

USE AND INTENTION TO USE IN EU TRADEMARK LAW

The Hon Mrs Justice Macken

Irish Supreme Court

Delivered as the

ANNUAL SIR HUGH LADDIE LECTURE

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Good evening [titles and priority of address].

It is an enormous pleasure first to have been asked by Sir Robin Jacob to tackle this talk, and secondly, to be introduced by the Rt. Hon. LJ Mummery, two giants and legends in the field of intellectual property. There were, I admit, several times during the course the past few months when I have doubted my sanity in accepting the challenge of speaking. I say challenge, because I wanted to pick a topic that I thought just might exercise the late great Sir Hugh Laddie's very considerable brilliance, and sometimes ire.

I have chosen a topic which I think fits the bill and I hope over the next 40 minutes or so that you will find it of some small interest. I was reluctant to choose something so closely associated with Hugh, such as football scarves, or the “ideal international court”, such as the ECJ., as you can imagine, or even how judges of such courts, such as – at times – myself, operate, for fear of doing him or me a huge injustice. Given, however, that this is an institution of very considerable learning (although my heart is still very close to LSE), I wanted also to choose a topic which might encourage further investigation and research by advanced students. So I hope this talk, which only touches the chosen topic in a surface manner, will encourage some student to read further, and perhaps tackle some research.

My topic, when I finally chose it, concerns “use and non-use of a trademark”, why there should be use, why in traditional legislation – at least on the common law side – there has always been a requirement for use (or intention to use), at the stage of registration, and why I think that this requirement is - wrongly – being allowed slip in importance in the new EU world in which we all currently live, including the ever expanding EU world of 27 members, and counting.

I hope also to be at least a little controversial, because I think it would be a compliment to Hugh if I simply trundled along through traditional lines, and statistics, and made a few banal, mundane, and quite useless comments. So bear with me. I am happy to have a challenge to the views I expound, if only because I am not entirely certain that I hold them in such huge regard that I might lose a great deal of sleep over them. Some of them are not mine at all, but are what others are saying. Nevertheless, when push comes to shove, as we say on the other side of the Irish Sea, I can usually put up an argument on just about anything – which probably goes with the territory of the practising barrister for more years than I care to

remember, and for less years than I currently look!, since I am now an over-worked judge of the Irish Supreme Court, a very aging experience. I add my usual disclaimer that I take no responsibility for the content of the paper, not even pretending to be an expert!

I start with the following outline statements, which are entirely my own introductory views:

- (a) Trademarks are wonderful things. I have always been convinced that this is so, and have never wavered from my view. You may not be too surprised to find that many other people in the area of intellectual property, authors, academics, judges and practitioners, to say nothing of legislators, all agree. You might well ask why. Well, in my not so humble opinion it is because they function, when used in a proper way, as the very oil by which commerce works, products and services are promoted and recognised, and in the field of business, they have a particular and, generally speaking, wonderful all round, especially on the reputation of a product/service and on the company that owns the trademark or is licensed to use it. That may not be how people often think about trademarks, but when their function is analysed it, it seems to me, that is really what they are all about.
- (b) They are very very valuable indeed, depending of course on how good they are at carrying out that function, and how apt they are for registration – this being of key importance. I once appeared in an appeal against a refusal to register a trademark before a very bright, very sharp and very pleasant judge, just recently deceased, Costello J., in the High Court in Dublin – and he had a formidable reputation in several areas of the law, only a small portion of which was devoted to intellectual property, for he was really a constitutional lawyer and former Attorney General. The appeal was in respect of a hyphenated trademark, and I was forced to concede that each of the parts had to be disclaimed of exclusivity, but was arguing vigorously nevertheless for registration of the combined mark, which I contended could function perfectly well, and was wholly registrable, despite these pretty serious shortcomings, when he said: Mrs. Macken, your trademark is getting more and more like the Cheshire cat, and pretty soon there will be nothing left except your own smile!! I can't remember at this remove what the trademark was, but clearly its adaptability for register was not impressing the judge. I digress slightly, but it is a useful small aside, because a trademark is only of use if it is a good mark, in the sense of being truly registered, and equally only if it is used! Otherwise, it's fairly useless, except if it registered, to make life difficult for others in the market.

There is ample legislation, case law and so forth on the question of what is a good and registrable trademark in legal terms, and I don't want to talk about that at all. But what about using a trademark? How is that controlled, if at all? That is what I want to address this evening – use of a trademark – or more particularly the requirement to use or intention to use for registration purposes, and, subsequently I was inspired to consider this as a possible topic when I read a short article on the topic by Shane Smyth in "Intellectual Property" and it set me thinking. Certainly there is some well established case law on what has always been, in the common law, an important element in the overall requirements for registration. Why did these requirements exist? Because, of course, if everyone could register every registrable trademark as often as they wished, without having to use, or intending to use, the trademark, then not only would the registers of trademarks be bulging with unused trademarks, it would also mean that traders or service providers coming along later would inevitably have difficulty, to say the least, trying to get identical or similar trademarks registered, and that could, in turn, lead to severe restrictions on parties entering a market. That is it in its simplest terms.

Now, some of you, and myself, are part of what might be called "a dying breed", and will surely remember the huge importance attached to the requirements as to use in trademark law in the past, when we were governed by predominantly common law legislation since 1875. On the other hand, in what used grandly be called "continental Europe" where a deposit system, more or less, operated, registration took place and then, subsequently, owners of the trademarks could fight it out in court, as to who should hold onto their trademarks and who should not.

In the English, Irish and other common law systems regulating trademarks, the requirement for use or intention to use was an upfront pre-registration requirement, just like other essentials of registration.

All that is now changed. First, although the Trademark Directive of 1994 adopted a requirement for use or intention to use, and this is clear both from the recitals and from the articles of the Directive itself, unlike the registrability requirements, there is no control over this requirement, in the sense of any pre-registration examination by officials, of the use or intention to use, save where there is an opposition perhaps. Post registration "control" is by means of the sometimes difficult and costly revocation mechanism, a not ideal situation. Under the Trademark Regulation of 1994, there is also no pre-registration control over the use

requirements in an application for a Community Trade (hereafter “the CTM”), and even the recitals are different from those in the Directive. For the purposes of this talk, I propose to confine most, but not all, of my comments to the position under the Regulations save where useful comparisons can be made with the Directive, because this is what controls the heart and soul of EU wide trademark registration, and is a likely context in which problems of control over use requirements are likely to arise.

