that there are more areas that Art 9.1 (c) that is unclear in the CTMR. There have lately been some actions taken by Member States due to the lack of definition of the genuine use criteria. The actions taken by the Member States are going to be presented below.

5.2 Actions taken by Member States

The lack of definition of the genuine use criteria has recently resulted in surprising actions taking by Member States. As stated in the background, the TMD, the CTMR and national legislations are harmonized. The Member States within the Community have adopted the TMD and conformed their national trade mark legislation in accordance

119 Art 15.1 CTMR.
with it. All Member states are furthermore using the CTMR as legal framework for CTMs.

The BOIP, acting as a CTM court, has in its recent judgement concluded that the genuine use criterion is not fulfilled if the trade mark is put into genuine use in only one Member State.\textsuperscript{120} By judging this case, the BOIP made an opposition that goes away from the approach pursued by the OHIM. This has given rise to the actions taken. Some countries, e.g. the Benelux and Hungary, are now trying to insert requirements stating that a CTM will only be registered if the CTM is put into use in more than one Member State within the Community.\textsuperscript{121} This legal action is not in accordance with the EC legislation. The fact that Member States insert their own requirements, which are not in accordance with the TMD or the CTMR, is seen as a threat against the purpose of the CTM system.\textsuperscript{122}

\subsection*{5.2.1 ONEL vs. OMEL}

The Benelux Court was of the opinion that genuine use in one Member State might not be seen as genuine use in the Community. Their motivation was:

\begin{quote}
\textit{In addition, it should be noted that aligning the territory of the Community with that of one single member state can lead to undesirable and unreasonable results. Since the establishment of the Community Trade Mark Regulation the EU has grown steadily to 27 member states and further expansion is imminent. The actual and economic context has changed dramatically as a result. In a territory (currently) covering more than four million square kilometres and a (current) population of almost 500 million people, use in}
\end{quote}

\begin{footnotes}
\item[120] ONEL vs OMEL, BOIP, 2004448.
\item[121] Statement of the HPO of the geographical scope of the genuine use requirement relating to the Community Trade Mark, http://www.mszh.hu/English/, 2010-10-28 (hereafter Statement of the HPO).
\end{footnotes}
one member state only may essentially boil down to local use only. In the Office’s opinion, such use is not acceptable in order to justify such an extensive exclusive right.”.\footnote{ONEL vs OMEL, BOIP, 20044448, para 34.}

The BOIP points out to bear in mind that the ECJ has not judged a case like this and therefore there is no clear answer to the question what constitutes genuine use in the Community. The decision made by the BOIP wishes to implement the requirement clearly to use the trade mark “in the Community”.\footnote{Statement of the HPO.}

The Court of Appeal The Hague has recently proposed to refer questions to the ECJ in this matter. Nothing is reliable yet but there might be coming up questions for a preliminary ruling to the ECJ soon.\footnote{Information about the Court of Appeal and upcoming preliminary ruling to the ECJ. 2010-12-01.}

\subsection*{5.3 Position of the Benelux Office for Intellectual Property and the Hungarian Patent Office}

The Hungarian Patent Office (HPO) points out that it is not only the task of the OHIM to apply EU trade mark law. It is also the task of the national authorities and national courts to interpret the territorial requirements for genuine use. As long as there is no ruling made by the ECJ, decisions of national authorities are to be respected by all.\footnote{Statement of the HPO.}

The BOIP and the HPO do not think that the criterion of genuine use in the Community, as stated in the TMD and CTMR, is satisfied if the use is only in one Member State. Furthermore, they explain that the Community legislation was not created to replace the national legislation. It creates an undesirable situation if it is enough to have the use only within one Member State. Therefore, they want to implement a requirement for genuine use within their national legislation. Both countries Patent Offices would welcome a judgement from the ECJ for clarification of this criterion.\footnote{Statement of the HPO.}

The BOIP and the HPO believe that they do not challenge the fundamental principles of the EU system as some might had said. To defend themselves the HPO stated on their
webpage that it seems logical and justified to require that a trade mark only can be protected throughout the entire internal market if it is seriously and genuinely used within that market. Linking the use requirement to national boundaries, namely to the territory of a single state, does not seem to serve the needs. 128

A result of the undefined requirement is that trade marks which are only used in one Member State gain Community wide protection. This leads to blocking of the economic activities of undertakings operating in another territory within the rest of the Community. The requirement must be harder to fulfil since there now are 27 Member States within the European Community. This results in companies registering CTMs even if their market is no wider than that of a single Member State. 129

5.4 Effect for the reputation requirement
If the outcome of the genuine use requirement ends up like stated above, namely that Member States change their national legislation, would lead to disharmony within the CTM system. It could also be possible that the outcome will be the same for the reputation in the Community requirement. This might be an implication that some provisions in the CTM system needs to be revised due to lack of explanation. Furthermore, it needs to be investigated if there is a link or connection between reputation in the Community and genuine use in the Community.

