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## Trademark Law Harmonization in the European Union: Twenty Years Back and Forth

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### Cover Page Footnote

William Robinson is a partner, Giles Pratt is a senior associate and Ruth Kelly is an associate, each at Freshfields Bruckhaus Deringer LLP. This article represents the personal opinions solely of the authors. The authors would like to thank Sophie Hebblethwaite-Sharpe for her assistance in the preparation of this article. The law is as stated at 19 December 2012.

# Trademark Law Harmonization in the European Union: Twenty Years Back and Forth

William Robinson, Giles Pratt and Ruth Kelly\*

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#### OVERVIEW

When the Trade Marks Directive (“TMD”)<sup>1</sup> was born in 1989, its European parents could hardly have foreseen the environment that it would grow up in. Transposed into domestic laws in the early 1990s, it entered a world that was on the cusp of fundamental change. The Berlin Wall had just come down, consumers were starting to own home computers and Netscape was soon to introduce its internet browser. The world wide web and the

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<sup>1</sup> First Council Directive 89/104, 1989 O.J. (L 40) 1 (EC), *repealed* by Council Directive 2008/95, 2008 O.J. (L 299) 25, 32 (EU) [hereinafter *TMD*].

European Union (“EU”) were opening for business. Yahoo! and Google were dots on the horizon, with eBay and Facebook not far behind. Meanwhile, advances in computing and printing technology meant illicit traders were able to make counterfeits faster and more cheaply than ever before. A few years later, Thomas Friedman declared, much to Aristotle’s surprise, that the world had become flat.<sup>2</sup>

Set against this avalanche of innovation and globalization, EU trademark law has coped remarkably well. Nevertheless, some aspects of EU trademark law are due for reconsideration. Acknowledging this, the European Commission (the “Commission”) sponsored a report into the functioning of the European trademark system at the EU and national level, which was presented by the Max Planck Institute in early 2011 (the “Max Planck Study”).<sup>3</sup> The Max Planck Study proposed procedural and substantive reform, although some controversial issues have been put to one side.<sup>4</sup> At the time of writing, the Commission has not formally responded to the Max Planck Study, but it is understood that the Commission was consulted during its preparation and that many of the Max Planck Study’s recommendations are likely to be followed.<sup>5</sup> Now—as the Commission reviews its options—is a good time to take stock of how far we have come along the road to harmonization, and to look at what the future could hold.

We seek to do this by considering three mainstays of trademark law and practice. First, we examine the extent to which the EU has successfully harmonized the substantive principles of trademark

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<sup>2</sup> THOMAS L. FRIEDMAN, *THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY* (2006).

<sup>3</sup> Philipp Venohr and Roland Knaak, *Study on the Overall Functioning of the European Trade Mark System*, MAX PLANCK INSTITUTE FOR INTELLECTUAL PROPERTY AND COMPETITION LAW (2011), [http://ec.europa.eu/internal\\_market/indprop/docs/tm/20110308\\_allensbach-study\\_en.pdf](http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf) [hereinafter *Max Planck Study*].

<sup>4</sup> *See generally id.* “Although the lengthy study covers a large number of points, we have an informal understanding that any issue which proved controversial was left out of the Study.” JAMES MELLOR QC, ET AL., *KERLY’S LAW OF TRADE MARKS AND TRADE NAMES*, para. 1-005 n. 11 (15th ed. 2011).

<sup>5</sup> Alexander von Mülendahl, *The Max-Planck-Study “Study on the Overall Functioning of the European Trade Mark System”: Background, Findings, Proposals*, EUROPEAN COMMUNITIES TRADE MARK ASSOCIATION (Nov. 2011), [http://www.ecta.org/IMG/pdf/519b-\\_von\\_muhlendahl\\_2\\_.pdf](http://www.ecta.org/IMG/pdf/519b-_von_muhlendahl_2_.pdf).

law. We argue that the TMD, the Community Trade Mark Regulation (“CTMR”),<sup>6</sup> and judgments under them, have together made significant harmonizing steps, but that recent ‘new media’ decisions have begun to muddy the waters. Secondly, we consider the rather lackluster attempts to harmonize certain EU trademark evidence and enforcement rules. In particular, these attempts make it unclear whether the Community Trade Mark (“CTM”) will ever meet its stated goal of being a unitary right across the whole EU. Thirdly, we assess the caseload of the EU’s trademark institutions, and consider how those institutions may need to adapt over the next twenty years, particularly if the current appetite for European judicial guidance continues. We conclude by reflecting on how EU trademark law might mature in the context of international and foreign norms.

#### I. SUBSTANTIVE EU TRADEMARK LAW: HARMONIZATION SUCCESSSES AND RECENT DIVERSIONS

Harmonizing substantive trademark law was a core aim of the TMD and the CTMR.<sup>7</sup> We consider below whether this target has been met by examining two hotly disputed areas of trademark law: exhaustion and the trademark infringement tests. In particular, we consider how these issues have been influenced by modern judicial views on trademark functions, which seem to have taken on a life of their own. We also investigate how EU trademark infringement has contorted to address new technologies, and whether the Court of Justice of the European Union (“CJEU”) has—openly as well as by stealth—broadened the scope of registered trademark protection, even in the face of objection from Member States.

##### A. *Exhaustion: Free Markets within “Fortress Europe”*

A trademark proprietor’s rights are—subject to certain exceptions—exhausted in respect of goods that are put on the

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<sup>6</sup> Council Regulation 40/94, 1994 O.J. (L 11) (EC), *repealed by* Council Regulation 207/2009, 2009 O.J. (L 78) 1, 38 (EC) [hereinafter CTMR].

<sup>7</sup> See TMD, *supra* note 1, recital 1; CTMR, *supra* note 6, at recital 1.

relevant market, under the trademark, by him or with his consent.<sup>8</sup> For more than twenty years, the scope of EU trademark exhaustion has been hard fought, typically between parallel traders, who seek to profit from price differences across markets, and the trademark owners, who wish to retain control of their branded goods. This tension is evident in the case law, but the EU has at least succeeded in harmonizing the fundamental principles of trademark exhaustion.

### 1. Geographical Scope

The harmonization of EU exhaustion began with an important trade policy choice about geographical scope. European Economic Area-wide (“EEA”)<sup>9</sup> exhaustion enhances free movement of goods within the EEA but arguably creates an artificial trade barrier around the EEA. International exhaustion, on the other hand, could result in European markets being flooded with grey goods from elsewhere.

The scope of trademark exhaustion also has implications for trademark functions, in particular whether EU trademark law should do more than protect a trademark’s ability to guarantee origin.<sup>10</sup> In a typical exhaustion case, a genuine product destined for a non-EEA market is imported into the EEA, where the trademark owner’s identical or similar products are already available. If EU exhaustion laws allow a trademark owner to prohibit that importation, the prohibition is unlikely to just be about guaranteeing the origin of goods for consumers, as both the EEA and foreign goods came from the same company group. The prohibition might instead be rationalized as a decision to protect other trademark functions, or explained as trade policy trumping trademark norms.

Attempting to harmonize the geographical scope of trademark exhaustion, the TMD and CTMR codified the long-established principle that free movement of goods within the EEA requires

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<sup>8</sup> See TMD, *supra* note 1, art. 7(1); CTMR *supra* note 6, art. 13(1).

<sup>9</sup> *European Economic Area Agreement*, EUROPEAN FREE TRADE ASSOCIATION, <http://www.efta.int/eea/eea-agreement.aspx> (last visited Oct. 2, 2012).

