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## Patent and Trademark Developments in the European Community

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# Session V: International Developments in Patent and Trademark Law

## Patent and Trademark Developments in the European Community<sup>†</sup>

Oreste Montalto\*

### I. PATENT DEVELOPMENTS

There has been discussion in particular about the implication for the United States in accepting the first-to-file system instead of the first-to-invent system now in force in the United States.

The European Community—as my Commissioner, Mr. Vanni d'Archirafi, said to U.S. Trade Representative Mickey Kantor on March 30—understands that the American authorities, because of the political changes, needed a report of the diplomatic conference for the conclusion of a treaty supplementing the Paris Convention<sup>1</sup> as far as patents are concerned. The Community, however, hopes that the delay will be as short as possible, and mainly that the United States can accept the basic principle of the new treaty. A treaty without the United States is useless; but the U.S. authorities must be aware that their first-to-invent system is applied only by them and the Philippines and that this time it is necessary for them to make the step. Americans are very familiar with the European system provided in the Munich Convention, also known as the Euro-

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<sup>†</sup> This speech was presented at the Fordham Conference on International Intellectual Property Law and Policy held at Fordham University School of Law on April 15-16, 1993. The views expressed herein are those of Mr. Montalto and not necessarily the views of the Commission of the European Communities or of the European Community.

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1. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, *as last revised*, Stockholm, July 14, 1967, 21 U.S.T. 1583, 423 U.N.T.S. 305.

pean Patent Convention,<sup>2</sup> and I believe they are very satisfied with how it works.

I will give you just some information about the Community Patent Agreement ("Agreement"),<sup>3</sup> how it will work, and what the situation is now. The Agreement was signed in Luxembourg on December 15, 1989. However, it must be ratified by all twelve Member States. We are late because two Member States, Denmark and Ireland, had some constitutional problems with ratification. A diplomatic conference, which convened in May 1992 in Lisbon to modify the conditions of entry into force of the Agreement, did not produce any results. In fact, it was proposed to amend the number of states which must have ratified the Agreement for it to enter into force. Fortunately, Denmark and Ireland, in the meanwhile, have overcome their problems and they confirmed that the ratification will be completed as soon as possible. Some Member States have already ratified the Agreement and the Commission of the European Communities ("EC Commission" or "Commission") is confident that next year the Agreement will enter into force.

The following annexes are attached as an integral part of the Agreement: (1) the Community Patent Convention<sup>4</sup> and the relevant implementing regulations, as they correspond to the 1975 text, as amended by the 1984 and the 1989 conferences; (2) the Protocol on Litigation; (3) the Protocol on Privileges and Immunities; and (4) the Protocol on the Statute of the Common Appeal Court.

The Agreement is a treaty between the Community Member States. Its implementation supposes that the Munich Convention is in operation and that all of the Agreement's contracting states are party to it. That is the case as of August 1992.

A Community patent is really only a European patent granted by the European Patent Office ("EPO") jointly for the Agreement's contracting states. Grant procedure aside, the EPO will play a very

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2. Convention on the Grant of European Patents, Oct. 5, 1973, Munich, 13 I.L.M. 270.

3. Agreement Relating to Community Patents, O.J. L 401/1 (1989).

4. Convention for the European Patent for the Common Market, Dec. 15, 1975, Luxembourg, 15 I.L.M. 5.

important role in the Agreement's implementation by providing centralized administration for Community patents (including keeping the register) and acting as first instance for limitation and revocation proceedings. The Agreement is designed essentially to meet the needs of the international market.

The Community patent system is a response to the need for free movement of goods and common rules on competition within the internal market. It is in keeping with traditional patent law and raises the principle of "territoriality" from national to Community level.

The project's history explains the choice of a form of an international convention rather than an act of Community law in the narrow sense. The link with the Community legal order is nevertheless assured, mainly by the primacy of Community law over the Agreement's provisions, a principle whose application is entrusted to the European Court of Justice.

The Agreement will be implemented by a number of common bodies set up by the Member States. The main ones are two special departments to be incorporated into the EPO: the Patent Administration Division, responsible primarily for keeping the register, and the Revocation Division, responsible at first instance for limitation and revocation of Community patents under the procedures established by the Agreement.