5.4.1 Analogy between reputation and genuine use in the Community
When trying to define genuine use in the Community the answer to that question cannot be that genuine use in the Community is when the trade mark is put into genuine use in a substantial part of the Community, according to MARQUES. This will only push the question forward to another question and not solve the problem. 130

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129 Statement of the HPO.

130 AMICUS CURIAE submission by the MARQUES Association (in the case of Leno Merken B.V. v Hagelkruis Beheer bv), 4 May 2010.
This statement could also mean that answering the question of reputation in the Community with reputation in a substantial part of the Community also is pushing the question forward.

Even though the ECJ concluded in the *PAGO* case that a substantial part of the Community could be only one Member State, they do not refer to the genuine use criteria in the judgement at all. According to MARQUES analogy cannot be draw since the decision addresses another case that is not comparable with the term of genuine use. Furthermore, MARQUES is of the opinion that the outcome of the *PAGO* case does not meet the criteria for a reference case in the correct understanding of a genuine use in the Community.\textsuperscript{131}

Critics to the outcome from the *ONEL vs. OME* try to link the genuine use criteria to the *PAGO* case. According to Veeze this is impossible to do since the cases are on different matters and it is important to make a sharp distinction between the different forms of use that are relevant in trade mark law. The *PAGO* case deals with the possibly enhanced scope of protection whereas the *ONEL vs. OME* case deals with validity or existence of a trade mark. Therefore, no parallel can be drawn between these cases.\textsuperscript{132}

MARQUES thinks that the ruling in the *ONEL vs. OME* is against the concept of one unitary trade mark right and this ruling jeopardizes the concept of a CTM system Marques believes that genuine use in one Member State may be enough. As an argument for their point of view they state:\textsuperscript{133}

“By way of analogy, the Court of Justice was already asked to state whether “reputation in the Community” was satisfied in case where the CTM had a reputation in only one Member State (Case C-301/07 *PAGO* International GmbH and Tirolmilch registrierte Genossenschaft mbH). The Court ruled that the condition should be considered to be fulfilled when the CTM had a reputation in a substantial part of the territory of the

\textsuperscript{131} AMICUS CURIAE submission by the MARQUES Association (in the case of Leno Merken B.V. v Hagelkruis Beheer bv), 4 May 2010.

\textsuperscript{132} Pieter Veeze, *Die rechtserhaltende Benutzung nach ONEL*, Munich, October 21, 2010.

Community. At that case, the territorial requirement was considered satisfied with regard to a single Member State, namely Austria. As a conclusion, the territory of a single Member State may be considered to constitute a substantial part of the territory of the Community. 134

MARQUES believes that it shall not depend on the number of Member States affected by the use of the CTM to establish whether the use is real or not. The contradictory interpretation would affect the key principles of the CTM system. 135

This is an interesting statement from MARQUES since they earlier stated that no analogy can be drawn between substantial part and genuine use in the Community, but the recent statement shows that this might be the case anyways.

The General Court (former CFI) in Luxembourg has also ruled a case on the geographical extend of the genuine use criteria stating that “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.” 136

According to Veeze this does not in total clarify the problem, and the formulation is very similar do the outcome of the PAGO case, which has caused a lot of trouble. 137 It is though interesting to see that the General Court choose to define the genuine use criteria in the same way as the ECJ has defined the reputation in a substantial part criterion.

5.5 Analysis Possible parallel between substantial part and genuine use

The geographical extent of genuine use in the Community is, just as the geographical extend of reputation in the Community, hard to define. Even though has a reputation in


the Community and genuine use in the Community are not the same legal situations the territorial scope should be the same since both scenarios are in the Community.

It should not be seen as a crime when a court judges otherwise than the OHIM. As long as the ECJ has not come up with a clear ruling, and there is no guidance concerning this question, then the BOIP did nothing wrong. The fact that this happened implicates that there is need of definition.

