

## **Preach for your own parish?**

By decision of 15 January last the Benelux Office for Intellectual Property (“BOIP”) dismissed an opposition of the (known) trademark agency ONEL (the official name of the holder of the trademark is LENO Merken B.V.) to the registration of OMEL for similar services as the BOIP was of the opinion that ONEL had not demonstrated genuine use of its Community trademark. It was found that ONEL had genuinely used its trademark in the Netherlands but not beyond.

The decision, meanwhile followed by a similar decision of the Hungarian trademark office, is incorrect. The decision implies that each and every user of a trademark in the Benelux who is uncertain as to whether he shall start using his trademark in other countries of the EU within a period of five years shall be obliged to register his trademark in the Benelux. Yet nothing is more uncertain than the future. Economic or other circumstances can (and in these days we see many examples of this) result in the fact that plans with regard to export are not being realised or that a party, after it has indeed become active beyond the Netherlands, is compelled to retreat to the home market. In all these instances, in the opinion of the BOIP, after a five-year period of use of the Community trademark exclusively in the Netherlands the Community trademark shall lapse. It does, however, not end here. After all, after the decision of the BOIP it is uncertain in how many countries it should then be used to be able to speak of genuine use. If I only use it in Belgium and the Netherlands then would this be sufficient or just in the Netherlands, Denmark, Sweden and Finland or should I use it in almost the whole of the European Union?

This uncertainty plays into the hands of national trademark offices. A trademark agent shall undoubtedly give the advice to, for the sake of certainty, file for the Benelux and for these other countries. It is therefore clear that this decision shall lead to a considerable increase in income of the national trademark offices and to considerable higher costs for, in particular, the smaller trademark holders.

ONEL did exactly what every modern and right-minded entrepreneur should do. ONEL transacts business in the European Union (after all, the Netherlands is part of this Union) and obtained a Community trademark. The advantage of this trademark is that it shall not lead to division of national markets and does therefore fully do justice to the free movement of goods (respectively services).

ONEL, opting for the obvious and from a European perspective preferred route, now comes away with a flea in its ear! Despite the fact that it fully made use of its trademark in the Netherlands, according to the BOIP it now loses its Community trademark rights!

Hence, ONEL should have applied for a Benelux registration with the risk that if after a couple of years it would have decided to expand its activities to other countries in Europe it would have been confronted with registrations of ONEL or similar signs by third parties. These kinds of new conflicting national registrations imply that despite the fact that the possibility of a Community trademark registration is available additional obstacles are created which impede the functioning of the European Union as it was meant to be, i.e. as one market (or better: country). The motivation of the BOIP for its decisions does (therefore) not hold water.

The decision already starts by consigning the clearly formulated wish of the countries of the EU upon the establishment of the Regulation to the dustbin. After all, in the so called Joint Statements the following is considered.

*“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.”*

Setting these Joint Statements aside takes place with reference to a decision of the Court of Justice ruling that these Joint Statements are non-binding. This is correct, in the Netherlands the legislative history is neither binding on the Court upon the interpretation of acts. It goes without saying that this does not imply that the Joint Statements (or in the Netherlands the legislative history) can immediately be consigned to the dustbin. Obviously they represent an important source of legislative interpretation. To put it briefly, only in case of good arguments can the Joint Statements be set aside.

In this context it is interesting to note that at an early stage in the history of the Community trademark it was proposed that there had to be question of use in a substantial part of the internal market. However, this concept was fully abandoned as it is actually fully at odds with the concept of one market and moreover discriminated against small and medium-sized enterprises. Hence, the following can be read in section 126 of the “Memorandum on the creation of an EEC trademark”.

*“As regards the territorial criterion of user requirements, notwithstanding the provisions of the 1964 Draft, use in the territory of a prescribed number of Member States should not be the determining factor. This criterion would run counter to the concept of the unity of the common market and to the fact that goods marketed by the trade mark owner can*

*circulate freely and without limitation throughout the common Market. Furthermore, the requirement that the EEC trade mark must be used in the territory of a specified number of Member States would render the acquisition and maintenance of EEC trademarks more difficult and would discriminate particularly against smaller and medium-sized firms. In addition, a rule based on particular territories of Member States would lead in individual cases to very different results in view of the Member States' respective size. For these reasons a provision would be more appropriate which required 'use in a substantial part of the common market, or a 'genuine use within the common market', and which left it to the Courts to determine in each case the extent or character of use necessary for the maintenance of trade mark rights. It should however suffice if the mark is used in the course of trade between Member States, though this need not be an express condition."*

To put it briefly, this clearly shows that the "Joint Statements" are in line with the prior history of the Regulation.

