

# Coexistence agreements – are you in danger of just agreeing now to disagree later?

**In theory, coexistence agreements offer companies an invaluable way to navigate crowded trademark registries. However, in Europe, uncertainty remains over their treatment by courts and trademark offices**

In 2010, more than 98,000 Community trademark (CTM) applications were filed. In the United States more than 280,000 trademark applications were filed over the same period. With such high volumes of applications each year, it is unsurprising that conflicts arise between trademark applications and earlier applications or registrations, even where there is no actual conflict in the marketplace. Such conflicts can often be settled through the use of letters of consent or coexistence agreements, but uncertainty over the treatment of the latter by courts and trademark registries means that brand owners should tread cautiously.

In most European trademark registries, the practice used to be that trademark applications were examined on relative grounds. The registry would then review the register to see whether any earlier marks were in conflict with the application.

To avoid the earlier trademark presenting an obstacle to registration, the proprietor of the earlier mark could provide a 'letter of consent' evidencing its consent to the later application. These letters would be filed at the registry to allow the trademark to progress to registration. Such letters of consent were a commonly used tool in Europe when relative rights examinations were carried out.

## Losing the relevant perspective

However, as the Office for Harmonisation in the Internal Market (OHIM) and increasing numbers of European trademark registries have stopped conducting relative rights examinations, the use of letters of consent in Europe has fallen. In territories where no relative rights examinations are carried out, if a party does not object to the registration of an application that is similar or identical to its own earlier rights, it will not file an opposition and the need for a letter of consent will not arise.

In jurisdictions where relative rights examinations are still undertaken and letters of consent are still used, the letters will be placed on the application's file; in most cases the register entry for the mark will state that it proceeded to registration with the consent

of the proprietor of the earlier mark.

However, in some jurisdictions, letters of consent are not accepted. For example, in Poland, a letter of consent has been held to be insufficient where the marks in question are identical. Within Europe, this law has not been harmonised because the provision in Article 4(5) of the EU Trademarks Directive states that member states *may* permit that, in appropriate circumstances, registration need not be refused or the trademark need not be declared in valid where the proprietor of the earlier mark or other earlier right consents to the registration of the later trademark. As such, not all countries have implemented this.

Coexistence agreements are another tool commonly used to settle disputes between rights holders without the need to engage in expensive, time-consuming disputes either in the courts or in the trademark registry.

In most cases the parties draw a dividing line between their respective activities with the intention that this will settle the current dispute and also govern their activities in the future and help to prevent potential disputes. The dividing line between the parties' respective activities is usually drawn up along geographical territory, by restricting use of the trademark to a particular form or by dividing up the goods or services between the two parties. In some cases it is a combination of these elements.

Often, the parties agree acceptable terms of coexistence, sign the agreement, deal with the immediate consequences (eg, amending the trademark application, surrendering a mark, withdrawing an opposition or filing a letter of consent) and then forget about it.

If the coexistence agreement does its job, then this is precisely what should happen. However, consideration should be given to what might happen if there are problems with the agreement in future. This is particularly important as a coexistence agreement can potentially remain in force indefinitely.

## Entering agreements in the register

In the United Kingdom and at a European level (ie, at OHIM), it is not possible to register a coexistence agreement against a trademark on the register, as a coexistence agreement in its usual form is not considered a registrable transaction.

The registration of transactions affecting UK national trademarks is governed by Section 25 of the Trademarks Act 1994, which sets out a list of registrable transactions – these include assignments, licences and the granting of a security interest. A party's interest in a coexistence agreement is not an interest in a trademark as such, but a private agreement that usually fetters the rights of one or both

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## ◀◀ Circumstances may change over time, making what was an acceptable restriction today not so palatable tomorrow ▶▶

parties in their use of various marks or applications that they can make in the future.

This raises an interesting question in relation to the assignment of a trademark under the scope of a coexistence agreement to a purchaser to which no notice is given of the existence or effect of the coexistence agreement.

Imagine a scenario where a coexistence agreement is entered into whereby one party agrees that it will not use its Class 12 registration for “vehicles” in relation to anything other than “bicycles”, although its registration remains for “vehicles”. Subsequently, the rights holder assigns the mark to a third party without notifying it of the coexistence agreement. The purchaser, in good faith, uses the mark in relation to cars. What options are then open to the wronged party to the original coexistence agreement? Assuming that the coexistence agreement contained the usual provisions requiring the parties to notify all assignees of the marks of the terms of the coexistence agreement, the wronged party will have a breach of contract claim against the defaulting party and, if successful, should be able to recover damages.

What seems unlikely is that the wronged party would be able to impose the obligations under the coexistence agreement on the new rights holder. Instead, it is likely that it would be back to square one and would have to make a fresh complaint against the new owner and try to negotiate a new coexistence agreement on the same or similar terms as before. This is far from ideal.

Parties should therefore always try to ensure that restrictions on the use of trademarks are reflected in restrictions in the specifications of existing registered trademarks (through the use of surrender), as well as in future applications.