You know, that is, all of you working in this field, that EU wide registration of trademarks, is regulated and controlled from Alicante in Spain by OHIM, the Office for the Harmonisation of the Internal Market. From an outsider’s point of view, it appears to be highly efficient and cost effective, and registration of a trademark opens up a market for its owner of well over half a billion customers – not a bad market at any time.

I propose to deal, hopefully, with all of the following:

- Rationale of the use’ requirement
- Enforcement of ‘genuine use’ requirement
- Territorial scope of requirement of use’
- Cluttering of the Trademark register
- Bad faith –
- Requirement of ‘use’ and Competition law –
- Expansion of the European Union and the Community Trademark.)

Requirement of ‘genuine use’ in Community Trademark system

A. Introduction

To start with, I need to say something about the Community Trade (hereafter “the CTM”). I am assuming that most people here know quite a bit about it – probably even a lot more than I do – but for those who have simply strayed in, it is sufficient to say it is, I suppose, a type of a complementary system to the existing national trademark registration system, in the sense that absent its availability, we would be returning to the days when a person or undertaking wishing to trade in several member states, or more importantly, perhaps wishing to protect markets across the entire EU market, would have to register trademarks in each of the Member States, or those of key interest. The existence of a CTM provides at the very least a more reasonable, streamlined system to protect trademarks in a number of EU countries. Indeed it must be significantly more cost effective.

The CTM is governed by Council Regulation 40/94/EC of 20 December 1993 on the Community Trademark, which came into effect in early 1994. This original Regulation was subsequently repealed and replaced by Council Regulation 207/2009/EC of 26 February 2009. This means that the CTM regulatory scheme has been going full tilt for 17 years, by which stage one would expect that all the glitches would have been sorted out. But this is really not so. In this talk I use a requirement of “use” as being the same as a requirement of “genuine use”, although we could, of course, spend quite a bit of time just speaking on the issue of “genuine use”, and the problems this has thrown up. Use or an intention to use is a requirement under the Directive – as transposed into national laws. Use does not fall within the absolute grounds for refusal found either in the Regulation or indeed in the Directives.

The law on the requirement of ‘use’ is, as often occurs in the field of intellectual property, expressed in the form of a negative, and is contained in Article 15 of the CTM Regulation which reads as follows:-

“1. If, within a period of five years following registration, the proprietor has not put the Community trademark 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 trademark shall be “subject to the sanctions provided for in this Regulation”, unless there are proper reasons for non-use.

The following shall also constitute use within the meaning of the first subparagraph:

(a) use of the Community trademark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered;

(b) affixing of the Community trademark to goods or to the packaging thereof in the Community solely for export purposes.

2. Use of the Community trademark with the consent of the proprietor shall be deemed to constitute use by the proprietor.”

As you will see, it doesn’t really tell one very much, and doesn’t impose a special use requirement. It simply leaves a non-user open to attack. The major sanction for non-use is the liability to revocation or cancellation of the registration.

Under the former system which operated at least in the United Kingdom and in Ireland and in a small number of other countries in Europe, the requirement of use was obligatory for the purpose of securing a registration in the first place. And many an applicant came a cropper by not being in a position to establish an intention to use – certainly in Ireland – and certainly during a period of time when a particular Controller of Patents and Trademarks had a peculiar – some might say jaundiced - view of what was necessary in order to comply with such use requirement.

Several leading textbooks consider the question of use/non use. Clark and Smyth¹, published recently in Dublin has been a very helpful source for me, combining as it does the work of an academic, a solicitor, and a specialist trademark practitioner. They query the import of the requirement of use mentioned in the Directive, noting that:-

“This provision appears to have no teeth because it is not specifically identified as one of the absolute grounds for refusing registration.”

The same might also be said of me vis-à-vis the Regulation. OHIM has, on the other hand, noted in its publication entitled “Contribution to the Study on the Overall Functioning of the Trademark System in Europe”, and apparently by way of support for the contention that non-use can be controlled, that:-

*“An opposition cannot be based successfully on such a CTM.²
Neither can a relative grounds invalidity action.³ Genuine use is therefore of great importance.”⁴*

What is meant, in that context, by the phrase “cannot be successfully based on such a CTM” is a CTM which is not used. But that statement is not quite the full story. Therefore, the control of the use requirement in both cases is *ex post facto* control, as I mentioned. As will be seen, not only is it *ex post facto* registration but is also dependent on a third party attacking the registration or application, and/or seeking to have it removed, or not registered. Non use of a trademark does not however operate as an automatic ground for not being entitled to oppose, for example – but I will come to that in more detail later.

¹ Clark, Smyth & Hall, Intellectual Property Law in Ireland, 3rd Edition (Dublin, 2010) at para. 29.21

² Article 42(2) CTMR

³ Article 57(2) CTMR

⁴ Available at

http://oami.europa.eu/ows/rw/resource/documents/OHIM/OHIMPublications/ohim_contribution.pdf

B. Rationale for genuine use requirement

The supposed rationale for the use requirement is set out in Recital 9 of the Harmonisation Directive 2009/25, which states:-

“In order to reduce the total number of trademarks registered and protected in the Community and, consequently the number of conflicts which arise between them, it is essential to require that registered trademarks must actually be used or, if not used, be subject to revocation.”

Its main aim therefore from the directive point of view appears self explanatory - to reduce the total number of trademarks and to avoid unnecessary conflicts.

In relation to the rationale of any so-called requirement of use in the Regulation which does not benefit from any equivalent to recital, Gielen states (again in 2011, this time in the EIPR on use of a CTM) that:-

“The CTMR does not explicitly mention this rationale but it is crystal clear that because both the Directive and the Regulation concern the same legal notion (of “genuine use”), the same rationale is valid for the CTM”⁵

An insight into the rationale for genuine use may possibly be gleaned from recital 10 to the Regulation which states:-

“There is no justification for protecting Community Trademarks or, as against them, any trademark which has been registered before them, except where the trademarks are actually used.”