<sup>10</sup> Tuomas Mylly, *A Silhouette of Fortress Europe? International Exhaustion of Trade Mark Rights in the EU*, 7 M.J. 1, 17 (2000).

trademark exhaustion on an EEA-wide basis.<sup>11</sup> However, for many years it was unclear whether Member States could allow exhaustion on a wider—even international—basis. The CJEU, in *Silhouette v. Hartlauer*, ruled that they could not.<sup>12</sup> This decision was probably inevitable in the sense that free movement of goods requires each Member State to abide by the same rules. Allowing mixed international and EEA exhaustion within Europe would, in practice, result in significant uncertainty regarding the ability to import and on-sell grey goods.

Nevertheless, the decision was politically controversial: critics of “fortress Europe” argued that EEA-only exhaustion would unnecessarily restrict price competition and consumer freedom.<sup>13</sup> In addition, only four Member States openly supported EEA-only exhaustion at the time.<sup>14</sup> The European Commission subsequently investigated the merits of all Member States adopting international exhaustion,<sup>15</sup> but ultimately proposed that no changes be made.

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<sup>11</sup> The present wording of the TMD and the CTMR only relates to the EU market. However, the Agreement on the EEA provides that exhaustion also occurs under the TMD if the goods are released in any EEA Member State. European Economic Area Agreement Protocol 1 on Horizontal Adaptations, at No. 8 (July 14, 2012), <http://www.efta.int/~media/Documents/legal-texts/eea/the-eea-agreement/Protocols%20to%20the%20Agreement/protocol1.pdf>. The position is currently unclear on the face of the CTMR. See *Max Planck Study*, *supra* note 5, at 124. The Max Planck Study proposes that, for clarity, it should be set out in both the TMD and CTMR that exhaustion applies in relation to the entire EEA, not just the EU. *Id.*

<sup>12</sup> *Silhouette*, 1998 E.C.R. I-4799 at ¶ 4. *Accord* Case C-173/98, *Sebago Inc. v. GB-Unic SA*, 1999 E.C.R. I-4114, ¶ 4; see also *Joined Cases C-414, 415 & 416/99, Zino Davidoff SA v. A&G Imports*, 2001 E.C.R. I-08691, ¶ 45 (clarifying that only specific goods are exhausted—not later batches of identical or similar goods—and that the rights owner’s unequivocal consent is required).

<sup>13</sup> See Mylly, *supra* note 10, at 14.

<sup>14</sup> *Communiqué from Commissioner Bolkestein on the Issue of Exhaustion of Trade Mark Rights*, EUROPEAN COMMISSION (June 7, 2000), [http://ec.europa.eu/internal\\_market/indprop/docs/tm/comexhaust\\_en.pdf](http://ec.europa.eu/internal_market/indprop/docs/tm/comexhaust_en.pdf) [hereinafter *Communiqué*] (reporting how four Member States supported the Commission’s ultimate decision to require EEA-wide exhaustion, eight did not, and the remainder expressed no position); see also Council of Eur. Union 2117th Council Meeting—Internal Mkt., Brussels, European Comm’n, at 11 (Sept. 24, 1998).

<sup>15</sup> See NATIONAL ECONOMIC RESEARCH ASSOCIATES, *THE ECONOMIC CONSEQUENCES OF THE CHOICE OF REGIME OF EXHAUSTION IN THE AREA OF TRADEMARKS 2* (1999).



The effects on pricing were predicted to be too small for it to be worth allowing unrestricted international parallel trade.<sup>16</sup>

Although not acknowledged as such at the time, the *Silhouette* judgment was also a departure from trademark function orthodoxy. Many of the landmark CJEU exhaustion cases before the TMD and CTMR focused on protecting a trademark's "essential" function to guarantee the origin of goods or services.<sup>17</sup> That function was particularly relevant in the exhaustion cases where separate entities owned trademarks for the same brand in different countries and one of them sought to prevent the import of the other's goods into the former's territory. The *Silhouette* decision went beyond the essential function<sup>18</sup>: it was possible to prohibit the import into the EEA of genuine goods first put on the market outside the EEA even if their source could be identified.<sup>19</sup>

## 2. Legitimate Reasons to Oppose Further Commercialization

The CJEU continued to expand the relevance of "non-essential" trademark functions in a further line of exhaustion cases on trademark owners' rights to oppose, for "legitimate reasons," the "further commercialization" of genuine goods put on the market in the EEA.<sup>20</sup>

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<sup>16</sup> The National Economic Research Associates report showed that the impact on prices was predicted to vary widely across different sectors, with price decreases ranging from negligible in the drinks sectors to around two percent for consumer electronics and domestic appliances. *See id.* at 27; *see also Communiqué, supra* note 14.

<sup>17</sup> *See, e.g.,* Case 119/75, *Terrapin (Overseas) Ltd. v. Terranova Industrie CA Kapferer & Co.*, 1976 E.C.R. I-01039, ¶¶ 5–6; Case C-10/89, *SA CNL-Sucal NV v. HAG GF AG*, 1990 E.C.R. I-3711, ¶ 14.

<sup>18</sup> The pre-eminence of the "essential" function was codified in the TMD and the CTMR, as follows: "the function of which is in particular to guarantee the trade mark as an indication of origin." TMD, *supra* note 1, recital 11; CTMR, *supra* note 6, recital 8. The rights conferred by a trademark registration "cannot continue to operate if the mark loses its commercial *raison d'être*, which is to create an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods of other undertakings." Case C-495/07, *Silberquelle GmbH v. Maselli-Strickmode GmbH*, 2009 E.C.R. I-00137, ¶ 18.

<sup>19</sup> *See generally Silhouette*, 1998 E.C.R. I-4799. On one view, the *Silhouette* decision, acknowledged that protection could extend to a guarantee of quality; the reality is that the quality of goods sold under a particular mark may differ depending on where the goods are sold. *Id.*

<sup>20</sup> *See* TMD, *supra* note 1, art. 7(2); CTMR, *supra* note 6, art. 13(2).

In the mid-1990s, it was recognized that a trademark's function as an indicator of *quality* could—in principle—justify opposing further commercialization, albeit in limited circumstances.<sup>21</sup> This meant that—although necessary repackaging, relabeling and rebranding were generally permitted—trademark owners could nevertheless object if the alterations were of sufficiently poor quality that their mark's reputation might be affected.<sup>22</sup>

In later exhaustion cases, the CJEU also accepted that a trademark's communication, investment and advertising functions could be relevant to preventing the on-sale in the EEA of genuine goods.<sup>23</sup> This has been particularly prominent in decisions involving luxury goods, such as perfume and lingerie, where brand owners have sought to control EEA marketing and distribution channels.<sup>24</sup>

The argument put by luxury brand owners has been that an impairment of the “mental condition of the goods” or of the “allure, prestigious image and aura of luxury” should be a legitimate reason to prevent their on-sale.<sup>25</sup> The CJEU was not in complete agreement. It held that—in principle—owners of marks with a “luxurious and prestigious image” can oppose on-sale of goods that have not been physically altered, on the basis of how those goods are marketed.<sup>26</sup> However, the CJEU acknowledged that the legitimate interest of the trademark owner must be balanced against that of the reseller in using methods customary in

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<sup>21</sup> See Joined Cases C-427, 429 & 436/93, *Bristol-Myers Squibb v. Paranova A/S*, 1996 E.C.R. I-03514, ¶ 39.

