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The New European Union Trademark Law

LUIS-ALFONSO DURÁN*

I. INTRODUCTION

One of the goals of the Treaty of Rome¹, which created the European Union, was to establish within the European countries that belong to this Union,² a single market without internal barriers that might restrict the free movement of goods and services.

To this end, one of the most ambitious projects initiated by the Commission of the European Union was the creation of the so-called "Community Trademark".

The objective of the project was the development of a trademark registration system that would grant to the holder of the trademark an exclusive right of protection on that trademark in all the countries of the European Union simultaneously. This right was to coexist with the national trademark rights already granted under the current trademark laws of each Member State.

For specialists in trademark law, it is evident that this objective was not an easy one. First, the existence of the different languages, cultures and degrees of development among the European countries creates significant difficulties. Second, the national trademark laws in the various countries of the European Union differ in many aspects. Each has different application and registration requirements, varying timeframes, and distinct conflict resolution criteria. Most significantly, however, the existence of a trademark office in each country of the European Union permits some trademarks to be registered in the names of different owners in different countries. Since the national laws grant each trademark an exclusive right to that mark in the granting country, obvious trademark ownership problems result among countries.

To resolve these problems, thirty years of intensive work and discussions were needed. From 1964, when the first text of the Community Trademark Regulation was available, until December 20, 1993, when the Council of the European Union approved the new regulations, the draft-

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1. Treaty of Rome of March 25, 1957 creating the European Economic Community.

2. 15 countries, as of January 1, 1995, including: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Holland, Ireland, Italy, Luxembourg, Portugal, Spain and Sweden [hereinafter Member States].

ers of the Community Trademark Regulation met to negotiate and evaluate solutions. This hard work yielded two legal instruments: 1) a Directive, promulgated so that Member States' trademark laws might be harmonized, and 2) a Regulation, created to enable registration and protection of Community Trademarks. The purpose of this article is to discuss these instruments and to describe, for legal practitioners around the world, how to use them. To do this, Section II details the Directive, while Section III discusses the Regulation. Section IV describes the application and registration process and Section V outlines potential ways in which one can be denied or lose a Community Trademark. Section VI then discusses the exhaustion of rights and use requirements, while Section VII describes Community Trademark conflict resolution, including the newly named Community Trademark Courts. Section VIII reiterates the effects and characteristics of the Community Trademark and Section IX concludes the article.

II. THE DIRECTIVE

The Trademark Directive³, approved on December 21, 1988, orders all European Community Countries to adapt their national trademark laws to certain specific harmonized concepts within a set time limit. The time limit expired on December 21, 1992. Most of the Member States have adapted their national trademark laws to these harmonized criteria, although not all within the time limit prescribed. For example, in the United Kingdom, the new Trademark Law was only brought into force on October 31, 1994; the new German Trademark Law was enacted on January 1, 1995. The Spanish Trademark Law, on the other hand, was the first to be harmonized. It was approved on November 10, 1988 and came into force on May 12, 1989. The only problem is that the Spanish Trademark Law was approved one month before the final text of the Directive, so small discrepancies exist that must be adapted. According to the Spanish Patent and Trademark Office, these changes will be made in the near future.

The harmonized concepts include the: 1) definition of what can be registered as a trademark; 2) rights conferred by a trademark; 3) conditions on use of a trademark, especially, cancellation for lack of use; 4) exhaustion of the rights; and 5) grounds for refusal, invalidation, or revocation of a trademark. The Directive, however, does give a certain degree of freedom to the national countries to legislate in different ways some aspects of their trademark laws, such as, the procedural system.

This Directive was absolutely necessary in order to coordinate two existing alternative routes for protecting trademarks within the European Union: 1) the national systems and 2) the Community system; and to avoid discrimination against applicants following one or the other route.

3. Council Directive 89/104 of December 21, 1988, to approximate the laws of the Member States relating to trademarks, 1989 O.J. L40 (February 11, 1989).

III. THE REGULATION

The European Council's Regulation on the Community Trademark⁴ was approved on December 20, 1993, and came into force on March 15, 1994. However, because the system requires the creation of an Office to deal with Community Trademark applications, it is not possible to apply for these registrations until the Office becomes operative. The anticipated date of operation is January 1, 1996, although all trademark applications filed during the first three months will have the same filing date, i.e., April 1, 1996.