I wondered why Recital 9 of the Harmonisation Directive is in such clear terms, and Recital 10 of the Regulation is in such bland terms, despite what Gielen contends is the same rationale. I am not so convinced. Could it be that recital 9 makes a lot of sense because it was referring, in the Harmonisation Directive, to all of the trademarks registered on all the Trademark Registers of all the then Member States (12 countries at the time with 3 more MS earmarked for admission within less than 2 years) – including all those lodged under a pure deposit system, and where, in the vast majority of cases, no *a priori* examination was in force, leading to very large numbers of post registration conflicts.

⁵ Gielen, “Genuine use of Community trade mark: where?” (2011) *European Intellectual Property Review* 48 at 51

On the other hand, I think that problem was probably not considered to be likely to afflict a new CTM system with an a priori examination mechanism, although not on use and with an opposition facility and so forth – and possibly even a belief that registrations would not be as numerous as turned out to be the case. This might also be why the ECJ made its comment in the *Vitafruit (II)* case.

I am not at all convinced, therefore, that the same rationale is actually applicable both to the Directive and the Regulation, and would welcome views on this.

C. Meaning of the term ‘genuine use’

To set the context for some comments on them, which I mention next I refer now to:

“*Genuine use*” as considered in a number of cases before the ECJ. In Case C-40/01 – *Ansul BV v Ajax brandbeveiliging BV* [2003] ECR 2439 Judgment of 11 March 2003, the ECJ ruled that:-

“Article 12(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks must be interpreted as meaning that there is 'genuine use' of a trademark 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; genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark. When assessing whether use of the trademark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of the goods or services at issue, the characteristics of the market and the scale and frequency of use of the mark. The fact that a mark that is not used for goods newly available on the market but for goods that were sold in the past does not mean that its use is not genuine, if the proprietor makes actual use of the same mark for component parts that are integral to the make-up or structure of such goods, or for goods or services directly connected with the goods previously sold and intended to meet the needs of customers of those goods.”

In *La Mer Technology Inc v OHIM* [2008] ETMR 9 the court stated (by a reasoned order):-

"It is not possible to determine a priori and in the abstract what quantitative threshold should be chosen in order to determine whether use is genuine or not. A de minimis rule, which would allow OHIM or, on appeal, the [General Court], to appraise all the circumstances of the dispute before it, cannot therefore be laid down. Thus, the Court has held that, when it serves a real commercial purpose, even minimal use can be sufficient to establish genuine use."

Case C-416/04 P *Vitafruit (II)*⁶ also considered the meaning of the term, at paragraphs 70-72, the ECJ noted:-

*"[A]s is apparent from the case-law of the Court of Justice, there is genuine use of a trademark 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; genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark. When assessing whether use of the trademark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark in the course of trade is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of those goods or services, the characteristics of the market and the scale and frequency of use of the mark (see, regarding Article 10(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (OJ 1989 L 40, p. 1), a provision which is identical to Article 15(1) of Regulation No 40/94, Ansul, paragraph 43, and order in *La Mer Technology*, paragraph 27).*

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. The characteristics of those goods and services, the frequency or regularity of the use of the trademark, whether the mark is used for the purpose of marketing all the identical goods or services of the proprietor or merely some of them, or evidence of

⁶ *The Sunrider Corporation v OHIM*

*use which the proprietor is able to provide, are among the factors which may be taken into account (see, to that effect, order in *La Mer Technology*, paragraph 22).*

*It follows that it is not possible to determine a priori, and in the abstract, what quantitative threshold should be chosen in order to determine whether use is genuine or not. A de minimis rule, which would not allow OHIM or, on appeal, the Court of First Instance, to appraise all the circumstances of the dispute before it, cannot therefore be laid down (see, to that effect, order in *La Mer Technology*, paragraph 25). Thus, when it serves a real commercial purpose, in the circumstances referred to in paragraph 70 of this judgment, even minimal use of the trademark can be sufficient to establish genuine use (order in *La Mer Technology*, paragraph 27). ”*

I mention those cases only in passing and only for completeness sake, as I don't intend dealing with the topic of genuine use, as such. The case adopts the same basic approach of later judgments adopting the same language as appearing in earlier case law. But it is worth nothing, among other criticisms of these cases, *inter alia*, the following:

It has been argued by Mihály Ficsor, Vice-President of the Hungarian Patent Office, that “the genuine use” requirement has been watered down in a number of ECJ cases.⁷ He argues that:-

*“We have learnt from a series of ECJ judgement (*La Mer Technology*, paragraphs 24-25 and 27; *VITAFRUIT*, paragraphs 72 and 26; *Radetzky-Orden/Feldmarschall Radetzky*, paragraph 24) that:-*

- “it is not possible to determine a priori, and in the abstract, what quantitative threshold should be chosen in order to determine whether use is genuine or not. A de minimis rule, which would not allow [...] all the circumstances of the dispute [to be appraised], 9...], cannot therefore be laid down. [...] Thus, when it serves a real commercial purpose, [...], even minimal use of the trademark can be sufficient to establish genuine use.”*
- “the fact that [...]the proof of use of the earlier trademark was established only for the sale of products intended for a single customer does not a priori preclude the use being genuine, even though it follows from that situation that the mark was not present in a substantial part of the territory of Spain, in which it is protected”;*

⁷ See Ficsor, Global Assessment of the European trade Mark Systems: the Viewpoint of the Administration, 29th Annual Conference of the European Communities Trademark Association, June 2010 at p. 6

- “*the territorial scope of the use is only one of several factors to be taken into account in the determination of whether it is genuine or not*”;
- “*a trademark is put to genuine use where a non profit-making association uses the trademark, 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 trademark when collecting and distributing donations*”.