<sup>22</sup> See *id.* at ¶ 75; Case C-348/04, *Boehringer Ingelheim KG v. Swingward Ltd.*, 2007 E.C.R. I-03430, ¶ 17; Case C-143/00, *Boehringer Ingelheim KG v. Swingward Ltd.*, 2002 E.C.R. I-03762, ¶¶ 32, 61.

<sup>23</sup> See Opinion of Advocate General Jacobs in Case C-337/95, *Parfums Christian Dior SA v. Evora BV*, 1997 E.C.R. I-06013, ¶¶ 41–42. The case involved parallel imports of a luxury perfume that were sold and advertised alongside goods of inferior quality. *Id.* at ¶ 4. The initial view was that these functions were merely derivatives of the essential function. See *id.* at ¶¶ 41–42.

<sup>24</sup> See generally *id.*; see also Case C-59/08, *Copad SA v. Christian Dior Couture SA*, 2009 E.C.R. I-03421.

<sup>25</sup> *Parfums Christian Dior*, 1997 E.C.R. I-06013 at ¶ 45; *Copad*, 2009 E.C.R. I-03421 at ¶¶ 24, 37 (applying the same test).

<sup>26</sup> *Parfums Christian Dior*, 1997 E.C.R. I-06013 at ¶ 45.

its sector.<sup>27</sup> Confusingly, although the CJEU initially held that a brand owner could only succeed if the reseller's marketing "seriously damaged"<sup>28</sup> the mark's reputation, more recent case law suggests that *any* damage to reputation might suffice.<sup>29</sup> However justified, the latter approach risks creating a two-tier EEA exhaustion system: limited exhaustion for luxury brands, broader exhaustion for others.

In summary, although the CJEU has laid out clear rules on (the lack of) international exhaustion and (particularly for pharmaceuticals) repackaging, more could be done to harmonise how trademark law and antitrust rules on selective distribution should interact. The past twenty years of exhaustion cases show a shift towards legal recognition for a wide range of trademark "functions," and exemplify the important role of luxury marks in shaping EU trademark law. These have also been key themes in the EU infringement cases, to which we now turn.

### *B. Infringement and Relative Grounds for Registrability*

Harmonizing the core rules of EU registered trademark infringement has been more complex. This is not surprising given the ambitions of the TMD and the CTMR. The TMD broke new ground and expanded trademark protection in many Member States, particularly for marks with a reputation. The CTMR, of course, created an entirely new IP right. However, despite the Member States' differing starting positions, the EU has come a long way towards harmonizing this area over the last twenty years, as we seek to explain below.

#### 1. Confusion vs. Association: Avoiding a Harmonized Unfair Competition Law

One of the first challenges facing the TMD (and later the CTMR) was how to harmonize the role of confusion in cases where the allegedly infringing mark, and/or the goods and services sold under it, were merely similar to the claimant's registered

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<sup>27</sup> See *id.* at ¶ 44; see also *Copad*, 2009 E.C.R. I-03421 at ¶ 56.

<sup>28</sup> *Parfums Christian Dior*, 1997 E.C.R. I-06013 at ¶ 48.

<sup>29</sup> *Copad*, 2009 E.C.R. I-03421 at ¶¶ 55, 57 and 59. It is not clear from this case whether the omission of the word "seriously" was deliberate.

mark.<sup>30</sup> Too broad an interpretation of “confusion” could have protected all trademarks against unfair competition; too narrow an interpretation might have left brand owners defenceless.

The TMD states that, “the likelihood of confusion includes the likelihood of association between the sign and the trade mark.”<sup>31</sup> Although this phrase had been inserted at the request of the Benelux, it was at the time unclear what the reference to “association” meant.<sup>32</sup> With diverse Member State practices on the point, this was one of the first major challenges for harmonizing the infringement tests.

The Benelux view was that the resemblance between marks was the determinative factor for infringement: confusion was not required.<sup>33</sup> On that basis, all marks were protected not only against detriment that stemmed from confusion, but also harm caused by degradation and dilution of the mark.<sup>34</sup> But the Benelux countries were among the few Member States advocating this approach.<sup>35</sup> In the UK, in contrast, Mr. Justice Laddie argued that to hold that confusion was not required would have involved a significant extension of trademark rights, creating “a new type of monopoly

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<sup>30</sup> See TMD, *supra* note 1, art. 4(1)(b); CTMR, *supra* note 6, art. 8(1)(b) (refusal on relative grounds); see also TMD, *supra* note 1, art. 5(1)(b); CTMR, *supra* note 6, art. 9(1)(b) (infringement).

<sup>31</sup> TMD, *supra* note 1, art. 5(1)(b).

<sup>32</sup> Opinion of Advocate General Jacobs in Case C-251/95, *Sabel BV v. Puma AG*, 1997 E.C.R. I-6193, ¶ 35.

<sup>33</sup> See Uniform Benelux Law on Marks, WIPO DATABASE OF INTELL. PROP. 1, 15 (Jan. 1, 1996), available at <http://www.wipo.int/wipolex/en/details.jsp?id=2899> (listing the requirements for infringement); Case A 82/5, *Henri Jullien BV v. Vershuere Norbert*, 1984 E.C.C. 14; see also the Opinion of Advocate General Jacobs in *Sabel*, 1997 E.C.R. I-6193 at ¶¶ 35, 41; *Wagamama, Ltd. v. City Centre Restaurants*, 1995 F.S.R. 713, 724 (U.K.).

<sup>34</sup> Professor Gielen outlined the position under Benelux law in cross-examination in *Wagamama*, 1995 F.S.R. 713, 724; see also the Opinion of Advocate General Jacobs in *Sabel*, 1997 E.C.R. I-6193, ¶ 38. The position was exemplified in the Benelux case of *Claeryn and Klarein*, Case A 74/1, 1 March 1975, Jurisprudence of the Benelux Ct. of Justice, at 472, which established protection for trademarks from dilution and denigration in circumstances where gin was sold under the earlier mark and cleaning agent under the infringing mark; see also *Edor v. General Mills Fun*, 1978 N.J. 83.

<sup>35</sup> See the Opinion of Advocate General Jacobs in *Sabel*, 1997 E.C.R. I-6193 at ¶ 35.

not related to the proprietor's trade but in the trade mark itself."<sup>36</sup> The European Commission also challenged the Benelux interpretation.<sup>37</sup> These diverging views struck at the very purpose of trademark law. Preventing confusion has its root in protecting the "essential" function of marks to guarantee origin and ensure a workable trademarks register.<sup>38</sup> Prohibiting mere association could only be justified by recognizing broader trademark functions, such as protecting investment.

The judicial debate was resolved by the CJEU deciding that confusion was the appropriate benchmark.<sup>39</sup> Association is now only relevant insofar as it demonstrates confusion, with "confusion" interpreted to include situations where the public is misled into thinking that goods originate from economically or legally linked enterprises.<sup>40</sup> Benelux lawyers can nevertheless take some comfort from the CJEU's "global appreciation" test for confusion, which allows courts to take many relevant factors into account.<sup>41</sup> In particular, as under pre-TMD Benelux law,<sup>42</sup> the CJEU has held that—as part of this "global appreciation"—the greater the distinctiveness of the earlier mark, the greater the likelihood of confusion.<sup>43</sup> This is a legal fiction that improves the scope of protection for distinctive marks. In practice, it may be that the greater a mark's distinctiveness, the less likely the public is

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<sup>36</sup> *Wagamama*, 1995 F.S.R. 713, 724. Germany and Austria also regarded confusion as an essential requirement. See the Opinion of Advocate General Jacobs in *Sabel*, 1997 E.C.R. I-6193 at ¶ 38. In those countries, confusion included confusion as to whether undertakings were organizationally or economically linked. *Id.*

<sup>37</sup> See *Sabel*, 1997 E.C.R. I-6193 at ¶ 50.