There will also be an international court common to the contracting states, called the Common Appeal Court ("COPAC"). It will have a fundamental role in ensuring uniform application and interpretation of the patent law created by the Agreement and of certain basic provisions of the European Patent Convention applicable to Community patents.

The EPO special departments will be supervised by the Select Committee of the Administrative Council of the European Patent Organization. The COPAC will be supervised by the Administrative Committee. The contracting states to the Agreement and the EC Commission will be members of those two committees.

The 1989 conference in Luxembourg also reached agreement on the financial arrangements. Renewal fees for Community patents

are to be paid directly to the EPO on the basis of a unitary scale. A percentage of this income will then go to the contracting states in accordance with the scale laid out in the Agreement. The cost of running the special departments and the COPAC, which is the contracting state's responsibility, will be covered by this income, procedural fees, and, if necessary, financial contributions. The Community Patent Convention and its implementing regulations, both integral parts of the Agreement, establish a common Community patent law.

The Community patent is governed by two principles: (1) its legal unity throughout the territory of the contracting states; and (2) its autonomy vis-à-vis national law, being in principle subject only to common law in the form of the Agreement.

The contracting states may only be designated jointly in the European patent application. Designation of one state counts as designation of all of the states.

At the present stage of Community integration, however, the Agreement is not intended to give the Community patent a monopoly over protection of inventions. The Community patent will thus coexist with national patents and general European patents in which specific contracting states only may be designated. The applicant has the option of a Community or general European patent until he approves the text in which the EPO proposes to grant his patent and in certain circumstances even longer. However, it is not possible for one person to hold Community and national patents for the same invention. As soon as the Community patent becomes final, any parallel patents become ineffective.

The essential element of common Community patent law is that it defines a patent's effects, in particular the rights the patent confers. The exclusive right to market the invention is expressed in the protection given to the product or process patented and to any product obtained directly from the patented process. This exclusive right extends to indirect use of the invention, i.e., marketing of the means for making it.

The doctrine of "Community exhaustion of rights," developed by the Court of Justice to reconcile the requirements of free move-

ment of goods with the principle of the territoriality of national patents, has been codified and extended to Community patents by the Agreement.

The section of the Agreement dealing with compulsory licenses is particularly important. In the area where the public interest is a major factor, the contracting states may apply their national legislation to Community patents, even at the expense of a unitary patent. There are, however, uniform rules to cover compulsory licenses for lack or insufficiency of exploitation; these take into account the principle of work distribution in an integrated economic area. Under Article 83, however, the Agreement stipulates that any contracting state may reserve the right to continue to require full exploitation of the Community patent (the manufacturing and marketing of the protected product) within its territory.

This last point, however, can no longer be considered applicable after the ruling of the Court of Justice in the cases 235/89 and 30/90, concerning Italy and the U.K., of February 18, 1992.<sup>5</sup> The Court of Justice in fact ruled that a compulsory license cannot be given for lack or insufficiency of exploitation when the demand for the patented product is satisfied on the domestic market by imports from other Member States.

The Court of Justice overcame the difficulty of Article 83 of the Agreement, noting that the incompatibility of the Community Patent Convention with the Treaty was expressly envisaged in Article 2(1) of the Agreement, according to which no provision of the Convention may prevail against any provision of the Treaty.<sup>6</sup>

Concerning the rules for translations of Community patents, it must be recognized that the Community system is very expensive. The proprietor must file translations of a Community patent, granted in one of the three EPO official languages, in all the other eight official Community languages.

In practice, a Community patent applicant will have about eight

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5. *Commission v. Italian Republic*, Case 235/89, [1992] E.C.R. 3; *Commission v. United Kingdom*, Case 30/90, [1992] E.C.R. 4.