D Territorial Scope of the ‘genuine use’ requirement

Article 15 of the Regulation states that the ‘use’ must be use ‘within the Community’. Neither the Regulation, nor the Directive defines this term. On 20th December, 1993, at the time of the original legislation being adopted and promulgated, a Joint Statement was issued by the Council and Commission of the European Union⁸, This is not an unusual approach, It stated that use in one Member State was sufficient to satisfy the requirement of use within the Community.

Recently, however, Benelux did not apply this principle in cases of ONEL/OMEL, and the CITY HOTEL. [if you want to look at the detailed reasons for this, you can find an English translation - Decision No. 2004448, Case No. M0900377.

In *ONEL v OMEL*, [a decision of Benelux Office for Protection of Intellectual Property, Intellectuele Eigendom en Reclamerecht 2010/29,] it was held that use in one Member State was not sufficient to constitute genuine use for the purpose of a CTM. A number of questions were referred to the ECJ by the Court of Appeal on 30 November, 2010. In the unofficial translation of the decision, it states:-

“After all, a trademark right offers a monopoly. In order to justify that monopoly and to fulfil its essential function, the mark must be used. A monopoly that goes (much) further than the territory, in which the mark is used, will indeed form an obstacle for the free movement of goods as well as the freedom to provide services within the internal market. This is obviously not what the legislator had in mind. It would be most unjust if an undertaking that only uses its mark on a local scale could

⁸ Joint Statement on Article 15 by the Council and the Commission of the European Communities entered in the minutes of the Council meeting, at which the Regulation on the Community trade mark was adopted on 20 December 1993.

impede the possibilities for other undertakings in the entire territory covered by the internal market.

It would even be more unjust if an undertaking that is only active locally (this applies to the majority of small and medium-sized businesses, a substantial part of the European economy) were to be hindered in developing its activities, and would have to defend itself against another undertaking that is also only active locally, and which does not have a single economic activity in an area that even approaches it to some degree, as a result of which there is no likelihood of confusion among the relevant public for both undertakings.” [para. 36]

Apart from the reference to a “monopoly” – a frequent error even case law – instead of an “exclusive right” the above is a reasonable comment on the dilemma. In a statement issued by the Danish Patent and Trade Office, in response to the ONEL decision, they state:-

“One could question of course to what extent a European trademark should be used and in how many countries such a use should be required. This is not an easy question to answer. However, it is the DKPTO’s point of view that use in a very limited part of the Community seems not to fulfil the purpose and the intentions of the European trademark Regulation. On the other hand, it seems too restrictive to demand that the European trademark is used in all 27 member states. The answer must lie somewhere in the middle. [a typical Scandinavian approach to try always to find a compromise middle ground for everybody].

Furthermore, we should be aware that the rules and regulations must not create unfavourable market conditions, and they should certainly not lead to a distortion of competition. It is essential that a fine line is drawn between the grant of exclusive rights and the importance of having markets open to competition – on this point the DPKTO shares the view of the Benelux and Hungary. At least they don’t call it a monopoly.

Another aspect which could be mentioned in this context is that we see a tendency towards an increase in the number of registered trademarks, and it should of course be examined whether and if this poses a problem for the continued functioning of the European trademark system.”¹⁰

Apart from the above important developments Gielen (in EIPR 2011) says:

“As far as I am concerned it follows from the methodology of the CTM and the rationale for genuine use requirement – that undertakings which want to operate

on the level of a national market should not benefit from the advantages of the wide protection of a Community right. Otherwise, the number of unnecessary conflicts would increase and this is not what the legislator had in mind.

Gielen also states that:

“Personally, I think that, in particular because of the current size of the European Union, it is extremely important for a large number of undertakings to be able to acquire a national mark on the undertaking’s own national market without running the risk of OHIM concluding that the mark should be refused registration because it is not distinctive in a Member State far from the undertaking’s own national market or, because a national application is invoked by an undertaking operating a market totally REMOVED from its own. Furthermore, I repeat that the rationale for genuine use is to reduce the number of unused marks appearing in the Register and also to decrease the number of conflicts. This is achieved by, among other things, granting protection for locally- used trademarks only on a local level.”⁹

However, while all the foregoing raise serious and interesting issues, until a decision is issued by the ECJ to the contrary, the requirement remains apparently that of proof of use in one territory only. It will be interesting, I think, to see how many countries lodge observations in the ONEL case to the ECJ.

The very limited EU use requirement is also in contrast with international requirements. Dr. Pohlmann notes that whilst a CTM need only be used in one Member State in order to fulfil the use requirement, however, “[i]n contrast, international registrations under the Madrid Agreement or Protocol have to be used in each and every designated country or they become subject to cancellation due to non use after the non-use grace period has expired.”¹⁰ So what does OHIM say?

The OHIM Board of Appeals considered the issue of use in Case T 209/09 *Alder Capital Ltd. V. OHIM* (April 13, 2011)¹³ and upheld the view that use in one Member State is sufficient to warrant CTM protection.¹⁴

¹¹ Gielen, Genuine Use of Community trade mark: (2011) *European Intellectual Property Review* 48 at 52-53

¹⁰ Dr. André Pohlmann, Trademarks throughout the World, at para. 54.2 (Oct., 2010) cited in Bolton, Defining Use requirements of Community Trademarks in light of an expanding European Union, at p. 8 Available at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=167862

Bolton (in Ficsor, cited) succinctly sets out the arguments for and against there being a requirement for use in one Member State only:¹¹

Arguments that use in one country is insufficient:

- Marks only used in one country may block economic activities throughout the EU;
- Small and medium businesses only seeking local protection may be precluded by businesses that have a CTM, despite use of the latter in only one Member State;
- Register cluttering

Arguments that use in one country is sufficient:

- The low burden for the use requirement has had a significant role in making the CTM the most powerful and attractive option for trademark protection in Europe;
- Growth and economic activity of SMEs is facilitated- SMEs can establish their brand strategies, to move from purely national activity to wider activity throughout the EU, even where use has been limited.”