With regard to the Joint Statements the BOIP states the following:

*"It is furthermore noted that the consideration in the Joint Statements is legally disputable. The consideration is at least at odds with the second, third and sixth recital with the Community Trademark Regulation."*

Examination of the relevant recital does, however, not provide support for the opinion of the BOIP. The second recital reads as follows:

*"Whereas 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; whereas in order to create a market of this kind and make it increasingly a single market, not only must be 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; whereas for those purposes, trademarks 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."*

In this recital it is proposed that the same conditions must be created for an internal market as for a national market. What this means is elucidated in the following passage: there must be question of a unitary character which implies that the barriers to free movement must be removed thus ensuring that competition is not distorted. It is completely clear that if the objective of the Regulation is that the internal market starts

functioning as a national market, that it is of utmost importance to promote Community trademarks and to prevent the occurrence of more national trademarks. After all, the latter create additional barriers to free movements. Moreover, the outcome of the ONEL decision actually results in distortion of the competition. After all, the result is that a company in another area of the internal market can with impunity register a national trademark which has already been registered as a Community trademark even if said trademark has already acquired a reputation in another country of the Community.

In the present case the decision implies that, according to the BOIP, anyone can register the trademark OMEL as well as the trademark ONEL as a national trademark in, for example, France and Germany.

The second recital points to, apart from the foregoing, the fact that undertakings are enabled to immediately adapt their activities to the scale of the Community. Obviously Community trademarks are also useful for this purpose. Hence, this is an additional advantage yet this does by no means imply that if an undertaking does not (immediately) adapt its activities to the scale of the Community it cannot obtain a Community trademark but must proceed with the registration of a national trademark which distorts the objective of the unitary character (i.e. the realisation of a national market).

The BOIP then quotes the third recital:

*“Whereas action by the Community would appear to be necessary for the purpose of attaining the Community’s said objectives; whereas such action involves the creation of Community arrangements for trademarks whereby undertakings can by means of one procedural system obtain Community trademarks to which uniform protection is given and which produce their effects throughout the entire area of the Community; whereas the principle of the unitary character of the Community trade mark thus stated will apply unless otherwise provided for in this Regulation.”*

This actually confirms the objective of this unitary character and this can therefore not provide an argument to argue that the Joint Statements are in violation of (also) this recital.

The BOIP then points to the sixth recital:

*“Whereas the Community law relating to trade marks nevertheless does not replace the laws of the Member States on trademarks; whereas it would not in fact appear to be justified to require undertakings to apply for registration of their trademarks as Community trademarks; whereas national trade marks continue to be necessary for those undertakings which do not want protection of their trademarks at Community level.”*

It is clear that this recital neither offers support for the view of the BOIP.

Unfortunately in Europe the desired unity (the functioning as one country) cannot immediately be realised and the Regulation does not go so far that everybody is obliged to protect its trademarks via one Community registration yet this can clearly not imply that an entrepreneur who did without being obliged to do so make use of a Community registration is liable to loss of that trademark as it was allegedly used in a too limited part of the Union, i.e. one Member State (with 16 million inhabitants). This turns the world upside down. After all, this kind of entrepreneur stimulates the desired unity.

The significant importance of the realisation of one market without the barriers caused by national trademark rights also follows from the fourth recital which has not been quoted by the BOIP.

*“4. Whereas 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; whereas in order to open up unrestricted economic activity in the whole of the common market for the benefit of undertakings, trademarks need to be created which are governed by a uniform Community law directly applicable in all Member States.”*

The decision is also at odds with the Regulation itself, with the case-law of the Court of Justice and deviates from the decisions of the OHIM. A French Court has already indicated to be of a different opinion. Use exclusively in Greece was deemed sufficient<sup>1</sup>.

It is self-evident that conflicting decisions with regard to the same subject matter within the Community are undesirable. This is also explicitly expressed in the sixteenth recital of the Regulation. If, for example, the OHIM attributed a specific interpretation to the Community trademark right this shall not be binding on the local officials of a national trademark office yet it can at least be expected that these officials express that they deviate from the European standard and indicate why they feel compelled to break the legal unity.

If we look at the Regulation itself then article 15 requires only genuine use within the Community. It does not state in the Community as a whole or in a considerable part of the Community. It can hardly be said that ONEL did not genuinely make use of its trademark within the Community. Genuine use in the Netherlands with 16 million

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<sup>1</sup> Cour d'Appel de Paris 24 September 2008 in the case of Soriano vs. Bebe Stores.

inhabitants can impossibly be considered as nothing more than symbolic use within the Community.