A. *Location of The Office*

The first step in the establishment an Office to facilitate the trademark system was the selection of the site of the Office. The location of the Office was a political issue because the countries of the European Union had to choose not only the site of the Trademark Office, but also the site of several other Community offices as well. Understandably, the different countries wanted to have an equal distribution of these Community offices, so each site selection relied on all other site selections.

This problem was solved in a meeting of the Presidents of the Member Countries which took place in Brussels on October 29, 1993. During this meeting, the site of several offices of the European Union was decided, including the decision that the office for the Community Trademark, called the "Office for the Harmonization in the Internal Market" (OHIM) (Trademarks and Designs) would be located in Spain. On November 5, 1993, the Spanish Cabinet decided to locate the new office in the City of Alicante.

The OHIM is already proceeding with its initial steps of organizing the administrative and legal bodies needed to deal with the Community Trademark applications. A provisional building has been inaugurated in Alicante, which will be replaced by a new 4000 square meter building to be constructed in the neighborhood of the Alicante International Airport. The new building will allow sufficient space for the OHIM to deal not only with Community Trademarks but also with Community Designs.⁵

4. Council Regulation 40/94 of December 20, 1993 on the Community trademark, 1994 O.J. L11 (January 14, 1994), [hereinafter EEC Regulation].

5. An issue that parallels Community Trademarks is that of Community Designs. One of the most important issues to be decided is the protection granted by Community Designs for spare parts. A dispute exists between manufacturers of motor vehicles and manufacturers of spare parts. The manufacturers of motor vehicles want the spare parts to have the same degree of protection as any other design, while the spare parts manufacturers wish to restrict this exclusive right to three years.

The OHIM will deal with both Community Trademarks and Community Designs, since the steps to be used for each are similar. A draft of the Designs Directive, to harmonize the pertinent national legal systems in the various Member States has already been prepared, anticipating a Regulation establishing a Community Design. The drafts of these texts are already being discussed in the European Parliament and several proposals for amendments

B. *Staff*

The already appointed President of the Office is Mr. Combaldieu, former President of the French Patent Office. Two Vice Presidents have also been appointed, Mr. von Mühlendahl from Germany, for legal matters, and Mr. Casado from Spain, for administrative matters. The President of the Administrative Council is Mr. Mota Maia, current Director of the Portuguese Patent Office. As far as the other personnel of the Office is concerned, in 1994 there were 32 persons working in the Office and the budget for 1995 approved an increase up to 75 people.

C. *Languages*

A second problem in establishing the OHIM, was "what languages were to be used in the Office?" It was considered too expensive and complicated to have the Office dealing with applications in all of the official languages of the European Union, now 11, but no country wanted to renounce the use of its own language.

This problems was also solved at the meeting of the Presidents of the Member Countries in Brussels on October 29, 1993. It was decided that the Office would deal in five official languages: English, French, German, Spanish and Italian.

According to the provisions of the Council's Regulation on the Community Trademark, an applicant will be able to file their applications in *any* language of the European Union, called the first language of the application. However, applicants will also be required to designate a second language, selected from the five official languages. If the language selected by the applicant as its first language is not one of the five official languages, the Office will then correspond with the applicant in the selected second language.

Opposition, revocation or invalidation proceedings must also be filed in one of the five official languages. However, if the language selected by the opponent or the plaintiff does not coincide with the first or second language of the challenged Community Trademark, the opponent will be required to submit a translation into the first or second language designated in the application and this language shall become the language of the proceedings.

D. *Official Fees*

The Commission also has prepared a draft proposal for the official fees to be charged by the OHIM. These include fees for: 1) filing, 2) registration, 3) opposition, 4) appeal and 5) renewal of a Community Trademark. Using a conversion rate of one European currency unit (ECU) to \$1.27 U.S., the filing fee for a trademark, including up to three classes,

have been made. Decisions are yet to be made.

will be approximately \$900 U.S., with an extra fee of \$250 U.S. per each additional class.

The registration fee for a Community Trademark of up to three classes will be approximately \$1,400 U.S., with an extra fee of \$250 U.S. per each additional class. The opposition fee will be around \$450 U.S., the appeal fee will be approximately \$1,000 U.S., and the renewal fee will be about \$2,200 U.S. for a trademark up to three classes, with an extra fee of \$640 U.S. per each additional class.