Ficsor notes however, in his contribution in 2010 that:-

“In the context of competition policy, it is also doubtful that it [the requirement of use in one country] really ensures that competition is not distorted if a CTM owner can, on the basis of use in a part of a single Member State, prevent others, operating in another remote Member State, from registering or using marks that would conflict with his CTM. And he asks: “Is this what enables undertakings to adapt their activities to the scale of the Community?”¹⁶

Gielen in his essay says:

“Practice teaches that these days it is extremely difficult for undertakings to get clearance for newly chosen marks in view of the enormous number of registered trademarks of which many have never been used. In addition, the Benelux Office rightly points out that the European Union has grown to 27 Member States and therefore takes up a substantially bigger territory than that of the 12 Member States existing when the CTMR was adopted.”¹⁷

¹¹ Available at http://www.wipo.int/edocs/mdocs/en/wipo_ipr_ge_11/wipo_ipr_ge_11_topic3-related1.pdf

A very interesting and detailed study has been carried out by The Max Planck Institute, which, *inter alia*, considered the use issue in its “Study on the Overall functioning of the European Trade Mark System¹⁸ published in February, 2011. the results run to about 280 closely typed pages, stemming both from interviews carried out and written submissions received. It was undertaken with a view to specifically analysing “[t]o what extent is the territorial requirement for a CTM to be genuinely used “in the Community” (Art. 15 CTMR), as interpreted in the related Joint Statement by the Council and the Commission of 20 December 1993, still appropriate in view of a Community market now comprising 27 Member States?”

The Study¹², emphasises the unitary nature of the Community trademark and in response to the question of use, stated:-

“This question has become a core issue in the debate on the coexistence of the systems and thereby attained a political dimension. The Joint Statement by the Council and the Commission of 20 December 1993 determines that a use which is "genuine" within the meaning of Article 15 CTMR in a Member State, constitutes "genuine use" in the Community.

Interestingly, it continues in what appears to me to be a limiting interpretation of the position:

“To the extent that the Joint Statement is an expression of the “single market” concept which transcends frontiers between Member States, and focuses on the “genuineness” of the use rather than on its transnational character, the joint Statement is also today, in a European Union having grown to 27 Member States, an appropriate statement of principle. What matters is whether the use is “genuine”, and not whether the use extends to more than one Member State. The focus thus is on the nature and extent of use, in view of the factual circumstances of each case, which take into account the nature of the product, the size of the enterprise, etc.

To the extent that the Joint Statement is taken to mean that any use sufficient to maintain a national mark in a Member State of the European Union automatically is taken to be “genuine” also for a Community trademark, it would have been misinterpreted at the time it was adopted, and it would continue to be inaccurate.”

¹² Max Planck Institution for Intellectual Property and Competition law, Study on the Overall functioning of the European Trade Mark System, 15.02.2011 p. 269

That suggests to me that Max Planck does not take the original Joint Statement as declaring that mere use in a M.S. is, in all circumstances, sufficient "use" to avoid the sanctions provided for in Article 15, although on its face it seems to do so.

The Study strongly supports an interpretation of the "genuine use" requirement for Community trademarks which disregards political frontiers. The requirements for "genuine use" referred to in Article 15 CTMR must be assessed, it says, on a case-by-case basis taking into account the criteria developed by the ECJ. The extent of use, including the territorial extent, is one of the criteria relevant in determining the genuineness of use. Therefore, it states there is no reason or room for requiring that a Community trademark in order to be maintained or enforced necessarily has to be used in more than one Member State.

That last statement is not quite the same as saying use in one member state is always sufficient, and is in my view, a rather modified take on the Joint Statement.

I do not, personally, agree with all of these statements or with all of the approaches, but I do not think that is necessarily a bad thing, I would prefer to see some considerable debate and valuable exchanges on the topic, than what often occurs, at conferences, when people frequently say the same thing and indeed repeat the same thing at consecutive conferences so that the so-called debate or exchanges yield very little at the end of the day. The study by the Max Planck Institute has the great value of having contributions from a wide number and variety of contributors, lawyers, owners, trademark agents, academics, etc., and is published and readily available, so that anyone interested – and I would like to think this might include our various experts, even at governmental levels – can see how debate is evolving, if they are interested in doing so. I, however, sense from the above extracts that the problems seen to arise from the requirement for use, and the criteria applicable in assessing such use, remain the same as they have always been. The main findings of the study, as I read it, are as follows:

The Study proposes that the wording of Article 15 CTMR be left unchanged and suggests entrusting the territorial conditions for the "genuine use in the Community" within the meaning of Article 15 CTMR to the interpretation by the ECJ. Not everyone will agree with that proposal, but we can hear at the end of my talk, if there are favourable or contrary views on that. Some people might prefer to see a clarification of the Joint Statement, or even a change in legislation.

Importantly, the Study recognises that situations may arise in the future where it is difficult, if not impossible, to justify the enforcement of Community trademarks against later national trademark applications or registrations which are obtained in Member States, far removed from the territory where the earlier Community trademark is in use. In these situations, it is said, there may be no true economic conflict in the same market. As the earlier Community trademark is immune from revocation on grounds of non-use, at least on the basis of the current joint statement, the Study suggests a rule for a co-existence between the CTM and the later national trademark under certain narrowly defined circumstances.” Again, I do not know how that would work, and can see that there might be quite a lot of lobbying to avoid a coexistence solution, and indeed it would be interesting to see how the costs of that could be dealt with. I venture to enquire also whether any trader interested in getting into a market is going to have the time, money or inclination to go chasing a co-existence solution, when he can fairly easily – and probably at less cost – simply choose a different trademark! I can certainly see this working where a large corporation from within or without the Community, seeking to expand its market – and therefore its use of a trademark – finds a small trader in a limited area of the Community using this mechanism to avoid a veto vested in the small trader. In some cases, however, it might be cheaper to “*buy out*” the small trader’s trademark. At least, however, it is a proposal which is presented for consideration.

E. Cluttering of the trademark register

The first thing to be said about “cluttering the trademark register” is that, of itself, it is a fairly meaningless expression. So what if the CTM register is cluttered? It might mean it would take a bit longer to search for the existence of conflicting trademark. It is really only if the cluttering of the trademark register whether at OHM or nationally has, as its consequence, or detrimental effect that we have to be worried. I would prefer a different title to this, but it is what all the authors, academic and others, use.

