

Clifford Chance LLP

# European Union

**A Community trademark offers the considerable advantage of protection in the European Union's 27 member states. However, the Community system still presents a number of drawbacks that may lead mark owners to prefer other registration systems**

Now in its second decade, the Community trademark (CTM) system has become popular for protecting brands that are used in multiple EU jurisdictions. The Office for Harmonization in the Internal Market (OHIM) has announced the registration of over 500,000 marks since it began operations in 1996. Having tackled the backlog of applications that built up in the early years, OHIM reports that it has now reduced the average time to registration to 13 months and that it aims to reduce this further. The income generated by the high level of uptake has meant that OHIM has been able to announce further cuts to its fees to come into effect this year. This will further increase the attractiveness of the system to businesses operating in more than one EU market.

Users continue to experience a degree of inconsistency in OHIM examiners' approach to similar cases. Further progress has still to be made on dealing with the backlog of oppositions and cancellations. On the whole, however, the large numbers of applications have to be seen as an endorsement that the system is delivering significant benefits over available alternatives.

The diversity, size and multilingual nature of the European Union create special challenges for OHIM and its users. In this article we look at some of these challenges and consider how the CTM system today sits alongside national rights in member states, international trademark rights and the European Union's own (newer) registered Community design (RCD) system.

## CTMs, national rights or both?

Annual statistics published by OHIM for 2001 onwards show a significant increase in the number of applications filed at OHIM – from 48,845 applications in 2001 to 88,256 in 2007. Since the option of filing a CTM via the Madrid route became available, this has also grown in popularity, with over 15% of

all CTM applications filed in 2007 being filed through the Madrid system.

OHIM statistics for national trademark office filings show that the increased uptake in filings at OHIM not only reflects greater use of the trademark system as a whole, but also continues to substitute incrementally for other filing routes. This substitution is most obvious as regards national designations in international applications, suggesting that the relatively low cost and simplicity of the CTM route are seen as particularly attractive by applicants interested in protecting in multiple markets.

For direct national filings the trend is less clear, with some countries showing significant drops in numbers, while in others the figures have held up or even slightly increased.

In practice, when deciding whether to file nationally, via the international system or as a CTM, each case needs to be considered on its own merits. As a first consideration, CTM protection is generally going to be more cost effective for marks which require protection in multiple markets and are unlikely to meet difficulties or third-party opposition. Reasons which could favour national or international filings instead include:

- the existence of prior rights in some EU member states which are likely to trigger opposition to a CTM – while conversion to national applications for available markets is an option, it involves additional cost and delay;
- the likelihood that OHIM will find that the mark is not inherently distinctive and the difficulty and cost involved in showing acquired distinctiveness; and
- the speed of registration – it is still possible to get some national registrations faster than CTMs, in particular in those markets where expedition is possible on payment of a small additional fee (eg, Benelux).

## Evidence of acquired distinctiveness

### Non-verbal marks

The European Court of First Instance's (CFI) decision in *Glaverbel v OHIM* had indicated that evidence of acquired distinctiveness

would have to be shown for every EU member state at the relevant date in order to secure registration. Practitioners and OHIM had previously taken the view that distinctiveness needed to be shown for only a substantial part of the relevant market.

The European Court of Justice (ECJ) determined the appeal in this case in October 2008, under the name *AGC Flat Glass v OHIM*. Given its finding on other issues, the ECJ declined to rule on the issue of assessment of the territory to be considered. Accordingly, the CFI judgment currently stands.

The implications of the requirement to show distinctiveness for every member state include:

- the possibility that some marks could never be registered as CTMs because the relevant products were less popular in some member states (eg, snow shoes);
- the impossibility to register CTMs for marks with acquired distinctiveness in most but not all member states; and
- the high cost of showing acquired distinctiveness for all member states, even if the mark is very well known.