IV. THE APPLICATION AND REGISTRATION PROCESS

As mentioned before, the first applications for a Community Trademark could be filed on January 1, 1996, but all applications filed within the first three months of opening the Office will bear exactly the same filing date, i.e. April 1, 1996.

In anticipation of these applications, the European Commission is currently preparing the final texts of the: 1) "Implementing Regulations", 2) "Fees Regulation", and 3) the Guidelines for Examination. Drafts of these texts are actively drawing comments from interested circles. The final results will be critical because they will define the requirements for Community Trademark registrations in areas such as descriptiveness, risk of confusion and association between two trademarks.

A. *Who Can File Community Trademarks*

The Community Trademark will be available for applicants who are natural or legal persons and citizens of countries: 1) in the European Union, b) in the Paris Convention, 3) in the Agreement establishing the World Trade Organization, or 4) that provide reciprocity to the European Community countries as far as trademark registration is concerned⁶. This means that this is an open system, in contrast to the Madrid Agreement system or the Protocol. It will also be available to applicants from the United States as an alternative system of protection to the existing separate national systems.

B. *Representation*

The system provides⁷ for representation, to be undertaken by professional representatives who should be legal practitioners qualified in one of the Member States and having their place of business within the Community. Applicants not having their domicile or principal place of business or a real and effective industrial or commercial establishment in the European Union should be represented by a professional representative.

6. EEC Regulation, art. 5. The inclusion of parties to the Agreement establishing the World Trade Organization occurred in an amendment to the EEC Regulation, Council Regulation 3288/94 of 22 December 1994, 994 O.J. L349 (December 31, 1994).

7. EEC Regulation, arts. 88 and 89.

C. *Claim of Seniority*

It will be possible for an applicant of a Community Trademark to claim seniority of its earlier trademarks registered in different Member States, including a trademark registered in the Benelux countries or under the Madrid Agreement, whenever the trademark registration is identical and has been applied for in respect to the same or a part of the same goods or services.⁸

The seniority shall have the sole effect that when the proprietor of the Community Trademark surrenders the earlier trademark or allows it to lapse, he shall be deemed to continue to have the same rights as he would have had if the earlier trademark had continued to be registered. The claim of seniority of earlier national registrations can be made either at the moment of filing the application, during prosecution or even after the Community Trademark has been registered.

D. *Different Approaches to Obtain a Community Trademark*

The combination of the claim of seniority with the Community Trademarks makes it possible for applicants to use, for example, the following approaches to obtain a trademark registration:

1) One approach to trademark application is to first file separate applications for national registrations in each or several European Union countries, or for an international registration under the Madrid Protocol. Once the registration in all or most countries of the European Union has been obtained, then to apply for a Community Trademark application claiming seniority of these older registrations. In this case, it is to be expected that few problems will arise in connection with the Community Trademark application.

2) The second approach is to apply initially for a Community Trademark. This approach allows applicants to make a single application for a trademark, valid in all the countries of the European Union, rather than having to make separate applications in each country, as was necessary in the past. However, it risks the possibility that the trademark application could be rejected if the owner of another identical or similar trademark for identical or similar goods existing in any of the countries of the European Union opposes the Community Trademark application. The applicant could then be forced to convert the Community Trademark into national registrations. This is not a risk if the applicant already owns trademark protection in all the European Union countries and claims seniority from them.

E. *Grounds for Refusal: Absolute and Relative Grounds*

Two basic groups of "grounds for refusal" exist. One is called "abso-

8. EEC Regulation, art. 34.

lute grounds for refusal"⁹, and consists of grounds where the trademark is not intrinsically registrable, as for example, when the trademark is devoid of distinctive character, or when the trademark designates or indicates the kind, quality, or quantity of goods. The second is known as "relative grounds for refusal"¹⁰ which includes reasons for refusal, such as, the existence of older Community or national trademarks or other exclusive prior rights.

F. *The Registration System*

Once the Community Trademark is filed, which can be done either at the OHIM office in Alicante or at the national offices of the European Union countries,¹¹ the application will be subjected to an examination of its formal aspects. If the application is found to be in order, the Office will proceed to its examination based on absolute grounds for refusal. If objections are raised in this connection, they will be communicated to the applicant by means of an official action and a term will be given for reply.

