

Union – 50th anniversary
Pieter Veeze, Brussels, June 24, 2011

Dear Ladies and Gentlemen,

It is a great honour to have been invited to speak here today, on the 50th anniversary of your Association.

As I am sure everyone present here today did, I have read the Max Planck Study with great interest. In my opinion, the Study provides an excellent overview of the trademark landscape in Europe, and some very good ideas for possible improvements for the future. One of the most important aspects of the study is in my view already contained in its title: “Study on the Overall Functioning of the European Trade Mark System” and not “Study on the Overall Functioning of the Community Trade Mark System”. Although the CTM is, of course, a big success and an important means to get trademark protection in Europe, it is not *the* European system. There are other means to obtain protection – e.g. national and in case of the Benelux regional trademarks – which continue to be attractive for thousands and thousands of applicants on a yearly basis. I can assure you that our Benelux Office is, after 40 years of existence, “alive and kicking”. The *coexistence* between the different trademark systems in Europe plays an important role throughout the Study, and I believe that this is one of the reasons why it is such an important document.

I will of course not be able to discuss the whole study in 20 minutes, so I decided to focus on one element, which is in my view of the utmost importance for the coexistence of the systems and, in the end, for the successful functioning of the European trademark system as a whole: genuine use. Or to be more precise, territorial aspects of genuine use. You will probably all have guessed by now that I will discuss the famous ONEL-case.

But before I continue, I must make a clear statement: I admit my name is Pieter Veeze. I also admit that I am employed by the Benelux Office for Intellectual Property. I even admit being *rapporteur* of the opposition decision in the matter of ONEL vs. OMEL¹. However, I am here today as Pieter Veeze, the person, and not in my capacity of staff member of the Benelux Office. So anything I will say is attributable to myself and to me alone, and if my personal opinion happens to correspond with the opinion of my Office, this is no more than a coincidence.

ONEL: the facts

As I am sure everyone present here today knows, in the beginning of 2010, our Office issued an opposition decision which attracted quite a bit of attention: the ONEL case. I will very briefly summarize the facts, since I assume that they are not new for most of you.

An opposition was filed at our Office against the Benelux trademark OMEL for legal services, based on an earlier CTM for the mark ONEL, also for legal services. As you can see, both the marks and the services are similar or even identical. The earlier mark was registered as a CTM for more than five years, and the defendant demanded proof of use. He specifically added that he was aware of the use of the ONEL mark in the Netherlands – which is not surprising because ONEL is active in the IP consulting business for more than 40 years. Genuine use in the Netherlands

¹ BOIP, 2004448, 15.01.2010.

was, therefore, *in confesso* between the parties, and the request for proof of use only concerned other EU countries.

The opponent refused to submit proof of use and stated that this was superfluous, since both parties agreed that the mark had been genuinely used in the Netherlands. In his opinion, which he mainly based on the so-called “Joint statements”² and on OHIM’s opposition guidelines, genuine use in one single member state by definition implies genuine use of a CTM.

The defendant of course strongly disagreed.

So the legal issue that divided parties in this case is the interpretation of the words “in the Community” in article 15 CTMR³, and more precisely the question on whether the explanation in the Joint Statements – that genuine use in one country constitutes genuine use in the Community – is legally valid. As I am sure you all know, our Office answered this question in the negative. I will now explain on which grounds our decision is based.

ONEL: the arguments

As a true lawyer, I always read backwards, so I will start with the conclusion (points 37 and 38 of the decision). I have fully quoted them, since I have experienced that there is sometimes a misunderstanding about it:

37. Taking everything into consideration, the Office is of the opinion that the view contained in the Joint Statements stating that genuine use in one single country by definition results in genuine use in the Community, cannot be maintained.

38. The invoked right is a CTM and parties have admitted that it has only been used in the Netherlands. The services for which the invoked right is registered are destined at a large public located throughout the entire Community. Use in only the Netherlands can, given these facts, not be classified as normal use of the invoked right.

As you can see, I have underlined the words “by definition”. Many people seem not to have read those words very carefully. Our decision does not state that use in one member state is by definition not enough. It simply states that it is not by definition enough. This is, of course, something quite different.

In this case, the mark has been registered for legal services in the field of IP. The target public for those services can be found throughout the entire Community. The trademark has, however, only been used in the Netherlands, which represents (compared by population) less than 3,5% of the Community. Given these facts, we felt that the use was not enough to constitute genuine use in the Community.