Ultimately, problems with coexistence agreements arise when the terms of the agreement are breached. This can occur where:

- the nature of one of the businesses changes or expands so that the originally agreed restrictions on the mark are no longer acceptable;
- the terms of an agreement that was previously entered into are forgotten or overlooked; or
- there is a dispute as to the interpretation of the lines of delimitation.

So where one party acts contrary to the terms of a coexistence agreement, what options are available to the non-breaching party?

A coexistence agreement can cover a vast range of restrictions; so there is an equally vast number of ways in which the agreement could be breached. However, the most obvious ways include a party

filing a trademark application for a mark or in respect of goods and services outside its area of delimitation, or a party filing an opposition to a trademark application filed by the other party where the party making the application has properly stayed within its area of delimitation (and so the opposition should not have been filed).

It would seem sensible to expect that the non-breaching party should be able to take the agreement to the trademark registry and have an application or opposition rejected on the grounds that it should not have been filed. However, it is not clear how coexistence agreements are to be treated by trademark registries in such circumstances.

The potential issues that can arise with coexistence agreements can be highlighted by looking at some previous cases.

### Looking to the SKY for answers

The dispute between BSKyB and Vortex is complex, as the two are at war on many fronts over rights in the mark SKY and various other marks that contain the word SKY.

In 1988 Vortex and Sky Television (BSkyB's predecessor in title) entered into a coexistence agreement to settle a dispute that had arisen over their relative rights in the word SKY. The agreement included a clause that the parties would not oppose or otherwise object to the use and registration of their respective trademarks worldwide in accordance with the conditions set out in the agreement.

After entering into the agreement, Vortex filed applications to cancel three French trademark applications by BSKyB which, BSKyB argued, were within the terms of the agreement. BSKyB held that the oppositions filed by Vortex were contrary to the terms of the agreement.

On one level, the terms of the coexistence agreement seem clear and straightforward, yet this dispute has gone on for many years and deals with many interesting issues. Space does not permit a full review of each and every argument here, but there are a few points worth mentioning.

The dispute concerning the validity and scope of the coexistence agreement came before the Paris *Tribunal de Grande Instance*, which issued its decision in January 2004 (upholding the validity and scope of the coexistence agreement). Vortex then appealed the decision to the Paris Court of Appeal, which in June 2005 again upheld the validity and scope of the agreement (*SA Vortex v British Sky Broadcasting*, June 1 2005). Both French courts reiterated that the agreement prohibited the parties from opposing or otherwise objecting to the registration of any trademark to the extent that it meets the conditions laid down in the agreement.

Vortex raised a number of arguments as to why the agreement

was invalid or should not be taken into consideration in the various opposition and cancellation actions. One of its main arguments was that if the agreement was taken to have anything other than very limited effect (basically restricted to the trademarks that were in existence at the time it was agreed), then it would be contrary to European competition law and so would not be valid.

There is a potential conflict between coexistence agreements and European competition law, and the French court considered the arguments put forward by Vortex. It held that only agreements intended to prevent or restrict unreasonably competing products from being marketed, rather than to protect the inherent interest in a trademark, must be prohibited as an abuse of IP rights.

In the case of the BSKyB agreement, it could not be considered as intended to distort or restrict competition, as it endeavoured to organise the use of the SKY sign between the parties for their trademarks involving radio and television products and services, and did not include any notion of establishing the conditions for market sharing in such products and services.

#### Vortex turns to OHIM

Undeterred by the French first instance decision, in May 2004 Vortex filed an application for a CTM for the word mark SKYBLOG in apparent breach of the (recently upheld) coexistence agreement. Despite the existence of the coexistence agreement and the first instance decision, BSKyB was forced to file an opposition to this application.

In the SKYBLOG opposition, BSKyB filed the French court decisions and copies of the coexistence agreement, and invited OHIM to refuse the application. The decision of the Opposition Division made no direct reference to the agreement, but simply stated that the opposition was successful under Article 8(1) and therefore there was no need to consider the remaining grounds and the earlier rights.

Vortex has appealed this decision to the Board of Appeal and the dispute rumbles on. In the papers for the appeal, BSKyB made some impassioned arguments concerning the treatment given to coexistence agreements by OHIM, arguing that OHIM should not

only allow private parties to enter into legitimate coexistence agreements in order to settle disputes concerning trademark rights, but should also uphold the terms of such agreements. BSKyB further argues that if the agreement were not upheld by OHIM, at the very least it should be taken into account as having evidential relevance to the question of the likelihood of confusion.

In contrast, Vortex has argued that a coexistence agreement should not be taken into consideration because the criteria of Articles 8(1)(b) and 8(5) of the EU Community Trademark Regulation are objective and require an analysis of the likelihood of confusion or a link between the marks on the part of the public; and that private agreements should not be taken into consideration in such analysis, especially when the parties disagree on the exact scope of the agreement in question.

In total, it appears that Vortex has filed at least four cancellation actions and 15 oppositions (in addition to the application it filed for SKYBLOG) arguably in breach of the agreement, in addition to the litigation in France.

The dispute demonstrates how issues can arise even where an agreement has been entered into, and that there is no guarantee that peace and harmony will prevail just because the parties appear to have agreed on a way to coexist. The arguments raised by the parties further illustrate the problems that can arise when seeking to enforce coexistence agreements.