<sup>38</sup> See *id.* at ¶ 45.

<sup>39</sup> See *id.* at ¶ 64.

<sup>40</sup> See Case C-425/98, *Marca Mode CV v. Adidas AG*, 2000 E.C.R. I-4863, ¶ 15; see also Case C-408/01, *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, 2003 E.C.R. I-12540, ¶ 45.

<sup>41</sup> Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer*, 1998 E.C.R. I-5510, ¶ 40.

<sup>42</sup> Case A 82/5, *Henri Jullien BV v. Vershuere Norbert*, 1984 E.C.C. 14. A similar concept was suggested by the Federal Court of Justice, Germany, which referred to the "characterizing force" of a mark, either intrinsically or by virtue of its commercial standing. See Opinion of Advocate General Jacobs in *Sabel BV*, 1997 E.C.R. I-6193 at ¶ 11.

<sup>43</sup> See *Canon Kabushiki Kaisha*, 1998 E.C.R. I-5510 at paras. 16–18. See, e.g., *Marca Mode CV*, 2000 E.C.R. I-4863 at ¶¶ 41–42.

to be *confused* as to origin, but the more likely an *association* is to spring to mind. So, the “global appreciation” test may have opened the door for distinctive marks (including those with a reputation) to be protected against mere association. While this position will be more palatable for trademark owners—the greater the investment in their trademarks, the broader their protection—it is an awkward fit with the “essential” function of a trademark as a guarantee of origin.

## 2. Marks with a Reputation: An Unfair Competition Law for the Rich?

Benelux trademark law has probably been most influential in relation to EU protection for marks with a reputation. As Gielen notes, the introduction of specific rights (against unfair advantage, denigration and dilution) for trademarks with a reputation<sup>44</sup> was based on the principle of protection from prejudice under Benelux law.<sup>45</sup> This required a change to the national laws of many Member States, including the UK.<sup>46</sup>

Overall, the principle of providing wider protection to marks with a reputation has proved relatively uncontroversial. Even though the transposition of Article 5(2) of the TMD is optional, the only Member State not to have adopted this provision to some extent is Cyprus.<sup>47</sup> It seems unlikely that any other Member State would object if—as the Max Planck Study suggests—national trademark laws were further harmonized by making mandatory

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<sup>44</sup> See TMD, *supra* note 1, arts. 4(4)(a) and 5(2), CTMR, *supra* note 6, arts. 8(5) and 9(1)(c).

<sup>45</sup> See Charles Gielen, *Harmonisation of Trade Mark Law in Europe: the First Trade Mark Harmonisation Directive of the European Council*, EUR. INTELL. PROP. REV. 262, 267 (1992).

<sup>46</sup> See generally Trade Marks Act, 1938, 1 & 2 Geo. 6., c. 22, § 4 (1) (Eng.). The Trade Marks Act only protected owner’s rights where the alleged infringer used a mark “identical with [the registered mark] or so nearly resembling it as to be likely to deceive or cause confusion.” *Id.*

<sup>47</sup> *Max Planck Study*, *supra* note 5, at 95.

what is already an accepted norm.<sup>48</sup> This protection is standard for CTMs.<sup>49</sup>

The greater challenge has been to define the scope of protection for marks with a reputation. How far should the EU follow the Benelux in recognising that trademarks have a range of functions, which should be protected as “valuable asset[s] in and of [themselves]”?<sup>50</sup> While brand owners may support broader protection for trademark functions, some courts have seen this as a way of creating a general unfair competition law by the back door.

a) Reputation Protected Against Identical and Similar Infringing Goods

The additional protection for trademarks with a reputation was drafted, in the TMD and CTMR, to apply only when the infringing goods/services were *dissimilar* to those for which the mark was registered.<sup>51</sup> It had originally been considered—in the UK at least—that this was because it was “difficult to imagine a situation in which there will be no likelihood of confusion” if the infringing goods were similar to those covered by the mark with a reputation.<sup>52</sup> However—in an example of Herculean interpretation despite the clear words of the legislation—the CJEU in *Davidoff v. Gofkid* held that the wider protection for marks with a reputation also covers situations where the infringing goods/services are identical, or similar, to those for which the mark was registered.<sup>53</sup>

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<sup>48</sup> *Id.* at 251–52.

<sup>49</sup> *Id.* at 108.

<sup>50</sup> Gielen, *supra* note 45, at 266.

<sup>51</sup> See TMD, *supra* note 1, arts. 4(4)(a) and 5(2), CTMR, *supra* note 6, arts. 8(5) and 9(1)(c).

<sup>52</sup> See the Opinion of Advocate General Jacobs in Case C-251/95, *Sabel BV v. Puma AG*, 1997 E.C.R. I-6193, ¶ 49. Peter Prescott similarly suggested that “if a sign is so similar that it can help to take unfair advantage/cause detriment *even when used on dissimilar goods*, then it is bound to be close enough to cause origin confusion when used on similar goods.” Peter Prescott, *Has the Benelux Trade Mark Law Been Written into the Directive?*, EUR. INTELL. PROP. REV. 99, 101 (1997).

<sup>53</sup> See Case C-292/00, *Davidoff & Cie SA v. Gofkid Ltd.*, 2003 E.C.R. I-00389, ¶¶ 24–26. It was confirmed in *Adidas Benelux* that if Article 5(2) of the TMD was implemented at all by a Member State, then the whole of the *Davidoff* protection must be made available. C-408/01, *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, 2003 E.C.R. I-12540, ¶ 15.

In many ways, this result was unsurprising. To have held otherwise would have left marks with a reputation less well protected against identical or similar goods/services than against dissimilar goods/services, especially after the CJEU's narrow interpretation of confusion in *Sabel v. Puma*.<sup>54</sup> The CJEU clearly considered that nonsensical, confirming the view of the referring German Federal Court of Justice that "protection of trade marks with a reputation seems even more justified in the case of use of a sign for [identical or similar] goods than in a case of use for non-similar goods."<sup>55</sup> The *Davidoff & Cie v. Gofkid* extension has not proved to be controversial in principle, and the Max Planck Study has suggested that the extension should now be codified.<sup>56</sup>

However, the *Davidoff & Cie v. Gofkid* approach was a further move away from the traditional protection of the "essential" trademark function, as confusion became less relevant to marks with a reputation. The point is particularly pertinent in cases like *L'Oréal v. Bellure*, in which there was an undisputed absence of confusion even though the infringing marks were used for identical goods.<sup>57</sup> However logical the extension of Article 5(2) of the TMD, its application has caused discomfort in some Member States, particularly where there is no general law against unfair competition.<sup>58</sup>

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<sup>54</sup> See *Sabel*, 1997 E.C.R. I-6193 at ¶ 38. The CJEU's narrow interpretation of confusion in *Sabel* had an impact on subsequent cases; see, e.g., *Davidoff*, 2003 E.C.R. I-00389 at ¶ 30.