6. *Italian Republic*, [1992] E.C.R. at 4, *United Kingdom*, [1992] E.C.R. at 5.

months after approval of the application to supply the EPO with all the translations of the specification. Translations of the claims have to be filed before the grant. The EPO will publish the Community patent specification in the language of the proceeding together with translations of the claims in all Community languages. The EPO will also make the translations of the entire specification in the other Community languages available to the public, and forward them to national patent offices in their own language immediately after receipt, following up with regular consignments of CD-ROMs permitting adequate and inexpensive dissemination to the public.

These language arrangements will doubtlessly make the Community patent an expensive one. However politically sensitive, the issue is a question of Community practice. In fact, the difference in cost compared with a European patent is not as great as it might seem at first sight. Nearly all the states party to the European Patent Convention make the filing of a translation in their national language a precondition for the validity on their territory of a European patent designating them. Admittedly, here the proprietor can elect not to designate a state if he wishes to save on translation costs; with a Community patent, he does not have this option. However, the growing value of unitary protection throughout the Common Market will minimize the impact of this difference.

The Agreement has established two ways of challenging a patent's validity: (1) a direct action before the EPO revocation division or (2) a counterclaim for revocation by the defendant in an infringement action. In both cases the ruling may be challenged before COPAC as the body of second and final instance on validity. No other plea for revocation can be entertained; and if such plea is not made, the court in question must consider the patent as valid.

The Protocol on Litigation, which is now an important part of the Agreement, provides effective protection against infringement. Every contracting state designates specialized courts as Community Patent Courts of First and Second Instance, with territorial and substantive jurisdiction over all infringement actions relating to Community patents.

Precise rules on international jurisdiction enable the state whose courts have jurisdiction to be identified in each case. The patent proprietor has a choice between the jurisdiction in which infringement occurred or was threatened and the jurisdiction of the defendant's domicile. This second jurisdiction—readily established by means of supplementary criteria even if the defendant is not domiciled within the Community—has the great advantage that the court's substantive jurisdiction then covers any act of infringement committed or threatened within the territory of any contracting state.

The rulings of the Community Patent Court of First Instance can be appealed, in accordance with the contracting state's national law, to the Community Patent Court of Second Instance. At this stage the appeal procedure divides into two. The main part, involving the patent's effects and validity, is heard by the COPAC whose ruling is not challengeable in any subsequent proceedings. The second part, involving any other issues on appeal is handled by the national court, designated as the Community Patent Court of Second Instance.

The ruling of the Community Patent Court of Second Instance is, in turn, further appealable under national law, but not in respect of any matters decided by the COPAC. The provisional and protective measures which are very important for patent protection may be ordered by any court with jurisdiction under national law, but the Community patent courts with general jurisdiction also may order measures effective in the other contracting states. The judgments of Community patent courts and the provisional and protective measures are recognized and enforced in the other contracting states in accordance with the Brussels Convention<sup>7</sup> which is applicable to all civil and commercial matters.

Before leaving the patent field, I just want to remind you that the Council of Ministers ("Council") adopted on June 18, 1992, a Regulation concerning the creation of a supplementary protection

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7. Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Sept. 27, 1968, 15 J.O. L 299 (1968), revised in O.J. L 304/77 (1978), revised in O.J. L 388/30 (1982), in *English* at O.J. L 285/1 (1989).

certificate for medicinal products.<sup>8</sup> The Council has adopted this Regulation for two main reasons: (1) to avoid the heterogeneous development of national laws leading to further disparities which would be likely to create obstacles to the free movement of medicinal products within the Community, and thus directly affect the establishment and the functioning of the internal market; and (2) to provide those conducting the European pharmaceutical research similar protection to that which occurs in other countries that already offer supplementary protection.

The Regulation provides the grant of a supplementary protection certificate for the medicinal product. "Product" means the active ingredient or combination of active ingredients of a medicinal product. Four conditions must be satisfied: (1) the product is protected by a basic patent in force; (2) a valid authorization to place the product on the market as a medicinal product has been granted; (3) the product has not already been the subject of a certificate; and (4) the authorization referred to in (2) is the first authorization to place the product on the market as a medicinal product.

The Regulation secures a total protection of fifteen years, computed as from the date on which the first authorization to place the product on the market in the Community was given. In any case, the duration of the certificate may not exceed five years from the date on which it takes effect.