The BOIP refers to article 112 paragraph 2 under (a) of the Regulation from which it becomes apparent that a Community trademark, if expired as a result of non-use, can be converted into a national trademark in the country where there is indeed question of genuine use. In the doctrine that genuine use in a Member State is sufficient for the preservation of the Community trademark this article would, according to the BOIP, be a dead letter. This does, however, provide all but a decisive argument. Yet apart from the fact that the words “governed by the national law” suggest that the criteria for genuine use in a specific country could deviate from the European standard (in respect of which the BOIP rightly noted that after the legislations had been harmonised as result of the Trademark Regulation that could no longer occur – so before this could occur! –) it must not be set aside that higher requirements can perhaps be imposed on the genuine use in a Member State to qualify for genuine use in the EU than imposed on the genuine use to preserve a national trademark. Suppose the trademark is exclusively used in the provinces of Groningen, Friesland and Drenthe. This is perhaps sufficient for genuine use in the Benelux but not to qualify for genuine use within the EU. The latter would then require genuine use in the majority of the Netherlands.

I am personally of the opinion that these kinds of subtle differences are undesirable and it is better to hold genuine use in a Member State sufficient to preserve the Community trademark. It is of utmost importance to Europe that the least possible national trademark rights are added. In that case there is moreover question of a clearer rule.

In no. 34 the BOIP considers:

*It is furthermore noted that putting the territory of the Community on par with that of one Member State can lead to undesirable and unjustifiable results. Since the implementation of the Community Trademark Regulation the EU has gradually expanded to 27 Member States and further expansion is imminent. The factual and economic context thus changed drastically. On a territory of (currently) more than 4 million cubic kilometres and a population of (currently) almost 500 million people, use in one Member State can essentially only boil down to regional use. This kind of use is, in the opinion of the Office, not sufficient to justify such an extensive exclusive right. This would neither do justice to the ninth recital of the Directive:*

*"Whereas 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; whereas it is necessary to provide that a trade mark cannot be invalidated on the basis of the existence of a non-used earlier trade*

*mark, while the Member States remain free to apply the same principle in respect of the registration of a trade mark or to provide that a trade mark may not be successfully invoked in infringement proceedings if it is established as a result of a plea that the trade mark could be revoked; whereas in all these cases it is up to the Member States to establish the applicable rules of procedure."*

This demonstrates that the BOIP is fully thinking along the national lines and does not realise that it is the intention that the European Union is going to function as one country. The reference to the ninth recital of, nota bene, the Directive is fully misplaced. It is indeed of utmost importance that in case of non-use national rights shall expire. This is particularly important on account of the fact that this kind of national right can frustrate the acquisition of Community trademarks. To put it briefly, multiple similar rights in various countries do not only lead to a large distortion of the free movement of goods but also to the impossibility to register a younger corresponding Community trademark. This is out of the question in case of a Community trademark. In conclusion, it is a sophism to in the present case argue on the basis of the Directive which is related to national trademarks.

Finally in legal ground 35 the BOIP considered as follows:

*"The recital in the Joint Statements would even undermine the most important objectives of both the Directive (second recital) and the Regulation (fourth recital):*

*The trademark legislation in the Member States dating back to before the entry into force of Directive 89/104/EEC contained differences which could obstruct the free movement of goods and the free movement of services and could distort the competitive conditions in the internal market. The legislation of the Member States therefore had to be adjusted in order to ensure the proper effect of the internal market. (second recital of the Directive, underlining added).*

*The approximation of the national statutory regulations is unable to remove the barriers of the territoriality of the rights which the legislation of the Member States attribute to the holders of trademarks. To enable the undertakings to unrestrictedly open up economic activity in the whole of the common market, the existence of trademarks which are governed by one single common legal regulation is required which is directly applicable in all Member States. (fourth recital of the Community Trademark Regulation, underlining added)."*

This also evidences that the BOIP failed to appreciate the fundamental freedoms on which the European Union has been founded. The BOIP is of the opinion that the free movement of goods is adversely affected if an entrepreneur established in another country where the Community trademark is not being used would not be able to use this

trademark. In the present case the free movement of goods is therefore, in the opinion of the BOIP, adversely affected owing to the fact that, by way of example, Les Mazes s.a.r.l., established in Gaillac, France, cannot make use of the trademark ONEL. However, there is actually question of the contrary! After all, it is actually this kind of registration by this kind of entrepreneur that leads to distortion of the free movement of goods. After all, in the present case this implies that the goods and services of ONEL can no longer freely circulate in the EU (after all, in my example Les Mazes s.a.r.l. will object to the supply of services under the ONEL trademark in France) and the same applies to the products and services in my example of Les Mazes s.a.r.l. which products and services cannot be sold in the Benelux.