<sup>55</sup> *Davidoff*, 2003 E.C.R. I-00389 at ¶ 12. The CJEU suggested that it had not been seriously disputed that protection against identical or similar goods and services must be at least as extensive as that against dissimilar goods and services. See *id.* at ¶¶ 25–26.

<sup>56</sup> *Max Planck Study*, *supra* note 5, at 107–08. The United Kingdom Trade Marks Act 1994, implementing the TMD, has already been amended to take account of this decision. See *id.* at 107–08.

<sup>57</sup> See generally Case C-487/07, *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185.

<sup>58</sup> *The Manual Concerning Opposition Part 5: Trade Marks with Reputation Article 8(5) CTMR*, OFFICE FOR HARMONIZATION IN THE INTERNAL MARKET 1, 8, [http://oami.europa.eu/ows/rw/resource/documents/CTM/legalReferences/partc\\_tm\\_reputation.pdf](http://oami.europa.eu/ows/rw/resource/documents/CTM/legalReferences/partc_tm_reputation.pdf) (last visited Mar. 1, 2013).



b) Unfair Advantage Broadened; Dilution Narrowed—Or Is It?

It might have been expected that the standard for establishing each of unfair advantage, denigration and dilution would be materially similar, given that they are all ways of protecting marks with a reputation. However, that is not the case under the CJEU's current jurisprudence. Instead, brand owners have been left with the upper hand in unfair advantage cases, and with an uncertain, uphill struggle in dilution cases. This has resulted from the CJEU's haphazard extension of protection for "additional" trademark functions.

i. Dilution

It is currently very difficult for EU trademark owners to establish infringement by dilution. The CJEU has held that this often requires evidence of a change in the economic behaviour of consumers, or a serious likelihood that such a change will occur.<sup>59</sup> This is almost impossible to demonstrate, making EU anti-dilution protection of limited use. In contrast, under U.S. law a famous trademark is generally protected against dilution "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."<sup>60</sup>

Some hope for Europe comes from a recent General Court decision, in which it was held that trademark owners do *not* need to prove a change, or likely change, in the economic behaviour of consumers to demonstrate dilution.<sup>61</sup> Instead, the General Court held that dilution could be demonstrated if a mark's ability to identify origin had been "weakened."<sup>62</sup> Given the conflict with the CJEU's previous reasoning, this is unlikely to be the end of the matter.

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<sup>59</sup> Case C-252/07, *Intel Corp. Inc v. CPM United Kingdom Ltd.*, 2008 E.C.R. I-08823, ¶ 77.

<sup>60</sup> Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. § 2(1) (2006).

<sup>61</sup> See Case T-570/10, *Envtl. Mfg. L.L.P. v. Office for Harmonization in the Internal Market (Trade Marks and Designs)*, 2012 E.C.R. I-\_\_\_\_, ¶ 53, 2012 EUR-Lex CELEX LEXIS 6201TJ0570 (May 22, 2012) (not yet reported).

<sup>62</sup> *Id.* at ¶ 54 (interpreting CTMR art. 8(5)).

However unsatisfactory this uncertainty, the Max Planck Study has not proposed changing the status quo, so legislative intervention in the short term seems unlikely. The only consolation for brand owners is that, in some circumstances, “unfair advantage” infringement is as easy to prove as dilution is difficult.<sup>63</sup>

ii. Unfair Advantage

“Unfair advantage” has been interpreted particularly broadly by the CJEU. The key case, *L’Oréal v. Bellure*, involved the sale of budget perfumes that deliberately looked and smelled similar to their market-leading counterparts.<sup>64</sup> Both parties accepted that neither traders nor consumers were likely to be misled.<sup>65</sup> There was also no evidence that sales of the L’Oréal goods had been affected, or that the L’Oréal marks had suffered reputational tarnish or dilution.<sup>66</sup> Nevertheless, following a “global assessment,” the CJEU held that Bellure was likely to have taken unfair advantage of L’Oréal’s marks.<sup>67</sup> It was unlawful for Bellure to “ride on the coat-tails” of L’Oréal’s marks to benefit from and exploit their power of attraction, reputation, prestige, and the marketing effort invested.<sup>68</sup> This was true irrespective of whether any harm was caused to the marks themselves.<sup>69</sup>

This expansive approach to unfair advantage—which merely paid lip service to the term “unfair”—came close to continental concepts of unfair competition by “parasitism.”<sup>70</sup> This troubled many commentators, including the referring court itself. Lord Justice Jacob, in his reluctant implementation of the CJEU

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<sup>63</sup> *Max Planck Study*, *supra* note 5, at 108. The ease of establishing unfair advantage contributed to the Max Planck Study’s conclusion that changes to dilution law were not required. *See id.*

<sup>64</sup> Case C-487/07, *L’Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 17.

<sup>65</sup> *Id.* at ¶ 18.

<sup>66</sup> *Id.* at ¶ 30.

<sup>67</sup> *Id.* at ¶¶ 44–45, 48.

<sup>68</sup> *Id.* at ¶ 49.

<sup>69</sup> *Id.* at ¶ 50.

<sup>70</sup> *Id.* at ¶ 41.

decision, lamented the CJEU's failure to differentiate between "permissible free riding" and "impermissible free riding."<sup>71</sup>

It is perhaps no surprise that the English courts have been willing to narrow the potential ambit of *L'Oréal v. Bellure*. Shortly afterwards, in *Whirlpool v. Kenwood*, the English Court of Appeal held that it was insufficient to show that the defendant had merely obtained an advantage; "there must be an added factor" to make that advantage unfair.<sup>72</sup> Unfairness could not be demonstrated in that case, where the defendant had its own well-established brand and goodwill, did not need to ride on the claimant's coat-tails, and would have been reluctant to be seen to be doing so.<sup>73</sup> It seems to have been key that Kenwood did not intend to imitate Whirlpool's mark.

It is difficult to reconcile the CJEU's broad position in *L'Oréal v. Bellure*<sup>74</sup> with the principles articulated by the English Court of Appeal in *Whirlpool v. Kenwood*.<sup>75</sup> However, in *Interflora v. Marks & Spencer*, the CJEU took a different approach, expanding on the meaning of the phrase "without due cause."<sup>76</sup> The CJEU clarified that use that "falls . . . within the ambit of fair competition" will not be "without 'due cause,'" and so will not infringe.<sup>77</sup> This means, for example, that unfair advantage is particularly likely to be demonstrated where the goods are imitations, as use of the trademark will not be within the "ambit of fair competition."<sup>78</sup> As such, the *outcome on the facts*—if not the reasoning—in *Whirlpool v. Kenwood* can be made to fit with CJEU case law.<sup>79</sup>

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<sup>71</sup> *L'Oréal SA v. Bellure NV*, [2010] EWCA (Civ) 535, ¶ 49 (Eng.).

<sup>72</sup> *Whirlpool Corp. v. Kenwood Ltd.*, [2010] EWCA (Civ) 753, [136] (Eng.).

<sup>73</sup> Conversely, where intention was evident, courts have more readily found infringement of the reputation provisions, even where the infringer already had its own reputation. *See, e.g.*, *Specsavers Int'l Healthcare Ltd. v. Asda Stores Ltd.*, [2012] EWCA (Civ) 24, [164].

<sup>74</sup> 2009 E.C.R. I-05185.

<sup>75</sup> [2009] EWCA (Civ) 753, [136].

<sup>76</sup> Case C-323/09, *Interflora Inc. v. Marks & Spencer Plc.*, [2012] E.T.M.R. 1, ¶ 91 (referencing TMD, art. 5(2); CTMR, art. 9(1)(c)).