Finally, I want to inform you that the Commission is studying the suitability of proposing to the Council a Regulation concerning the creation of a supplementary protection certificate for patents concerning plant products. I shall not talk about the work carried out by the Commission on the subject of the legal protection of industrial design because my colleague, Mr. Griffiths, will talk later in detail about it.

I would also like to draw your attention to the Council Regulation Number 2081/92 of July 14, 1992, on the protection of geographical indications and designations of origin for agricultural

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8. Commission Regulation of 18 June 1992 Concerning the Creation of a Supplementary Protection Certificate for Medicinal Products, 1768/92/EEC, O.J. L 182/1 (1992).

products and foodstuffs.<sup>9</sup>

## II. TRADEMARK DEVELOPMENTS

It is now time to talk about trademarks. In the Community, we are trying to achieve the same objectives with two legal instruments: a Directive approximating the laws of the Member States relating to trademarks ("Directive"),<sup>10</sup> and a proposed Regulation on the Community trademark ("Regulation").<sup>11</sup>

First of all, I would like to recall the definition of a directive as given by Article 89 of the Treaty of Rome.<sup>12</sup> A directive is a legislative instrument which is binding upon each Member State to which it is addressed, but it leaves up to the Member State the choice of forms and methods by which it should comply with the directive. What are important are the results of the day-to-day appreciation of the text, and not the legislative way in which these results are obtained. This definition fundamentally distinguishes a directive from a regulation, which is self-executing without any need of national transposition even if in some circumstances some legislative measures are necessary for the implementation of a regulation.

The Council adopted the Directive on December 21, 1988. The Directive prescribed that the Member States' laws had to comply with its provision not later than December 28, 1991, but the Council deferred, by its decision of December 19, 1991, the deadline to December 31, 1992. Thus, the Directive is in force, but unfortunately not all the Member States have implemented it.

The Commission, on the one hand, is studying the legislation of the Member States which have implemented the Directive to

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9. Council Regulation No. 2081/92, O.J. L 208/1 (1992).

10. First Council Directive of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks, 89/104/EEC, O.J. L 40/1 (1989).

11. Amended Proposal for a Council Regulation on the Community Trade Mark, EUR. PARL. DOC. EEC(91)4595 draft (PI 10).

12. Treaty Establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 11 (1958), amended by Single European Act, O.J. L 169/1 (1987), [1987] 2 C.M.L.R. 741.

verify that the implementation is correct, and is taking the necessary measures to bring the other Member States before the Court of Justice.

We can also ask ourselves what happens if, before a national jurisdiction, a person invokes the provisions of the Directive against a state that has not implemented the Directive? Years ago, the Court of Justice established that directives could be self-executing under certain conditions, especially when the provisions of the directive are mandatory and sufficiently clear. It has recently, in its ruling of the case 6/90, *Francovich*,<sup>13</sup> on November 11, 1991, decreed that a Member State could be obliged to compensate for the damages for not implementing a directive.

The Directive is aimed at improving the free movement of goods and the freedom to provide services which could be impeded by the disparities contained in the trademark laws applicable in the Member States. The approximation of these trademark laws is only limited to those national provisions of law which most directly affect the functioning of the internal market.

The Member States remain, for example, free to fix the provisions of procedure concerning the registration, revocation, and invalidity of trademarks. Furthermore, Member States remain free to decide whether earlier rights should be invoked either in the registration procedure, by way of opposition, or in invalidity procedures before the national trademark offices or national courts.

The principal purpose of the Directive relates to substantive trademark law: to ensure that national trademarks enjoy uniform protection under the legal systems of the Member States. Thus, the protection afforded by national trademarks will be more or less identical in all Member States. This implies that in cases where third parties use any sign which is identical with the registered trademark in relation to goods or services which are the same as those for which the trademark is registered, the proprietor of the registered trademark may prohibit such use. If a third party uses

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13. *Francovich & Bonifaci v. Italian Republic*, Joined Cases C-6 & 9/90 (Eur. Ct. J. Nov. 11, 1991) (not yet reported).

a sign which is similar to the registered trademark in relation to goods or services which are identical or similar to those for which the trademark is registered, the proprietor of the registered trademark may prohibit such use only if there exists a likelihood of confusion on the part of the public between the sign and the registered trademark. The thinking behind the concept of the harmonization of the protection of trademarks is to limit the possible number of conflicts in interstate trade.