So, what are the arguments for this decision? First of all, it recalls that the Joint Statements are not legally binding. In the decision, reference has been made to two

² Joint statements by the Council and the Commission of the European Communities entered into the minutes of the Council meeting at which the Regulation on the Community Trade Mark is adopted on 20 December 1993, OJ OHIM 1996, p. 615: “*The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.*”

³ Council Regulation (EC) No. 207/2009 dated 26 February 2009 on the Community Trade Mark.

ECJ cases, Antonissen⁴ and Praktiker Bau- und Heimwerkermärkte⁵. Reference could also be made to the LIBERTEL⁶ case:

24. The Council of the European Union and the Commission made a joint declaration, entered in the minutes of the Council meeting on the adoption of the Directive, that they 'consider that Article 2 does not exclude the possibility ... of registering as a trade mark a combination of colours or a single colour ... provided that they are capable of distinguishing the goods or services of one undertaking from those of other undertakings' (OHIM OJ No 5/96, p. 607).

25. However, that declaration cannot be used to interpret a provision of secondary legislation where, as in this case, no reference is made to the content thereof in the wording of the provision in question and it therefore has no legal significance (...). The Council and the Commission also explicitly recognised that limitation in the preamble to their declaration, which states as follows: 'Since the following statements of the Council and the Commission are not part of the legal text they are without prejudice to the interpretation of that text by the Court of Justice of the European Communities'.

26. Accordingly, it is for the Court to determine whether Article 2 of the Directive is to be interpreted as meaning that a colour per se is capable of constituting a trade mark.

It is, therefore, clear that the Joint Statements have no legal value. In article 15 CTMR, there is no indication whatsoever that the words "in the Community" actually mean "in one single member state", so it is (in the end) for the Court to decide on how these words must be interpreted.

Secondly, the decision states that the concerned Joint Statement is legally disputable, and that it is, at least, at odds with the second, third and sixth recitals in the preamble to the CTMR. I will quote the second and sixth recital for you:

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

"(6) The Community law relating to trade marks nevertheless does not replace the laws of the Member States on trade marks. It would not in fact appear to be justified to require undertakings to apply for registration of their trade marks as Community trade marks. National trade marks continue to be

⁴ ECJ, C-292/89, 26.02.1991.

⁵ ECJ, C-418/02, 07.07.2005.

⁶ ECJ, C-104/01, 06.05.2003.

necessary for those undertakings which do not want protection of their trade marks at Community level.
(underlining added)

I understand from these recitals that CTM's are meant for companies which adapt their activities to the scale of the Community, whereas national trademarks are meant for companies which are active on a smaller level. These different needs for protection are, I think, the basis for coexistence of the various systems.

Thirdly, the decision states that the Joint Statement contradicts with (the system of) the CTMR itself, more precisely with article 112 relating to conversion of a CTM into national marks. Paragraph 2, subsection a of this article provides that conversion shall not take place:

“where the rights of the proprietor of the [CTM] have been revoked on the grounds of non-use, unless in the Member State for which conversion is requested the [CTM] has been put to use which would be considered to be genuine use under the laws of that Member State”.

This provision would simply be pointless if genuine use in one member state would indeed by definition be sufficient in order to maintain a CTM, the more so as the concept of genuine use has been harmonized by the Trademark Directive⁷.

Fourthly, the decision recalls that, since the establishment of the CTMR, the factual and economic situation has changed dramatically. The EU has grown to 27 member states and further expansion is imminent. In a territory (currently) covering more than four million square kilometres and a (current) population of almost 500 million people, use in one member state only essentially boils down to merely local use. In our opinion, such use is not enough to justify such an extensive exclusive right.

Fifthly, the decision states that the Joint Statement could, in the end, even undermine the most important objectives of both the Directive (second recital in the preamble) and the Regulation (fourth recital in the preamble):

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

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

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)

⁷ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

further than the territory in which the mark is actually used, does form an obstacle for the free movement of goods and the freedom to provide services within the internal market. This is, in my view, obviously not what the legislator had in mind.

Sixthly and lastly, the decision contains what I would call an economic or “common sense” argument. It would simply be unfair if a company that only uses its mark on a local scale could block the entire EU market. It would be unfair if a locally active company would have to defend itself against another locally active company on the other side of the EU, simply because one of the parties “has chosen a coat which is much too large for him”. Let’s not forget that not all companies are multinationals, like Procter & Gamble. It is, on the contrary, an economic fact that most companies aren’t. Small and medium sized companies (SME’s) are often referred to as “the engine of the European economy” and represent a substantial part thereof. If all these companies were to choose such a broad protection, there would pretty soon not be much left for others.