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at ¶¶ 90–91; Case C-236/08, *Google Fr. SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-\_\_\_\_, ¶¶ 102, 103.

<sup>79</sup> *See MELLOR, supra note 4*, at ¶¶ 9-137, 9-141.

One key question for the future is how far EU trademark law should protect against free riding.<sup>80</sup> Increased emphasis on the phrase “without due cause” suggests that there are limits to the scope of unfair advantage, but leaves open the possibility of an amorphous judge-made law against unfair competition.<sup>81</sup> To date, there seems to be little legislative interest in clarifying this area of law.<sup>82</sup> However, given the potential for EU disharmony on the point, it should be a strong candidate for legislative review over the next five to ten years.

### 3. Double Identity

The protection of marks with a reputation is not alone in requiring reform. The TMD and CTMR each purport to provide absolute protection against the use in trade of a sign that is identical to a registered trademark, where it is used for identical goods or services.<sup>83</sup> A relatively simple provision on its face, the test for this double-identity infringement has caused significant legal uncertainty.

A decade ago, the CJEU held that claimants must demonstrate that one of the functions of a mark had been affected before infringement would be found.<sup>84</sup> So, even where a mark was used on identical goods, the trademark owner would still have to show that a trademark function was harmed.<sup>85</sup> This was uncontroversial in counterfeit cases, where the origin function would always be engaged, but has caused judicial contortions where other functions had to be relied on.<sup>86</sup>

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<sup>80</sup> L'Oréal SA v. Bellure NV, [2007] EWCA (Civ) 968, [27].

<sup>81</sup> *Id.* at [139]–[141].

<sup>82</sup> *See, e.g.*, Directive 2005/29, 2005 O.J. (L 149) 22 (EC) (discussing similar concepts but failing to address this issue).

<sup>83</sup> *See* TMD, *supra* note 1, art. 4(1)(a) (infringement), art. 5(1)(a) (rights conferred by trademark); CTMR, *supra* note 6, art. 8(1)(a) (relative grounds for refusal), art. 9(1)(a) (rights conferred by Community trade mark).

<sup>84</sup> *See* Case C-206/01, Arsenal Football Club Plc v. Reed, 2002 E.C.R. I-10273, ¶¶ 51–54; Case C-48/05, Adam Opel AG v. Autec AG, 2007 E.C.R. I-01017, paras. 21–22.

<sup>85</sup> *Adam Opel*, 2007 E.C.R. I-01017 at ¶ 24.

<sup>86</sup> L'Oréal SA v. Bellure NV, [2007] EWCA (Civ) 968, [28]–[29].

The issue has been most acute in the recent proliferation of comparative advertising cases, where defendants refer to registered trademarks—as online keywords, for example—to advertise competing goods.<sup>87</sup>

As discussed above, in *L'Oréal v. Bellure* the reliance on non-essential trademark functions led to very broad protection against “unfair” competition.<sup>88</sup> The defendants had also used L'Oréal's registered word marks in comparison lists shown to retailers.<sup>89</sup> The CJEU held that this would infringe the double identity provisions if any trademark function—including an “additional” function such as investment, communication, or advertising—had been adversely affected.<sup>90</sup>

This creep of functions analysis prompted a judicial backlash in the UK.<sup>91</sup> Implementing *L'Oréal v. Bellure*, Lord Justice Jacob made it clear that he would have preferred to find the comparison lists lawful, as they only involved “making honest statements about their products where those products are themselves lawful.”<sup>92</sup> He criticised the “[c]onceptually . . . vague and ill-defined”<sup>93</sup> nature of the “additional” functions, arguing that, once it was established that there was no risk of confusion, the consumer's interest lay in free competition.<sup>94</sup> The CJEU, he suggested, had “muzzled” the defendants, perhaps even breaching their right to freedom of expression under Article 10 of the European Convention on Human Rights.<sup>95</sup>

Even though Lord Justice Jacob's reservations were shared by the European Commission in relation to keywords,<sup>96</sup> the CJEU has

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<sup>87</sup> See, e.g., Case C-236/08, *Google Fr. SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-\_\_\_\_, ¶¶ 69–73.

<sup>88</sup> Case C-487/07, *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 65.

<sup>89</sup> *Id.* at ¶ 21.

<sup>90</sup> *Id.* at ¶ 55–58.

<sup>91</sup> See, e.g., *L'Oréal SA v. Bellure NV*, [2010] EWCA (Civ) 535.

<sup>92</sup> *Id.* at paras. 8, 39.

<sup>93</sup> *Id.* at ¶ 30.

<sup>94</sup> See *id.* at ¶¶ 16–18 (quoting *L'Oréal SA v. Bellure NV*, [2007] EWCA (Civ) 968, [28] and various law journal articles).

<sup>95</sup> *Id.* at ¶¶ 7, 10.

<sup>96</sup> See, e.g., Case C-323/09, *Interflora Inc. v. Marks & Spencer Plc.*, 2012 E.T.M.R. 1, ¶ 38; see also *Interflora v. Marks & Spencer No.2* [2010] EWHC 925 (Ch), ¶ 18.

confirmed that the *L'Oréal v. Bellure* reasoning applies in that context.<sup>97</sup> Nevertheless, the CJEU's analysis of the keywords cases means that *L'Oréal v. Bellure* is unlikely to affect their outcome.<sup>98</sup> Having accepted that all functions are relevant, the CJEU back-pedalled by adding a new layer to the double-identity test: the keyword use would—in practice—have to confuse the average internet user as to the origin of the goods/services for there to be infringement.<sup>99</sup> The CJEU has also suggested that use of a keyword of itself would not affect the advertising function even if the brand owner has to pay a higher “price per click” to promote its adverts.<sup>100</sup>

The Max Planck Study sums up this position by concluding that “referential” uses have not been integrated clearly and consistently into the EU legislation.<sup>101</sup> This is likely in part because of the CJEU's desire to find infringement in novel scenarios where the “essential” function is not compromised.<sup>102</sup> In one of the few major changes it proposes to the substantive law, the study suggests that the TMD and the CTMR Preambles should be revised to clarify that “referential” uses of registered marks can lead to infringement, but that such uses should be treated separately to use of the registered mark in relation to “the alleged infringer's own goods and services.”<sup>103</sup> The study suggests that analyzing “additional” trademark functions is inappropriate in “referential” cases.<sup>104</sup> Instead, the same result should be achieved by explicitly permitting “referential” uses, provided that they are in accordance with “honest business practices” and fall within clearly

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<sup>97</sup> See Case C-326/08, *Google Fr. SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-\_\_\_\_, ¶¶ 69–71; *Interflora*, 2012 E.T.M.R. 1 at ¶¶ 34–35.

<sup>98</sup> See generally *Interflora*, 2012 E.T.M.R. 1.

<sup>99</sup> *Google Fr. SARL*, 2010 E.C.R. I-\_\_\_\_ at ¶ 99.

<sup>100</sup> *Id.* at ¶¶ 94–95, 98; see also Ilanah Simon Fhima, *The Court of Justice's Protection of the Advertising Function of Trade Marks: an (Almost) Sceptical Analysis*, 6 J. INTELL. PROP. L. & PRAC. 325 (2001) (examining CJEU's exploration of the advertising function little impact on the outcome of cases).

<sup>101</sup> *Max Planck Study*, *supra* note 5, at 122.