When the application is considered in order and ready to be regularly processed, the Office makes a search among earlier Community Trademarks, and prepares a search report for the applicant stating those Community Trademarks which might constitute an obstacle for the registration of the new one. At the same time, national offices wishing to do so, are able to make a search of their national trademarks. The OHIM will transmit to the applicant, the results of both the Community and national search reports. Subsequently, the Office will publish the Community Trademark application in the Official Gazette, and inform the proprietors of any earlier Community Trademarks cited in the search report, of the new Community Trademark application so that they are able to oppose the new application, if they wish to do so.

This notification is not compulsorily made for the registrations located through national searches.

V. POTENTIAL DENIAL OR LOSS OF A COMMUNITY TRADEMARK

A. *Observations and Oppositions*

After publication of the application in the Official Gazette, any third party may file observations, relating absolute grounds for refusal.¹² For a period of three months after publication, any third party may also enter an opposition to the application on the grounds that the opposer holds

9. EEC Regulation, art. 7.

10. EEC Regulation, art. 8.

11. EEC Regulation, art. 25. If the application is not filed at the OHIM in Alicante but rather is filed at a national office, the national office will have to send the file to the OHIM in Alicante within two weeks. If the file is not received at the OHIM in Alicante within one month after its filing at the National Office, the Application is deemed to be withdrawn (article 25, section 3).

12. EEC Regulation, art. 41.

earlier rights on the trademark sought to be registered.¹³ The system thus requires that the holders of existing national rights watch new Community Trademark applications for opposition purposes. It is, therefore, very important for holders of trademarks to establish proper monitoring services so they will not miss the opportunity to defend their existing rights.

Whenever oppositions are entered, the Office (OHIM) will transmit the corresponding opposition briefs to the applicant giving him a set time for reply and, after the reply, a decision will be made on the application. The decisions of the Office will be subject to appeal before the Board of Appeals of the OHIM and the Board's appellate decisions may, in turn, be brought before the Court of Justice of the European Communities for a final decision.

If a Community Trademark does not receive any opposition or if the opposition has been withdrawn or dismissed, the Trademark is registered.

B. *Revocation and/or Invalidation*

The system also provides for the possibility of applying for the revocation and/or invalidation of a Community Trademark.¹⁴ The period for requesting the invalidation on absolute grounds of refusal has no time limit, while actions on relative grounds, such as prior rights, have a limitation as a consequence of acquiescence¹⁵. Where the proprietor of a Community Trademark has acquiesced for a period of five successive years to the use of a younger Community Trademark in the European Union, while being aware of such use, he shall no longer be entitled, on the basis of his earlier trademark, either to apply for a declaration that the trademark is invalid or to oppose the use of the trademark in respect of the goods or services for which the trademark has been used, unless the registration of the Community Trademark was applied for in bad faith.

C. *Costs*

The system provides¹⁶ that the losing party in opposition, revocation and invalidation proceedings shall bear all of the costs and fees incurred by both parties. "Costs" are defined as all expenses essential to the proceedings, including travel and subsistence, and the remuneration of an agent, adviser or lawyer, within the time limits and rates set for each category, under the conditions provided in the Fees Implementing Regulations.

13. EEC Regulation, art. 42.

14. EEC Regulation, arts. 50 to 52.

15. EEC Regulation, art. 53.

16. EEC Regulation, art. 81.

VI. EXHAUSTION OF RIGHTS AND USE REQUIREMENTS

A. *Exhaustion of Rights*

The Regulation provides for the exhaustion of rights conferred by a Community Trademark,¹⁷ establishing that the Community Trademark shall not entitle its proprietor to prohibit its use in relation to goods which have been put on the market in any Member State under the trademark by the proprietor of the same or with his consent.

B. *Use Requirements*

The Regulation further provides that if a Community Trademark is not used within five consecutive years, it will be open to cancellation for lack of use¹⁸. This rule is also included in the Directive, so that all the Member States will have the same obligation as far as the "use requirement" is concerned.

There is, however, a main difference between the "use requirement" for national rights and for the Community Trademark. Statement 9 on article 15 of the Regulation provides that the Council and the Commission consider that genuine use in one country of the European Union qualifies for genuine use in the whole territory of the European Union. This means that it is not required that a Community Trademark be used in all of the Member States. This is an important advantage of the Community Trademark because use in one Member State might be sufficient to avoid cancellation for lack of use in other European Union countries.