The current legal requirement for proof of use and in particular the fact that it is not an absolute requirement prior to registration of a trademark, has led to arguments that the result is a large number of trademarks on the registers which are unused and which therefore cause an obstacle to the adoption and registration of new trademarks, and which, by implication, constitute an inhibition to newcomers – or even to existing traders entering or expanding markets. In other words, I argue, large numbers of unused trademarks constitute an anti-competitive element and a possible barrier to trade. You will recall the Danish Patent Office commentary on the problems.

Clark, Smyth and Hall state that:-

“Because of the scope of protection granted by a registration and the more liberal regime under the Trademarks Act 1996 as to what can be registered, there is an ever-increasing number of registrations. A large percentage are Community trademark (CTM) registrations and international registrations under the Madrid Protocol. The clearance of a new mark is increasingly problematic.”

It is little consolation to a person seeking to enter the market to know that a ten year period, or more, - if one takes the application time into account, - may expire before a proprietor decides not to renew a CTM. In the meantime the avenue available – revocation or other cancellation – is not an ideal one for a new entrant. Persons seeking to clear a trademark are not normally going to wait the uncertain outcome of revocation or cancellation proceedings, frequently through national offices or in Alicante, and then on appeal to a court. In the real world, decisions have to be made expeditiously and with certainty. Uncertainty arises because, even with expensive investigations into use, one can never be certain if there is in fact use, or genuine use.

In a recent article in Intellectual Property (February 2011) Shane Smyth puts at least part of the blame for the large number of unused trademarks squarely on the shoulders of OHIM itself, stating:

“This objective [of use] is only receiving lip service and culpability for such lies to some degree with the practices and fee structure operated by OHIM. OHIM permits three classes to be registered for the same fee as a single class trademark application. This fee structure, together with the absence of any intent to use requirement, is an active encouragement to trademark owners to seek trademark registration in respect of specifications of goods/services which are much broader than that for which they are likely to ever use the trademark. In short, there is an encouragement towards the registration of defensive trademarks and a cluttering of the Register before OHIM.”

He points out that in 2009 35% or so of registrations fell into “one fee three classes” category, and a further 15% into two class categories, that is half of all applications, which is a significant statistic. He also points out that a large number of applications are granted in respect of class headings, or for a specification of goods so broad that there is no chance a

proprietor would wish to, or ever could, trade in all of the goods, especially in light of the crudeness of the Nice Classification. And he contends that there is little or no control over the specification claims in the case of priority trademarks, even where the original registration upon which an applicant is relying, is for a much narrower range of goods!

Renewal fees also cover three classes. There is therefore little financial impetus to review non-used trademarks on the part of proprietors: they will simply be renewed. Smyth suggests some interesting practical ways in which matters could be improved. He also echoes Gielen's comment that many applications are filed for activities which will only be provided at a local level, either in one Member State, or even in a part of one.

The above factors are all part of a filing strategy adopted on the advice of professional advisers, and understandably so. They can scarcely be seen as other than cluttering the register.

It seems clear to me that with a ten year renewal period, and working on the assumption that about half of all trademarks will normally be renewed, approximately one half of the total number of trademarks on the CTM Register are not in use at any one time. The efficient and low cost regime provided by OHIM is the very reason why OHIM is a victim of its own undoubted success. A fatted goose killing the golden egg of the CTM.

OHIM vigorously deny any cluttering problem, and if you wish to read Mr. Smyth's paper, you will see he fairly sets out the OHIM argument there also. OHIM say that, on an annual basis, many trademark registrations are not renewed, and this, in turn, means that the CTM system itself, through the renewal process, frees up tens of thousands of marks annually which may then be used as new registrations. OHIM also argues that there is a specific mechanism to prevent 'clutter' on the OHIM register whereby users may bring cancellation actions against unjustified registrations. They also contend that "*[i]f the issue of 'clutter' was indeed a serious problem, we would expect to see a great many cancellation actions. However, the number of cancellation actions remains a very small proportion of the register – in 2009 around 750 cancellation actions were filed, of which less than half were on grounds of non-use.*"¹³

¹³ Office of Harmonisation in the Internal Market (Trademarks and Designs), "Contribution to the Study on the Overall Functioning of the Trade Mark System in Europe" at p. 15 available at http://oami.europa.eu/ows/rw/resource/documents/OHIM/OHIMPublications/ohim_contribution.pdf

The Max Planck Study it also considered, but in the context of the Directive, “to what extent has the current system with regard to the user requirement, including the 5 years period, proved to be efficient and effective to reduce the total number of trademarks protected in the Community, and, consequently, the number of conflicts arising between them?” In response to this question, Max Planck sets out some very interesting reactions garnered throughout the study:-

“The question of whether a three year period should apply for the use requirement instead of the current five years was addressed in the Allensbach survey and produced a rather clear vote in favour of maintaining the present rules (55 percent of proprietors; 54 percent of agents). It goes on to say: It is nevertheless remarkable that 40 percent of all agents were in favour of a change (proprietors: 28 percent), with the percentage rising to 45 percent for agents with a medium level of OHIM activities.

The results of the survey demonstrate that opinions are divided on the issue whether the use requirement in its present form efficiently reduces the number of protected trademarks, but the last mentioned figures make it clear that a problem is at least perceived to exist. The issue seems closely connected they say with the topic of “cluttering”, which is also judged very differently by representatives of stakeholders, especially among the legal profession.

The Study addresses the issue, including the difficulties to find conclusive evidence on one or the other position, [in Part III Chapter 1 D III]. While the Study does not propose any substantial changes concerning the use requirement in its present form, it does suggest a number of measures against the risk of cluttering, such as an additional class fee for each class (as compared to the current fee system for OHIM which includes three classes in the basic fee), some adaptations as regards the use of class headings, and the general requirement that registration of a trademark requires an intent of use, even though that intent must be realised only after the expiry of the grace period. That is, I think, a poor translation for saying the use is only obligatory immediately following the 5 year period after registration.