<sup>102</sup> *Max Planck Study*, *supra* note 5 at 103–04. See, e.g., Case C-487/07 *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 65.

<sup>103</sup> *Max Planck Study*, *supra* note 5, at 122.

<sup>104</sup> *Id.*

articulated defences, which might include a new defence of “honest referential use.”<sup>105</sup> That would create judicial breathing space for the traditional double identity cases, for which—as Article 16.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”)<sup>106</sup> notes—confusion should not be in issue.

### C. Going Forward

In summary, the harmonization of substantive EU trademark law over the last 20 years has been largely successful. Nevertheless, as technology has offered new ways to compete, harmonization efforts have, at times, struggled to keep up. Recent attempts to rely on trademarks’ “communication, advertising, [and] investment” functions have, unfortunately, risked jettisoning the legal certainty<sup>107</sup> that is assumed to be crucial to the EU’s e-commerce agenda.

The Max Planck Study proposes that the purpose and scope of trademark protection, including a full account of all protected functions, be outlined in the Preambles to the TMD and CTMR.<sup>108</sup> This would certainly be a good start. The EU might also consider

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<sup>105</sup> *Id.* at 115, 121–24. The Max Planck Study proposes that business practices that are not honest under Article 6 of the TMD and Article 12 of the CTMR be clarified as meaning any use of a sign that creates the impression of a link, “affects the reputation or distinctive character of the mark or . . . discredits or denigrates the mark.” *Id.* The position put forth in the study is complicated by the interrelation between the TMD, CTMR, and the Comparative Advertising Directive of December 12, 2006 (“CAD”). Council Directive 06/114, 2006 O.J. (L 376) 21 (EU). The expansive interpretation of Articles 4(g) and 4(f) CAD in *L’Oréal* means that the TMD and CTMR defences are not available if imitations or replicas are involved. *L’Oréal SA v. Bellure NV*, [2010] EWCA (Civ) 535 [37] (Eng.). An overhaul of the CAD itself would be required before such uses were permitted. Although outside the scope of the Max Planck Study, one of its authors, Annette Kur, has also suggested Article 4(g) CAD should be deleted. See Annette Kur, *The Institute of Brand and Innovation Law Lecture, Trade Marks: The Future of the Advertising Function*, MAX PLANCK INSTITUTE FOR INTELL. PROP. & COMPETITION L. 1, 5 (Mar. 23, 2011), available at [http://www.ucl.ac.uk/laws/ibil/docs/11\\_brands\\_kur.pdf](http://www.ucl.ac.uk/laws/ibil/docs/11_brands_kur.pdf). It appears that Lord Justice Jacob would also favour such a development. See *L’Oréal SA v. Bellure NV*, [2010] EWCA (Civ) 535 [37] (Eng.).

<sup>106</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights [TRIPS], Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197

<sup>107</sup> See *Max Planck Study*, *supra* note 5, at 103.

<sup>108</sup> *Id.* at 105, 114–16.

reviewing the extent to which unfair competition laws, including the EU's unregistered trademark protection, merit harmonization. The registered trademark infringement cases still show significant potential for diverging trademark philosophies. Until the EU can articulate the purposes of modern trademarks with greater clarity, and agree on the extent to which those purposes should benefit from legal protection, we can still expect national courts to offer their view of what the CJEU really means. However far the harmonization of substantive EU trademark law has come, even the Max Planck Study leaves the next generation with plenty to think about.

## II. CTM UNITARY PROTECTION AND PAN-EU REMEDIES

The harmonization of substantive trademark law, which was initiated by the TMD in 1988, is only part of the story. In particular, the TMD and the CTMR left the harmonization of procedural, evidence and enforcement rules on the back-burner.<sup>109</sup> This, in turn, left open questions that go to the core of whether a CTM is a unitary right, with equal effect across the whole EU.<sup>110</sup>

To illustrate the difficulties that this has caused in practice, we discuss below three evidence- or enforcement-related issues that have the potential to undermine the purpose of the CTM system. First, we consider where a CTM should be used to sustain registration. Secondly, we look at the impact this has had on the cluttered CTM register and co-existence with other national marks and CTMs. Thirdly, in cases where a CTM court has "international" jurisdiction,<sup>111</sup> we discuss whether the CTM owner is entitled to a pan-EU injunction. We conclude by considering whether the EU is ready for a more fundamental shift: using the CTM regime as a replacement for all national marks.

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<sup>109</sup> For example, the CTMR acknowledged that "[o]n all matters not covered by this Regulation a Community trade mark court shall apply its national law." Council Regulation 207/2009, art. 101, 2009 O.J. (L 78) 1, 24 (EC).

<sup>110</sup> *Id.* at art. 1(2).

<sup>111</sup> *See id.* at art. 97–98.



A. *Where Must a CTM be Used: EU Co-Existence*

The increased use of CTMs and the EU expansion have led to difficult questions. First, to what extent is use of the CTM in a small geographical area, even just one Member State, sufficient to demonstrate “genuine use in the Community” and so prevent a CTM from being revocable?<sup>112</sup> Secondly, if CTMs *can* be sustained by use within a small geographical area, should restrictions be placed on the registration of similar marks elsewhere in the EU, even where there is no prospect of commercial conflict?

1. *Where Must a CTM be Used?*

The first point remains open following the CJEU’s decision in *Leno Merken v. Hagelkruis Beheer*.<sup>113</sup> Advocate-General Sharpston’s opinion in that case proposed that use in only one Member State may be sufficient, although it is not necessarily so.<sup>114</sup> She considered the relevant geographical area to be the entire territory of the internal market.<sup>115</sup> Accordingly, all forms of use within this area should be examined on a case-by-case basis in order to determine whether the use “is sufficient to maintain or create market share” and contribute to a “commercially relevant presence” in the internal market: “The borders between Member States and the respective sizes of their territories are not pertinent to this enquiry.”<sup>116</sup> However, “use of a mark on a website that is accessible in all of the 27 Member States is not,” of itself, necessarily enough.<sup>117</sup> The CJEU came to a similar conclusion. In particular, it agreed that territorial borders should be disregarded in assessing whether a CTM has been put to genuine use in the EU.

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<sup>112</sup> See *id.* at art. 15

<sup>113</sup> Case C-149/11, *Leno Merken BV v. Hagelkruis Beheer BV*, 2012 E.C.R. I-\_\_\_\_ (delivered 19 December 2012) (not yet reported). Note: The decision of the Benelux Trade Mark Office provided that the use in one Member State should not “by definition” constitute use in the Community, particularly in the light of an expanded EU.

<sup>114</sup> Opinion of Advocate General Sharpston in Case C-149/11, *Leno Merken BV v. Hagelkruis Beheer BV*, 2012 E.C.R. I-\_\_\_\_ (delivered July 5, 2012) (not yet reported), at ¶¶ 39, 55, 64.

<sup>115</sup> Opinion of Advocate General Sharpston, *id.* at ¶ 39.

<sup>116</sup> Opinion of Advocate General Sharpston, *id.* at ¶¶ 48–50 (emphasis omitted).

<sup>117</sup> See Opinion of Advocate General Sharpston, *id.* at ¶ 55.