I would like to point out an important difference between the U.S. legislation and the Directive provision: the requirement to use the mark. Under the Trademark Act of the United States,<sup>14</sup> an application for the registration of a mark has to allege either that the mark is actually used, or that there is an intention to use it, in the United States. Where the applicant does not allege ownership of a foreign registration, his "intent-to-use" application, once the examination is positively completed, is "allowed." That means that the applicant must then file documents evidencing use of the mark within six months, subject to extensions of not more than a total of thirty months of the notice of allowance. The registration will then issue once the U.S. Patent and Trademark Office finds the actual use proved.

The Directive does not provide any requirement of use or any declaration of bona fide intent of use to obtain the registration of the mark. The Directive, however, leaves to the Member States the freedom to provide that the trademark shall not be registered or, if registered, shall be liable to be declared invalid, where and to the extent that the application for registration of the trademark was made in bad faith by the applicant. It is, therefore, possible that the legislation of a Member State by this optional clause might refuse the registration of a trademark to an applicant known for requesting registration only for speculative purposes.

The Directive provides the requirement to use the mark. It follows from the Directive that, within a period of five years following the registration of the mark, the proprietor has to put the

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14. Trademark (Lanham) Act of 1946, Pub. L. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127 (1988 & Supp. IV 1992)).

mark to genuine use in the Member State in connection with the goods or services in respect of which it is registered. Unless there are valid reasons for nonuse during an uninterrupted period of five years, the trademark shall be liable to revocation. It is not necessary for the proprietor of the trademark to use the trademark himself. Use of the trademark with the consent of the proprietor, for example by a licensee, shall be deemed to constitute use by the proprietor. The aim of the use requirements is to reduce the total number of trademarks registered and protected in the Community and, consequently, the number of conflicts which arise between them.

Another important provision of the Directive concerns the limitation in the consequence of acquiescence. Where in a Member State, the proprietor of an earlier trademark has acquiesced to the use of a later registered trademark for a period of five successive years, he shall no longer be entitled on the basis of the earlier trademark to either apply for a declaration that the later trademark is invalid or to oppose the use of the later trademark, unless registration of the later trademark was applied for in bad faith. On the other hand, the proprietor of a later registered trademark shall not be entitled to oppose the use of the earlier right, even though that right may no longer be invoked against the later trademark.

I would like to remind you that the Directive, in accordance with the relevant ruling of the Court of Justice, provides for the exhaustion of the rights conferred by a trademark. That means, using the words of the Court of Justice, that the proprietor of an industrial or commercial property right protected by the legislation of a Member State may not rely on that legislation in order to oppose the importation of a product which has lawfully been marked in another Member State by, or with the consent of, the proprietor of the right himself or a person legally or economically dependent on him.<sup>15</sup>

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15. See *Keurkoop BV v. Nancy Kean Gifts BV*, Case 144/81, [1982] E.C.R. 2853, [1983] 2 C.M.L.R. 47. This case confirms the principle first developed in *Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Großmärkte GmbH & Co. KG*, Case 78/70, [1971] E.C.R. 487, [1971] 10 C.M.L.R. 631.

That means also that the principle of the international exhaustion of rights is not acceptable for the Community. The principle of the exhaustion of rights, however, is not applicable where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of goods is changed or impaired after they have been put on the market.

My last remarks with regard to the Directive relate to an interesting and mandatory ruling with regard to the enforcement of the rights from the trademark owner against a licensee who contravenes a provision of his licensing contract. The proprietor of a trademark may invoke the rights conferred by the trademark against a licensee who contravenes any provision in his licensing contract with regard to: (1) its duration; (2) the form covered by the registration in which the trademark may be used; (3) the scope of the goods or services for which the license is granted; (4) the territory in which the trademark may be affixed; or (5) the quality of the goods manufactured or of the services provided by the licensee. We see that only these five provisions are taken into consideration. The contravention of any other provision of the licensing contract does not imply that the proprietor can invoke his exclusive rights against him. On the other hand, it is clear that the proprietor may also invoke his exclusive right against third parties who obtained the goods concerned after the breach of one of the aforementioned five provisions from the licensee.