There seems not to be a solid answer to whether analogy can be drawn between the two questions. Fact is that both concern geographical extend in the Community, were there is lack of definition of the criterion. One reason for not using the PAGO outcome as a parallel to the genuine use criteria can be that the opponents do not want the genuine use criteria to be fulfilled within one country. If the case is that genuine use should be in more than one country than the wrong way of answering the question is to refer to the PAGO case. Hopefully the ECJ will come up with a solution soon, it seems like it is needed.
6 Conclusion

It is of great importance that the European Community has a common trade mark system since it is striving towards to be one trade union. Both the CTMR and the TMD are wide ranging legislative tools containing articles that need interpretation. The fact that Member States act as CTM courts in first and second instance might obstruct a union-wide interpretation. It could lead to disharmony in the Community since not all Member States interpret the provisions of the CTM in the same way, which recently has been shown by the BOIP and HPO. For the CTM system to work well and continue developing it is important that they have the same legal base. If this legal base can be reached when national courts interpret the CTMR and rule cases in first and second instance seems questionable.

The General Motors and the PAGO case make it clear that the reputation requirement according to Art 5.2 TMD and Art 9.1 (c) CTMR is fulfilled when a CTM is known by a significant part of the public concerned by the products or services covered by that trade mark, in a substantial part of the Community. The territory of the Member State in question may be considered to constitute a substantial part of the territory of the Community.

Even though this condition is now clear, it is still unsure if countries smaller that Austria constitutes a substantial part. Therefore, the reputation requirement only goes from one definition to another definition. Furthermore, it is still unclear if a CTM without reputation in the Community gains any protection at all against other trade marks.

The biggest threat for the CTM system after the PAGO judgement is, as Mr Simon said, that Luxembourg, or countries smaller than Austria, might be a substantial part of the Community now even if their only 0.05 % of the territory. This leads to the fact that the wording reputation in the Community is wrong, because reputation in one small country is not a reputation in the European Community.

One can argue if the legal consequences named by Angelini should be seen as threats to the CTM system. By proving reputation in only one Member State and referring to PAGO companies obtain injunction in another country without the need to prove reputation there. Even though a company might would to this, they still need to show that the other trade mark takes unfair advantage of the reputation in order to get protection ac-
according to 9.1 (c) CTMR. Nevertheless, it seems reasonable to believe that a consequence from this outcome leads to companies focusing their advertisement and promotion to one single Member State and thus gain Community wide protection (just as PAGO did). However, also here the company might not notices that an injunction takes place in Countries where they do not operate on the market.

Conclusively there are four possible consequences for the CTM system after the judgement of the PAGO case. Small countries, such as Luxembourg, are might seen as substantial part of the Community. PAGO is now protected within the European Community even in those countries where no one has heard about the brand. Companies can obtain injunction in a countries without proving reputation there and companies can put all their marketing effort into one country and thereby get protection in the whole Community. The outcome of this case is however positive for proprietors of CTMs since it makes it easier for them to gain protection against other actors on the market.

Even though it is desirable that the ECJ would have referred to some of the arguments made by Advocate General Sharpston, which are some good arguments, the outcome of the case still might would have been the same. Even if the ECJ had decided to see the Community as a whole and without borders, the relevant circumstances to the case might could have contributed to that PAGO still would have a reputation in a significant part of the public. The Nieto Nuño indicates a different outcome but the ECJ would probably ignore it again.

Nevertheless, by looking into the genuine use dilemma there are o few things worth noticing, e.g. the actions taken by some Member States. The fact that Member States interpret and apply the CTMR and the TMD in a way, which is not wanted by the legislator, shows that there are some loopholes in the legislation. Why analogy should be drawn between reputation in the Community and genuine use in the Community is because they have the same impact on the CTM system. The BOIP and the HPO are not of the opinion that one country is enough to have genuine use in. Mr Simon thinks that the judgement of the PAGO case is disappointing since one small country should not be seen as substantial part of the Community. This indicates that countries will try to interpret case law and insert own provisions in the national legislation if they do not agree.
with the recommendation from the OHIM. This can also happen in connection to Art 9.1 (c) CTMR.

There is one CTMR and one CTM, which are supposed to be harmonized, but this investigation shows that there are various definitions of the term in the Community, which is surprising since there only should be one Community. A big threat to the CTM system is the lack of harmonization within the Community. Therefore, stricter rules regarding CTMs and clearer judgements from the ECJ are needed within all areas that are unclear.

Another major threat to the CTM system is the fact that unclear terms and judgements disrupt the countries within the Community and destroys the harmonization that the TMD, CTMR and the CTM are trying to build up.
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