VII. TRADEMARK CONFLICT RESOLUTION

A. *Community Trademark Courts*

The Regulation provides that member countries shall designate in their territories a limited number of national courts and tribunals of first and second instance that will be called "Community Trademark Courts".¹⁹

These Courts will be the only courts entitled to deal with²⁰:

- 1) Infringement actions relating to Community Trademarks.
- 2) Actions for declaration of non-infringement, if permitted by the national laws.
- 3) Actions requesting damages under the provisional protection granted by a Community Trademark application between publication and registration.
- 4) Counterclaims for revocation or invalidation of Trademarks. This

17. EEC Regulation, art. 13.

18. EEC Regulation, art. 15.

19. EEC Regulation, art. 91.

20. EEC Regulation, art. 92.

means that the Community Courts can only deal with revocation or invalidation actions as a consequence of counterclaims filed by the defendant of an infringement action. Otherwise, the actions for revocation or invalidation must be filed with the OHIM in Alicante who will be the only body entitled to deal with these actions.

B. *Jurisdiction*

Infringement actions should be filed before the Community Trademark Courts of the country of the defendant or of any country where he has an establishment. If the defendant does not have a domicile or an establishment in a Member State, the action should be filed in the country of the plaintiff, provided it is a Member State.

If neither the defendant nor the plaintiff have a domicile or an establishment in a country of the European Union, the action should be filed with a Community Trademark Court in Spain, where the OHIM is located. This means, for example, that a U.S. company wishing to sue a Japanese company, neither of which are domiciliaries in a Member State, should file and prosecute the action in a Spanish Community Trademark Court.

VIII. EFFECTS AND CHARACTERISTICS OF THE COMMUNITY TRADEMARK

The Regulation grants the owner of a Community Trademark the privilege of: 1) enjoying an exclusive right on the trademark in all the countries of the Community, 2) preventing other parties not having his consent from using the trademark in the course of trade,²¹ and 3) granting license rights in some or all of the community countries on the trademark for some or all of the goods or services for which it is registered. The license may be exclusive or non-exclusive. The legal effects of an assignment or a license derives only vis-a-vis third parties in all the Member States after entry in the register. Nevertheless, they have effect even before it is so entered, vis-a-vis third parties, who have acquired rights in the trademark after the date of the assignment or license, but who had notice of the acts at the date on which the rights were acquired.

A. *Unitary Character*

As mentioned, the Community Trademark Regulation establishes a single trademark valid for all the countries of the European Union. The trademark will be granted by a single *organism*, the OHIM, and be maintained, renewed and revoked at the same time for the full Community. This Community Trademark shall have a "unitary character" and "equal effect" for the whole Community, and "shall not be registered, transferred, surrendered or the subject of a decision revoking the right of the

21. EEC Regulation, arts. 9 to 14.

proprietor, or declaring it invalid, nor shall its use be prohibited,"²² except for the whole Community.

Article 106 of the EEC Regulation allows for a related exception. Under this Article, the owner of a national trademark in one European country will be allowed to invoke national law to stop the use of a Community Trademark in his country without the need to request the cancellation of the Community Trademark.

B. *Coexistence with National Systems*

The Community Trademark will coexist with the existing national trademarks, as well as with other regional and international trademark systems, including the International Trademark according to the Madrid Agreement and the Madrid Protocol. In fact, because of the links between the Community Trademark and the Madrid Protocol, as soon as all the Member States ratify the Protocol, it will be possible to designate the Community Trademark within a Madrid Protocol International Trademark.

C. *Conversion into National Trademarks*

At the same time, it will be possible to convert the Community Trademark application or registration into a set of national trademark applications or registrations if the Community Trademark cannot be registered because of the existence of prior rights in some of the Member States.²³ Out of respect to the laws of the Member State, these national trademarks will retain the same date of filing or date of priority as that of the application for the Community Trademark.

IX. CONCLUSION

With the final approval of the Trademark Directive and Regulation, the European Union resolved years of problems with trademarks in Europe. It has made significant progress toward its goal of creating a Community Trademark to remove internal barriers that might restrict the free movement of goods and services among the European Community countries.

Although the system is not yet functional, and must prove itself under the realities of trademark practice, the holders of trademarks in the Member States must take note. The Community Trademark system will be operative in 1996, providing exciting opportunities for foreign and domestic trade within the European Union.

22. EEC Regulation, art. 1.

23. EEC Regulation, arts. 108 to 110.