In the European Community, the only trademarks currently available are national trademarks. If an undertaking seeks protection for a trademark for the whole territory of the European Community, it has to file nine applications for its registration before the respective national offices of the Member States, plus one application before the common office of the Benelux countries. Those ten applications will then be the subject of ten different registration procedures in accordance with the laws concerned.

Each procedure has its own particularities. Some Member States exclude, for example, letters or numerals from registration as a trademark; others do not. Some Member States do not allow the registration of the three-dimensional shape of goods; others do.

Furthermore, the possibilities for the holders of existing (earlier) rights to invoke them against the registration of a new trademark and the grounds on which they may do so vary from State to State. Some Member States do not carry out a search as to the existence of earlier registered rights; others do. Even greater problems may arise once a trademark is registered because of the different law provisions of each Member State concerning use requirement, sanctions, the capacity of exclusive rights conferred, etc.

It may be clear from this that an undertaking which seeks protection for its marks in the territory of the Community will have to overcome many obstacles before the objective is achieved. An even more important result of all this is that, due to their territorial character and exclusiveness, conflicts will inevitably arise among different owners of the same or similar marks at the internal borders of the Community with regard to the intra-Community trade in marked goods.

To overcome these difficulties, the Commission decided on the one hand, as we have seen, to harmonize the trademark laws by the Directive and, on the other hand, to create the Community trademark. The Community trademark regulation, based on Article 135 of the Treaty of Rome, will establish the Community Trademark Office ("CTMO" or "Office"), which will be charged with the registration of Community trademarks. Trademark protection covering the entire Community will be obtainable through the Community trademark following one single application filed at the CTMO.

The registration procedure will include an examination by the Office, which will determine whether the sign applied for is a valid trademark. The Office will also carry out a search through earlier Community trademarks to determine the existence of any earlier conflicting rights.

After a long debate, a compromise has also been reached on the question of whether a search will also be undertaken by national trademark offices. The compromise provides that the central industrial property offices are free to operate a search in their own registers of trademarks irrespective of Community trademark application. The search report shall be communicated to the CTMO; it shall either cite those earlier national trademarks or trademark ap-

plications discovered which may be invoked against the registration of the Community trademark applied for or state that the search has revealed no such rights. An amount shall be paid by the CTMO to each central industrial property office for each search report provided.

After the publication of the Community trademark application, the holders of earlier rights may launch before the CTMO opposition proceedings against the registration of the mark. Appeals from decisions of the Opposition Division, the Administration of Trademarks, the Legal Division, and the Cancellation Division, may be brought before the Board of Appeal, an administrative body of the CTMO. An appeal from a decision of the Board of Appeal may be brought to the Court of Justice. The Court of Justice may transfer the appeal to the European Court of First Instance, remaining competent as a "court of cassation." It should be noted that the mere existence of one single earlier national mark will lead to the refusal of the application for registration of the Community trademark.

Holders of earlier Community trademarks or national trademarks may not only oppose subsequent applications for registration, but also may initiate invalidity proceedings before the Office after registration. The holder of a Community trademark may bring infringement proceedings before those national specialized courts of the Member States which are to be designated by the Member States as Community Trademark Courts.

A Community Trademark Court, whose jurisdiction is based on the domicile or the establishment of the defendant, shall have jurisdiction for acts of infringement committed within the territory of any of the Member States. Infringement proceedings may also be brought before the court of the Member State in which the act of infringement has been committed. In such case, however, the Community Trademark Court shall have jurisdiction only in respect of acts committed within the territory of the Member State in which that court is situated. The Community Trademark Courts, in infringement proceedings, shall treat the Community trademark as valid, unless its validity is put in issue by the defendant with a counterclaim for revocation or for a declaration of invalidity.