To visualize what we are talking about, let’s take the example of the Grand Duchy of Luxembourg. I hope I am not offending anyone in this audience who is from that country, but our Director General, who was here yesterday and is a Luxembourg national, explicitly authorized me to use this example. In terms of population, Luxembourg represents 0.08% of the EU and in terms of area, it represents even less: 0.005%. A use on that scale would not constitute any more than just a purely local use. Yet, according to the Joint Statement, it would be enough to block the entire (or the other 99.995% of the) EU market. In my opinion, this is really excessive.

ONEL: the discussion

The discussion about genuine use of a CTM is, of course, not entirely new⁸. But the ONEL decision really seemed to “boost it up”.

Honestly speaking, we were a bit overwhelmed by the enormous amount of attention the decision generated, not only in the Benelux, not even only in the EU, but literally worldwide.

Within hours, discussions began on several internetfora. I really think this is a good example of how the internet has changed the information flow and especially the speed at which information flows. Discussion did not only take place on the internet, but also in many established international IP magazines.

And not only the press were interested, almost every users organization I had ever heard of has by now expressed an opinion on this matter. And so did some other offices. OHIM issued a press statement and several national offices have also reacted, either officially or unofficially. The matter has even been discussed in European Parliament.

I will not go into the details of each and every reaction we have seen. Partly because of a lack of time, but mainly because I think it is more interesting to stick with the arguments. And since I have already discussed most arguments in favour of the ONEL decision, I will now try to summarize the arguments I have heard from the

⁸ Some examples: Fabio Angelini and Luis-Alfonso Duran, in: Festschrift für Alexander von Mühlendahl, p. 303-317 and 333-341, François Griesmar (ECTA conference in Warsaw, 2006, to be found at www.ecta.org).

critics of our decision. There are, mainly, three arguments that I have seen more than once used by people who criticize the ONEL decision.

ONEL: arguments against the decision

The first argument I have heard from some critics is, so to say, “haven’t these morons at the Benelux Office read PAGO⁹?” Or in other words, if reputation in one country is already enough, genuine use in one country will certainly be sufficient. I am not convinced by this argument. Genuine use and reputation are totally different subjects, with a totally different *ratio legis*. Genuine use is about the existence of the right, and we know from cases like EUROPOLIS¹⁰ and BOUNTY¹¹ that this is a question of *all or nothing*. Reputation can lead to a broader protection, and we already knew from the CHEVY¹² case that this can very well be limited to a specific area or country. This is also how I interpret the recent DHL¹³ case.

The second critical argument I have heard, is that the decision would contradict the unitary character of the internal market, where national frontiers no longer exist. There is a short answer to that argument. In fact, it is not the ONEL decision that links genuine use to national frontiers, it is the Joint Statement that does, since it links genuine use to the territory of a single member state.

The third critical argument I have heard, is that the ONEL decision would discriminate against locally active SME’s, making it impossible for them to obtain a CTM. My answer to that can likewise be short: why on earth would a locally active SME want EU wide protection? The answer to that could be that the small company has growing aspirations and will perhaps eventually “grow into the coat that was initially too big”. The CTMR, in my view, offers a unique tool for that small start-up with big ambitions; he is offered five years to realise his dream (or even more, since these five years are to be counted from the date of registration). If it works out, he has no problem. If it does not work out, from a legal point of view he still has no problem; he can then simply convert his CTM into one or more national marks for the jurisdictions where he really needs protection.

More important, I think this last argument must in fact be turned around; it is not the SME that wants a CTM who is being discriminated by ONEL, it is, on the contrary, the SME that does choose a means of protection that suits his needs who is being discriminated by the Joint Statement. At the Benelux Office, in the last years we have seen a rising number of oppositions that are based on one or more CTM’s. Currently, the number is 55%. I really find it rather sad to realize that in all these cases, the Benelux applicant could risk losing his rights because of a megalomaniac competitor that’s active on the other side of the EU.

Genuine use: predicting the future

I now come to the last and hopefully most exciting part of this presentation: I will use my crystal ball and try to predict the future.

If there is one thing I am quite sure about, it is that this discussion will not simply fade away. There are conflicts between trademark owners on a daily basis and in many jurisdictions, and if there can be doubts about the amount of use made by a CTM

⁹ ECJ, C-301/07, 06.10.2009.

¹⁰ ECJ, C-108/05, 07.09.2006.

¹¹ CFI, T-28/08, 08.07.2009.

¹² ECJ, C-375/97, 14.09.1999.