The Study also considered the introduction of a declaration of use, which would clearly be effective in reducing the number of registered trademarks which are not actually used. However, no reliable statistics are available showing the number of trademarks which remain unused after the initial five-year grace period. Furthermore, such a declaration, which currently is required in only very few countries, and in none of the Member States of the

European Union, would increase the burden on trademark proprietors, as well as on the trademark offices. The introduction of such a use declaration should remain an “ultima ratio” option, they say, if the number of unused trademarks remaining in the registers would create serious problems.”¹⁴ I read this to be a reference to National registers.

F. Enforcement of requirement of genuine use

In relation to the OHIM response to the claim of cluttering, I want to return to the not ideal solution of revocation or cancellation proceedings now for a moment. As I mentioned earlier, the requirement of genuine use is not an absolute requirement in order to secure trademark registration: instead, if a trademark is not used and is a stumbling block, the use sanction is enforced via the revocation system. I use revocation to cover all forms of cancellation. As a start, A number of problems are apparent in this respect, as Bugge & Gregersen state that:-

“It can be established that there is some uncertainty as regards the interpretation and application of the rules on requirement of use, including as regard priority disputes and the concepts “genuine use” and “proper reasons for non-use”. Practice and theory in a number of the EU/EEA countries having introduced rules of requirement of use a long time ago are often mutually inconsistent and the harmonisation intended by the Directive has not been fully implemented, now more than nine years after all Member States have implemented the Directive.”¹⁵

I start with the Directive. Article 51(1)(a) [of the Directive] provides that failure to comply with the genuine use requirement will be a ground for revoking a community trademark on application to the OHIM or on the basis of a counterclaim in the infringement procedures.¹⁶ It states:-

“1. The rights of the proprietor of the Community trademark shall be declared to be revoked on application to the Office or on the basis of a counterclaim in infringement proceedings:

¹⁴ Max Planck Institution for Intellectual Property and Competition law, Study on the Overall functioning of the European Trade Mark System, 15.02.2011 at p. 270

¹⁵ Bugge and Gregersen, “Requirement of use of trade marks” 2003 *European Intellectual Property Review* 309 at 321

¹⁶ See Ficsor, Global Assessment of the European trade Mark Systems: the Viewpoint of the Administration, 29th Annual Conference of the European Communities Trademark Association, June 2010 at p. 5

(a) if, within a continuous period of five years, the trademark has not been put to genuine use in the Community in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; however, no person may claim that the proprietor's rights in a Community trademark should be revoked where, during the interval between expiry of the five-year period and filing of the application or counterclaim, genuine use of the trademark has been started or resumed; the commencement or resumption of use within a period of three months preceding the filing of the application or counterclaim which began at the earliest on expiry of the continuous period of five years of non-use shall, however, be disregarded where preparations for the commencement or resumption occur only after the proprietor becomes aware that the application or counterclaim may be filed;"

and two other grounds not of relevance.

Gibbons comments that the purpose of revocation is to "weed out unused trademarks from the register."¹⁷ The onus in establishing use rests with the trademark proprietor.

Revocation action can be defeated if it is possible to show that there were proper reasons for non-use. In *Hapul v Lidl Stiftung* [2007] ETMR 61 the ECJ stated:-

*"obstacles having sufficiently direct relationship with a trademark marking its use impossible or unreasonable, and which arise independently of the will of the proprietor of that mark, may be described as 'proper reasons for non-use' of that mark."*¹⁸

More interestingly for me is Art. 42(2) of the Regulation which it is claimed provides that an opposition is to be rejected if it is based on a CTM where genuine use is not proven. That sound great, but what the provision actually says is:

"If the applicant so requests, the proprietor of an earlier Community trademark who has given notice of opposition shall furnish proof that, during the period of five years preceding the date of publication of the Community trademark application, the earlier Community trademark has been put to genuine use in the Community in connection with the goods or services in respect of which it is registered and which he cites as justification for his

¹⁷ Gibbons, Trade Marks Law, (Oaktree Press, 2009) at p. 281

¹⁸ See Clark, Smyth & Hall, Intellectual Property Law in Ireland, 3rd Edition (Dublin, 2010) at para. 35.17

opposition, or that there are proper reasons for non-use, provided the earlier Community trademark has at that date been registered for not less than five years. In the absence of proof to this effect, the opposition shall be rejected. If the earlier Community trademark has been used in relation to part only of the goods or services for which it is registered it shall, for the purposes of the examination of the opposition, be deemed to be registered in respect only of that part of the goods or services.”

It will be seen that in the latter situation, it is only if the “applicant so requests”, that the proprietor may have to establish use. Now of course it is likely to be the case in most opposition proceedings that this would be required by an applicant whose application is opposed. But why, if the rationale is to weed out unused marks, or to avoid cluttering, or to avoid undue restrictions on a new entrant, is there not an automatic obligation placed on a trademark proprietor by the Regulation providing that, if he wishes to oppose, he must first show that he has, in fact, used the trademark, he is relying on, or has good reasons for not using, in particular where there is no requirement pre registration to establish this, and where a renewal period is ten years, and which, in order to avoid revocation proceedings, he must use within a five year period of his registration?

Articles 57(2) and 100(5) of the Regulation provide the same in respect of applications for declarations of invalidity and to counterclaims for a declaration of invalidity, but subject to the same requirement that the applicant must put the proprietor on proof. I cannot see any justification for this form of “soft” obligation of proof of use.