Finally, the holders of earlier national trademarks may oppose the use of a later Community trademark in a national infringement proceeding. This might lead to a situation where the proprietor of a Community trademark cannot use this trademark in the Member State concerned.

I have no time to talk about all the rules of the Regulation.<sup>16</sup> I would just remind you that many provisions are identical to those of the Directive, such as the definition of the signs of which a Community trademark must consist, the use requirement, the exhaustion of rights, the license, etc.

I want to remind you that the Council has decided to confer to the CTMO budgetary autonomy. The Council established that the financing of the Office's activities by a Community subsidy must be of limited duration and that the objective is for the activities of the Office to be fully self-financing. This point is very important because it is necessary to find a proper balance between the exigency to properly finance the Office and to maintain the price for a Community trademark competitive with other means of obtaining trade protection within the Community, in particular, in comparison with the system on the international registration of trademarks governed by the World Intellectual Property Organization, i.e., the Madrid Agreement.<sup>17</sup>

This problem is, as you can imagine, linked with the language arrangement for the Office. In fact, as you may know, the Regulation has not been adopted for two political reasons. The reason concerns first the question of the seat of the Office. The seat of the CTMO is linked with the seat of many other Community agencies, and especially with the seat of the coming Central Bank of the European Union, provided by the Maastricht Treaty,<sup>18</sup> which must

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16. Council Regulation, *supra* note 11.

17. Madrid Agreement Concerning the International Registration of Trademarks, Apr. 14, 1891, *as last revised*, Stockholm, July 14, 1967, 828 U.N.T.S. 389. The Madrid Agreement of April 14, 1891, allows signatory members, who have registered a trademark in their home countries to register the mark in all member countries by depositing a certificate of registration with the Agreement's Central Registration Bureau in Berne, Switzerland.

18. Treaty on European Union, Feb. 7, 1992, O.J. C 224/1 (1992), [1992] 1 C.M.L.R.

still be ratified by Denmark and the U.K. The second reason is the language arrangement. For reasons of cost and efficiency, the Commission has always been of the opinion that the office should operate with a single language. All the Member States support this view on the understanding that the single language to be chosen should be their own language. A political alternative to the one language approach has to be found, and might very well go in the direction of a nine-language system, thus including all the official Community languages. However, the mere adoption of such a system would be far too expensive and would complicate the procedures before the Office.<sup>19</sup>

Finally, the Commission has proposed a compromise that has been accepted by ten Member States. Spain and Germany have reserved their position, but, we are confident that they will soon join the others. The compromise provides that trademark applications may be filed in any of the nine official Community languages. In addition, the applicant must indicate a second official Community language in which he is ready to proceed before the office if a third party attacks the application for or the registration of the Community trademark. Subsequently, the third party must choose in which of these two languages the procedure before the office shall be effected. It is expected that this compromise—although it does not discriminate among any of the nine official Community languages—will lead to the almost exclusive use of English, French, or German in proceedings before the office.

In order to finance the compromise proposal, the fee for the registration of a Community trademark must be set at around 850 ECU [European Currency Units]. The staff will be about 250 peo-

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19. [Eds. note: At the European Council meeting in Brussels on October 29, 1993, the heads of government decided that the CTMO would use five official languages: English, French, German, Italian, and Spanish. Subsequently, on November 10, at the COREPER meeting of the Council, Denmark and the Netherlands objected to the exclusion of their languages. Negotiations in the Council are proceeding to resolve the dispute.

The European Council also chose Spain as the seat of the CTMO and the proposed Designs Office. On November 5, Spain chose the city of Alicante as the site of the two offices.]

ple. This shows that even under the compromise proposal, the Community trademark will be very price-worthy in comparison to other means of obtaining trademark protection in the Community. For example, the cheapest way to obtain trademark protection for the whole territory of the Community currently available will only cost around 1600 ECU in fees. We consider that the payment of the compensation to national offices for the search will increase the fees for the Community trademark about 1000 ECU, which still remains very attractive.

I hope that I have succeeded in giving you an overview on the forthcoming developments in the Community in the fields of patents and trademarks.