At the time of writing, the appeal in the SKYBLOG opposition is pending before the OHIM Board of Appeal. It seems likely that even if BSKyB continues to win out, Vortex will appeal to the General Court of the European Union. If so, we may see this case continue on for some time.

#### Predicting the future

A case involving Apple illustrates the difficulty, when drafting coexistence agreements that potentially last forever, of defining the relative spheres of activity in a 'future-proof' way. *Apple Corps v Apple Computer* ([2006] EWHC 996 (Ch)) relates to a coexistence agreement entered into in 1991, in which the parties identified areas of operation

### Practical considerations for coexistence agreements

A number of tactics can be employed to reduce problems with coexistence agreements:

- Engage in clearance searching to help identify conflicts early on in the development stage and to allow for a change in the chosen trademark in an attempt to avoid coexistence issues at all.
- Consider carefully the future expansion of the business and try to define the parties' spheres of activity as broadly as possible with a view to 'future-proofing' the agreement as much as possible – to avoid the kind of issues that occurred in *Apple*.
- Consider changes (modernisations) to the marks that may be desirable in the future and try to build flexibility into the agreement to accommodate these without the need for total renegotiation, perhaps through the use of agreed guidelines.
- Include express provisions as to domain names; otherwise disputes may arise as to whether they are covered. In *Vortex* the company registered at least one domain name that BSKyB claimed breaches the coexistence agreement, with BSKyB filing a complaint with the alternative dispute resolution provider for the domain name registry in question.
- Coexistence agreements, like trademarks, can potentially last forever, so consider including a regular review of the terms in important agreements, perhaps every 10 or 20 years.
- Consider competition law issues, as the agreement may be unenforceable if it divides the market or is a restraint on trade.
- In light of possible enforcement issues, such as those in *Vortex*, consider whether to include dispute resolution provisions that could prevent you having to bring multiple actions in different jurisdictions – but query whether such dispute resolution proceedings would be taken into consideration by the likes of OHIM.
- Be aware of any relevant public interest issues in the particular fields. An agreement may be held invalid if it is contrary to public interest, such as with pharmaceutical products where, if two different products were to have the same name, even in different geographical areas, problems could arise with regard to customer confusion, which could have dangerous consequences.

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in which they believed they were distinct, but failed to foresee the future development of digital music technology.

With the arrival of iTunes and iPods, the lines between the two businesses became blurred and Apple Corps sued Apple Computers for straying into its territory (the judge ruling that Apple Computer could continue to use its apple logo in relation to its iTunes software and music store).

A third case to consider is *Omega Engineering Inc v Omega SA* ([2010] EWHC 1211 (Ch), May 28 2010). In this dispute, the parties had entered into a number of coexistence agreements. Omega SA had agreed not to object to applications by Omega Engineering in respect of certain goods. Omega Engineering made an application in accordance with the agreement and Omega SA objected to the application on the basis of its relative rights.

Omega Engineering resisted the opposition, claiming that the agreement amounted to consent under Section 5(5) of the Trademarks Act 1994, which states that nothing in the provisions on relative grounds for refusal of registration prevents the registration of a trademark where the proprietor of the earlier mark or other earlier right consents to the registration.

Omega SA tried to rely on an OHIM decision in which it argued that OHIM had held that the consent was irrelevant to an objection on relative grounds. The High Court of England and Wales did not agree with this interpretation of the OHIM decision and went on to find that the fact that the agreement was a private right was insufficient to render it irrelevant. This highlights that coexistence agreements may well receive different treatments from OHIM and the High Court of England and Wales.

While the previous OHIM guidelines stated that private contracts were irrelevant to opposition proceedings, the current guidelines state that a private agreement, such as a coexistence agreement, will not be taken into account in opposition proceedings unless there is agreement between the parties as to the meaning of the private agreement or there is a decision of a national court about its meaning. So, in cases where the meaning of the agreement is disputed, it will not be taken into account.

It seems likely that in order for the situation to arise, there must be a dispute as to the meaning of the agreement and, as such, it looks unlikely that this change of the guidelines is going to offer much practical help.

Parties will still have to issue proceedings in the national court in order to get a decision on the meaning of the agreement before OHIM will take it into account. If there are pending court proceedings over the meaning of a coexistence agreement, the Opposition

Division can decide to suspend its proceedings pending the decision of the court. In cases such as SKYBLOG it remains to be seen what, if any, effect the coexistence agreement and the decision of the French courts will have on the opposition outcome.

Coexistence agreements are a valuable tool for any rights holder, but they must be carefully considered as they can have far-reaching consequences given their potential longevity. Importantly, circumstances may change over time, making what was an acceptable restriction today seem not so palatable tomorrow. In addition, there is uncertainty over the treatment of coexistence agreements by various courts and by various trademark registries.

As such, it is important to make the agreement as comprehensive as possible, and to anticipate potential problems so that they can be expressly dealt with. There seems to be some momentum behind the idea that OHIM and other trademark registries should give effect to coexistence agreements. Therefore, it is a case of ‘watch this space’ for further policy changes. [WTR](#)

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