¹³ ECJ, C-235/09, 12.04.2011.

proprietor, the other party will certainly not hesitate to invoke them. ONEL may have been the first decision on this matter, but it already isn't and will not remain the last one. This issue can and will occur in any jurisdiction, either before a Court, a trademark office or any other competent body, and they will then have to take a decision.

I therefore think there is an urgent need for clarity on this matter.

This clarity can, in my view, either come from Luxembourg or Brussels, or of course from both. The ECJ is ultimately competent to interpret the CTMR as it is today, the European legislator is competent to modify it for tomorrow, if it deems it necessary.

As you probably all now, the ONEL case has been appealed before the Hague Court of Appeal¹⁴, which has referred some questions to the ECJ¹⁵. So it will only be a matter of time before we get clarification from Luxembourg on the correct interpretation of the CTMR as it is.

Besides from that, a legislative solution from Brussels cannot be excluded.

In the Max Planck Study, although it indicates that there is not enough "hard evidence" for "cluttering" of trademark registers, the problem is clearly recognised and explicit reference is made to our ONEL decision. I must, however, add that the proposed solution – that CTMs which are only used locally and in very remote territories can co-exist after a certain number of years – does not seem very appealing to me. Mostly because it seems rather vague; how local is local, how remote is remote.... And since the trademark would remain in the register, this would lead to uncertain and unpredictable situations that last for ever and ever. Besides, I think this would place CTM owners located centrally in Europe in a stronger position than those who are active along the European borders and would therefore have a discriminating effect.

But anyways, like I said, the problem is clearly identified in the Max Planck Study and I am very curious to learn whether and if so in what manner the Commission will propose a legislative solution for it. I also heard that a majority of user associations, including yours, recognise the problem and have made some very interesting suggestions.

And there we come to the ultimate and most difficult question: our Office's decision in the ONEL case focuses on what degree of use is *not* enough to constitute genuine use of a CTM, but it is of course more interesting to learn the answer to the opposite question: what *is* enough? This is, of course, the most speculative part of this presentation.

We know from the past – good examples are the CHIEMSEE¹⁶ case, but also the three cases about genuine use, ANSUL¹⁷, LA MER¹⁸ and VITAFRUIT¹⁹ – that it is often difficult to get clear percentages or *de minimis* rules. My guess is, that it will be so in this case as well.

¹⁴ Case 200.057.983/01, 01.02.2011, available (in NL, FR and EN) on www.boip.int.

¹⁵ Case C-149/11.

¹⁶ ECJ, C-108/97, 04.05.1999.

¹⁷ ECJ, C-40/01, 11.03.2003.

¹⁸ ECJ, C-259/02, 16.10.2003.

¹⁹ ECJ, C-416/04, 11.05.2006.

Perhaps inspiration can be found in the earlier HIWATT²⁰ decision from the General Court. This is, if I am not mistaking, until now the only case in which a judge in Luxembourg has considered the geographical aspects of genuine use, and I quote:

37. Accordingly, not only does genuine use of a trade mark exclude artificial use for the purpose of maintaining the mark on the register; genuine use means that the mark must be present in a substantial part of the territory where it is protected, inter alia exercising its essential function, which is to identify the commercial origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent purchase (Case T-79/00 Rewe-Zentral v OHIM (LITE) [2002] ECR II-705, paragraph 26).

However, I am not quite sure whether this formula would indeed totally clarify the issue, since the wordings used in PAGO are dangerously similar, and we all know where that has brought us.

Another idea could be, like it has been proposed by UNION, to demand use “of more than local significance”, a wording which is inspired by Article 8 (4) CTMR. This certainly appears like an inventive and interesting idea to me. UNION has also underlined that whether or not the use is sufficient, must be decided by the competent court on a case by case basis, and I also agree with that.

But to be honest, I am not convinced that an “invented solution” is really necessary. Perhaps the answer is closer than we all think. In ANSUL, the ECJ considered:

“When assessing whether use of the trade mark 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 those goods or services, the characteristics of the market and the scale and frequency of use of the mark.”

In my opinion, if one would take account of all these facts and circumstances, the answer would clearly be different for a market of 500 million people than for a market that has a fraction of that population. So basically, I think the answer could lie in the case law of the ECJ itself. If *all the characteristics of the market concerned* – whether they are geographic, economic, sociologic, demographic or whatever – are properly taken into account – which must of course happen on a case by case basis – I think we could be on the right way to solve the problem.

Ladies and gentlemen, I feel I have said enough about this subject, and it is certainly enough for my “crystal ball”, so I am going to finalize my presentation.

Thank you very much for your attention!

²⁰ CFI, T-39/01, 12.12.2002.