As indicated, the decision of the BOIP is also at odds with the case-law of the Court of Justice.

In the Pago<sup>2</sup> decision the holder of the European trademark for Pago exclusively used its trademark in Austria and the trademark was well known there. The Court of Justice ruled that the reputation (the consequence of intensive use) in Austria is sufficient to assume that there is question of a known Community trademark. It is then completely in line with this to assume that genuine use in a Member State is sufficient to assume genuine use within the EU.

It is clear that as a result of this decision the Court of Justice underlined the importance of considering the EU as, as it were, one state upon the application of European Trademark Law.

In his note in IER<sup>3</sup> Charles Gielen agrees with the decision of the BOIP. In my opinion he fails to appreciate the fact that we no longer live in countries in Europe but in one big country represented by the European Union. His (essentially sole) argument is that a locally operating trademark could be a barrier to other entrants to the market. This is an incomprehensible argument. Everybody can enter the European market. This kind of party must solely select a non-similar trademark. Then it can acquire this trademark for the whole of Europe and its products can circulate through the whole of Europe. A barrier in terms of the use of an existing national trademark is out of the question as this trademark holder can oppose the later acquisition by a third party of a Community trademark similar to its trademark. The opposite is actually true. National trademarks can represent a barrier to European operations.

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<sup>2</sup> Court of Justice 6 October 2009 C301/07

<sup>3</sup> Gielen note in IER 2010, p. 233

Gielen must admit that with regard to reputation in the PAGO judgment the Court of Justice indicated that a reputation in Austria is sufficient to qualify as a well-known trademark in the EU. However, he then reaches the awkward conclusion that this does not imply that the trademark holder can invoke this trademark outside of Austria. Here he fails to appreciate that the question regarded a claim of the Austrian trademark holder vis-à-vis its Austrian competitor on the basis of a European trademark during the course of which a prohibition for the whole of Europe was claimed.

If the Court indeed meant to rule that the same Community trademark in the same market (the EU) shall be entitled to a different protection in various regions the Court would, as can be assumed, have said so. There had been every reason for this as the questions of the Oberste Gerichtshof clearly pointed to the possibility of a different scope of protection in the various countries of the EU<sup>4</sup>.

The attribution of a different scope of protection in various countries of the EU as advocated by Gielen actually leads to undesired compartmentalisation of the EU and to an impossible task for a Community Court. Should this kind of Court need to establish for each and every country respectively each and every region if the Community trademark is known or not respectively if as a result of differences in language infringement is committed in a specific region and not in another region? In my opinion it must be assumed that infringement in a country implies infringement in the entire EU under the adage “small infringement is also infringement”.

It is hard to imagine that when a Benelux trademark is invoked the Dutch Court would rule that your trademark is unknown in the northern part of the Netherlands and your claim is therefore not sustained for that part of the Benelux.

My conclusion is therefore that the BOIP and Gielen are wrong and that the French Court (as well as obviously the OHIM) that ruled that use in a Member State is sufficient is right.

Obviously I do not assume that the decision of the BOIP was motivated by the fear that in case of a different decision it would shortly need to close shop, yet in my opinion it is clear that the correct decision can lead to a considerable loss of income. This should however, not imply that national trademark offices should better close down. It would, in

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<sup>4</sup> After all these questions read as follows: “1) Is a Community trademark protected as a ‘known trademark’ within the meaning of article 19 paragraph 1 under (c) [of the Regulation] in the whole of the Community when it is only ‘known’ in one Member State) 2) If the first question is answered in the negative, is a trademark ‘known’ in only one Member State protected pursuant to article 9 paragraph 1 under (c) [of the Regulation] so that a prohibition limited to this Member State can be imposed?”

my opinion, be a good thing to (also) convert these offices into regional offices of the OHIM where the assignment should be to promote the Community trademark. Ideally, ultimately the possibility of the national registration should fully be abolished. In this context it would be a good thing to offer entrepreneurs who express the intention to only use a trademark in one Member State a reduced fee for registration of a Community trademark. If the entrepreneur later yet wants to offer the goods or services elsewhere he should then pay. To put it briefly, when it comes to preaching for your own parish (which, as said, I do not assume) this certainly was unnecessary!

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