G. Bad Faith

One of the few last topics I wish to cover is bad faith. Another possible sanction for lack of genuine use is proffered by Clark and Smyth who suggest, in the context of the Irish trademark system, that the requirement of intention to use, if absent, would constitute an application made in bad faith, under the applicable provision. They comment that:-

“Section 37(2) of the Act of 1996 provides that an applicant must state that the trademark is being used or that the applicant has a bona fide intention that it should be so used. This provision appears to have no teeth because it is not specifically identified as one of the absolute grounds for refusing registration. However, it must follow that an application to register without a bona fide

*intention to use is likely to be considered as an application made in bad faith.*¹⁹

They cite *Imperial Group Ltd. v Phillip Morris & Co. Ltd* [1982] FSR 72, well known to all of you, as authority for the principle that registration of a “ghost mark” is not bona fide. Many of you who are practitioners are very familiar with the case. In it, your Court of Appeal “equated the words “bona fide” with the need for use to be genuine use, i.e., use in the context of a course of trading embarked upon as an end in itself and not as embracing an activity which, although in the nature of trading, is in reality subordinate to a wholly independent objective.”²⁰ I am not personally convinced it is really the best example of a bad faith case, but that is what is invoked.

In a CTM context, the OHM paper “Contribution to the Study on the Overall Functioning of the Trade Mark System in Europe”²¹ (its contribution to the Max Planck Study) considered whether a ground of “bad faith” be added, in my view at a very odd stage, to the list of absolute grounds for refusal? It states at pp 269-270 that:

“The Study has not found evidence that to include applications filed in bad faith in the catalogue of absolute grounds for refusal would yield specific benefits to the users. The majority of comments emphasized that examination of bad faith usually involves quite complex assessments, and that most frequently, offices have to rely on information provided by aggrieved parties in order to address the issue properly. It is therefore not proposed that bad faith should be examined ex-officio by OHIM as an absolute ground for refusal. However, the Study recognizes the importance of bad faith as an obstacle for protection. It therefore proposes with regard to the Trade Mark Directive that bad faith becomes a mandatory ground for refusal or cancellation.”

I think it would be next to impossible to establish, without huge resources, at application stage, that a trademark application was not *bona fide*, and imagine it might only be by sheer coincidence, or serendipity, or some blatant theft of a mark, that one could stumble on sufficient evidence to support a bad faith requirement at that stage. However, I am looking at this far removed from the trademark agents’ direct knowledge of the reality of such cases, and would welcome views on it.

¹⁹ Clark & Smyth, Intellectual Property Law in Ireland, (Dublin, 1997) at para. 28.16

²⁰ Clark & Smyth, Intellectual Property Law in Ireland, (Dublin, 1997) at para. 28.16

²¹ Available at

http://oami.europa.eu/ows/rw/resource/documents/OHIM/OHIMPublications/ohim_contribution.pdf

H. Requirement of use and competition law

Finally, I reach one of the areas I consider to be of growing importance, and one which I think will likely lead to significant case law, both nationally and at ECJ level. In relation to the requirement of use and the interface with competition law, the recent Max Planck Study, stated:-

“The scope of exclusive rights and in particular the requirement that a mark must be used as a mark also figured as themes of a workshop held within the framework of this Study with trademark experts from the international academic community. There was general agreement among participants that the current jurisprudence of the ECJ in respect of those issues is neither consistent nor satisfactory. However, no consensus was reached as to the manner in which more transparency and consistency can be achieved. While it was held by some that ‘use as a mark’ should be interpreted as broadly as possibly in order to encompass all possible modes of trademark use under the provisions of trademark law, others warned against extending trademark protection too far, as it might lead to an increase in the prohibitive power of trademark holders at the expense of free competition and consumer information. Against that, it was held that only by providing common legal ground for all possible modes of trademark uses under the umbrella of trademark law, could it be avoided that marketing practices typically extending over national borders such as trademark use on the Internet, are adjudicated differently under national unfair competition law or similar regulations, and that a mosaic approach must be applied in cases of such uses being made of CTM’s. Regarding the necessary balance which must be maintained between the interests of proprietors and those of consumers and other market actors, it was emphasized on the one hand that this could best be achieved by strengthening and extending, where necessary, the limitations and exceptions to the rights conferred. On the other hand, it was contended that some modes of use which should generally fall under trademark law, such as use of a mark to identify goods and services as those of the proprietor (referential or nominal use), should not even be considered as infringement in the first place, unless they do not comply with honest commercial practices, meaning that the burden of showing unfairness should rest on the trademark holder, instead of shifting to the alleged infringer, as is usually the case with regard to defences such as limitations and exceptions. Further in this context, it was stated that it

is not for trademark law alone to provide a full and satisfactory catalogue of limitations and exceptions, but that this also depends on the contents of adjacent regulations, such as Directive 2006/114 on comparative advertising. For instance, the fact that it had been prohibited in L'Oréal/Bellure to use another person's trademark on a chart comparing the smells of perfumes was not primarily caused by a (too far-reaching) extension of trademark law as such, but rather resulted from Article 4 (1) (g) Directive 2006/114 which had been created for exactly that purpose.”

I will be very interested to hear any comments on the several matters included in this last paragraph under the competition heading. I see I think a certain element of enforced restriction on the existence of, and, in particular, on the use or exercise of trademark rights. I note that at least the trademark rights are not referred to as “*a monopoly*”, unlike the commentary from the Danish Patent Office on the ONEL case. There is a tendency to accuse, in particular large corporations – of being anti-competitive, without I think in fairness, any real or substantial underpinning of this with facts or studies. The statements in the Max Planck Study do not, I think, justify the conclusions reached, and certainly should not do so on the basis of consultation exclusively with the academic establishment alone.

But I suspect that at continental European level, I am just “wasting my sweetness in the desert air” as one of my very old fashioned teacher nuns used to say to the girls in my class in school a very long time ago, when endeavouring to drum into us some extraordinarily boring rules of French grammar or Latin text or some such. A wider consultation with a wider number of experts, judges, advocates, trade mark agents/attorneys, national registration offices and OHM and trade mark proprietors, might yield a more balanced and perhaps more “real” approach to the problem, or even if there is a real problem if trademarks are used as intended, that is to say, as a legitimate, valuable and perfectly lawful means for the proper promotion of business.

So there I leave it, friends and very kind listeners. I hope it has given you something to think about. I wanted to pick a topic which would lend itself to further academic consideration and perhaps the beginnings of a MASTERS/doctoral thesis, because, after all, this is an enormously important academic institution and what the late Sir Hugh Laddie's involvement with this institution is all about.