## Descriptive words in widely spoken languages

Some marks consist of words which may be descriptive in some EU languages. In October 2008 the CFI issued its judgment in invalidity proceedings brought against the word mark *MANPOWER*, registered – among other things – for employment and recruitment services. The mark had been registered on evidence of acquired distinctiveness.

OHIM's Cancellation Division and Board of Appeal had held that the mark should be considered descriptive in certain member states, but not in others. The CFI based its judgment on the following principles:

- A word in a language that is not a native language of a given member state may be held descriptive if it can serve in normal usage, from the point of view of the target public, to designate – either directly or by reference to one of their essential characteristics – the goods or services protected by the mark.
- This could arise in two situations:
  - where the word has been received into the language of the country in question and can be used to replace

the local-language word of the same meaning as far as the relevant public is concerned; or

- where, in the context of the protected goods or services, the language of the mark applied for is used – albeit only as an alternative to the national language – to address the members of the relevant public. Widespread knowledge of that language in the relevant member state is not sufficient if it is not actually used in that context to address the relevant public.

The applicant for invalidation has appealed this case to the ECJ.

#### Use requirements

Another factor in considering whether to opt for the CTM route is the use requirements. The current state of law on what constitutes adequate use of CTMs indicates that, as long as use is “genuine”, it is not necessary to show use across the whole of the European Union.

#### CTM/Madrid Protocol link

As a result of the link between the Madrid and CTM systems established on October 1 2004, brand owners can designate the European Union as part of an application for an international registration. Additionally, in most cases brand owners can use a CTM application or registration as the basis of an international registration.

The main reasons for choosing the link between the Madrid and the CTM systems are as follows:

- Brand owners which want protection throughout the European Union no longer have to designate every single member state. An international registration applicant which designates the CTM avoids objections and/or oppositions from multiple member states. Instead, all objections/oppositions relating to the CTM designation are issued and processed centrally through OHIM.
- If a CTM designation is subject to an insurmountable refusal from OHIM, the applicant still has the option of converting its CTM designation into separate national applications, retaining the same priority date as the original CTM designation.

The reasons not to choose the link between the two systems are as follows:

- If an international registration is based on a CTM which is successfully attacked during the five-year 'dependency' period, the international registration will normally fail in its entirety and bring



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down all other designations. It is possible to request conversion and transformation of the CTM and international designations into national applications, but this involves cost and delay.

- Any CTM designation of an international registration cannot have a broader specification than the base

application/registration. US practice and procedure generally do not allow for the filing of broad specifications. US brand owners which wish to seek broader protection in the European Union should consider filing a standalone CTM.

- Non-EU based applicants are precluded from relying on a CTM as the basis of an international registration.

#### Cutting maintenance costs by claiming seniority

The CTM system allows CTM owners to reduce renewal costs for their portfolio while retaining the priority of older national rights for individual member states through a process involving payment of a single fee and claiming seniority for that jurisdiction. Over time, this should lead to a significant reduction in overall renewal costs.

In practice, users have tended to be cautious about taking up this option, as it is relatively untested. Current economic conditions, combined with the fact that many CTMs have now been registered for nearly a decade, may encourage trademark owners to be more willing to try to save significant costs through this route or simply to abandon older national rights.

#### CTM, RCD or both

The systems for registering designs and trademarks overlap to greater degree than some users may expect. For example, many brand owners have registered new logos or elements of get-up as Community designs, as well as – or instead of – CTMs.

The advantages of RCD protection include:

- its low cost;
- the speed of registration;
- the absence of a distinctiveness requirement, even if the object of protection is descriptive or would otherwise be found to lack inherent distinctiveness under the trademark tests;
- the fact that it may be easier to protect functional shapes as designs than as trademarks; and
- the fact that the infringement test may be more favourable to the rights holder in some circumstances.

Not everything is suitable for registration as a design, in particular because of the requirement of novelty and individual character at the relevant date. However, it is definitely worth considering this additional or alternative route, as well as ensuring that all relevant copyrights, design rights and rights to apply for registration of designs have been obtained from the author/external contractors. [WTR](#)