Although the test is rather vague, it seems to be a good fit with the previous approaches taken by the CJEU, the General Court and OHIM, and with the principle of unitary character.<sup>118</sup> The Max Planck Study also recommends that the requisite nature and extent of use of a CTM—both territorial and otherwise—should be determined on a case by case basis,<sup>119</sup> and that the analysis should entirely disregard whether there is use across the boundaries of Member States.<sup>120</sup> The corresponding finding by the CJEU should be reasonably good news for trademark owners: at the very least, they should not be required to show use in every EU country. Registration of one CTM will enable trademark owners to build up their brand in part of Europe, while reserving the right to roll out use of the mark across the continent at a later date.

## 2. Co-Existence Challenges

There is a concern, though, that this liberalization of the ability to maintain CTMs will lead to a cluttered register. It could also unnecessarily curtail uses of similar marks in Member States where there will, in practice, be no commercial conflict. This is especially true across as wide and culturally diverse an area as the EU.

To facilitate co-existence in these circumstances, EU law prevents the owners of both national marks and CTMs from objecting to use of a later registered mark if they have acquiesced

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<sup>118</sup> See Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV*, 2003 E.C.R. I-2439; Case C-259/02, *La Mer Tech. Inc. v. Laboratoires Goemar SA*, 2004 E.C.R. I-1159; Case C-416/04, *Sunrider Corp. v. Office for Harmonisation in the Internal Market (Trade Marks and Designs)*, 2006 E.C.R. I-4237; see also *Max Planck Study*, *supra* note 5, at 133. The Advocate General's approach in *Leno Merken BV v. Hagelkruis Beheer BV* also fits with the CJEU's previous finding in Case C-301/07 *PAGO Int'l GmbH v. Tirolmilch registrierte Genossenschaft mbH* that a dilution claim could be founded on the basis of a CTM's reputation in only one EU Member State, although the Advocate General specifically stated that this reasoning could not be transposed directly to the question of genuine use. Compare *Leno Merken*, with Case C-301/07, *PAGO Int'l GmbH v. Tirolmilch Registrierte Genossenschaft mbH*, 2009 E.C.R. I-9429.

<sup>119</sup> *Max Planck Study*, *supra* note 5, at 139. The Max Planck Study proposes that relevant factual circumstances should include the nature of the goods and services, the sector, and the size and type of the business activities. *Id.* at 139–40.

<sup>120</sup> See *id.* at 135.

in the use of the later mark for five successive years.<sup>121</sup> Acquiescence offers some respite, but provides no immediate certainty for the owners of later marks. The authors of the Max Planck Study propose that the EU should go one step further by forcing legislative co-existence between CTMs and later national marks in certain narrowly defined circumstances (and without any need to show acquiescence).<sup>122</sup> To protect the unitary character of the CTM, the CTM owner could still expand use of the CTM into the relevant Member State at a later date, but the right to oppose use of the national mark would be curtailed.

It is still unclear whether the European Commission will act on this particular recommendation. However, the proposals outlined in the Max Planck Study do at least put on the agenda one of the major problems that the EU is likely to face in the years to come: balancing its desire to improve the appeal of CTMs against preventing the register from becoming unworkable. It may be that forced co-existence will not unduly concern most CTM owners. However, it will operate as yet another limitation on the general principle that relief from infringement should be available on an EU-wide basis for all CTMs. We turn now to the problems this has caused in a related area: the availability of pan-EU remedies when linguistic differences mean that a defendant's mark may not infringe on a pan-EU basis.

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<sup>121</sup> CTMR, *supra* note 6, at art. 54(1). *See also* TMD, *supra* note 1, at art. 9(1). The application for registration must have been made in good faith and the owner of the earlier trademark must know that the later trademark has been registered and used after its registration. *See id.* Registration of the earlier trademark is not necessary for the running of the five-year period. *See id.* (“where there has been a long period of honest concurrent use of those two trademarks where . . . that use neither has nor is liable to have an adverse effect on the essential function of the trade mark”). Case C-482/09 *Budějovický Budvar, národní podnik v. Anheuser-Busch, Inc.*, 2011 E.C.R. I-\_\_\_\_, ¶ 84 (delivered Sept. 22, 2011) (not yet reported).

<sup>122</sup> *Max Planck Study*, *supra* note 5, at 136–39. To keep the operation of this forced co-existence within justifiable limits, the Max Planck Study proposes: (i) that the CTM must have been used only on a minimal basis and in a part of the Community remote from the relevant Member State, (ii) that sufficient time (fifteen years) is allowed to establish wider use, and (iii) that the later national mark must have been applied for in good faith. Good faith might be impossible to demonstrate where the relevant market sector was so small that minor activities would have an EU-wide impact. *Id.*

### B. Barriers to pan-EU relief

The Intellectual Property Rights Enforcement Directive<sup>123</sup> has harmonized some of the basic EU IP infringement remedies, but we are yet to receive clear judicial guidance on whether the CTM offers truly unitary remedies in the EU. Unitary rights are of limited use without unitary remedies.<sup>124</sup> For this reason, a CTM court in the Member State in which a claim is properly brought has “jurisdiction in respect of: acts of infringement committed or threatened within the territory of *any* of the Member States.”<sup>125</sup> In principle, therefore, injunctions issued by a CTM court against infringement of a CTM should be capable of extending across the entire EU.<sup>126</sup>

Unfortunately, the principle of pan-EU jurisdiction is complicated by the wide linguistic divergence within the EU.<sup>127</sup> The difficulty is that trademarks are only protected under EU law to the extent that their legally recognised functions are affected.<sup>128</sup> The use of a later mark across the EU might affect the functions of a CTM in some EU countries, but not others. This is most likely to occur where the infringement arises from confusion caused by the similar pronunciation of the two marks in one or more languages, but where the two marks are pronounced differently in other languages. For example, on this approach, a mark might infringe the “essential function” of a CTM in Germany, because local

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<sup>123</sup> Directive 2004/48, 2004 O.J. (L 157) 45 (EU).

<sup>124</sup> The CTMR recognizes this, stating that rights owners should be able “by means of one procedural system [to] obtain Community trade marks to which uniform protection is given and which produce their effects throughout the entire area of the Community.” CTMR, *supra* note 6, at Recital (3), Recital (16), art. 1(2).

<sup>125</sup> See CTMR, *supra* note 6, at art. 98(1)(a) (emphasis added). *But see id.* at arts. 97(5), 98(1) CTMR (noting that this rule does not apply where jurisdiction is founded on the place where the infringement occurred).

<sup>126</sup> Case C-235/09, DHL Express France SAS v. Chronopost SA, 2011 E.C.R. I-\_\_\_\_, ¶ 44 (delivered Apr. 12, 2011) (not yet reported).

<sup>127</sup> European Commission, *Speaking for Europe: Languages in the European Union*, at 7 (2008), available at [ec.europa.eu/education/languages/pdf/doc3275\\_en.pdf](http://ec.europa.eu/education/languages/pdf/doc3275_en.pdf). The EU is comprised of twenty-seven Member States with more than twenty official languages (not to mention sixty regional and minority languages). *Id.*

<sup>128</sup> See, e.g., *Google Fr. SARL*, 2010 E.C.R. I-\_\_\_\_, ¶¶ 75–79; *DHL Express France*, 2011 E.C.R. I-\_\_\_\_ at ¶ 46.

pronunciation leads to a likelihood of confusion. However, the same mark might not infringe in France where it is pronounced differently. In such cases, the CJEU has suggested that use of the later mark should only be prohibited in those Member States in which confusion would arise.<sup>129</sup> Arguably, the notoriety of the mark could also be relevant, especially if the trademark owner has taught the relevant public how to pronounce the mark.

This significantly curtails the unitary character of CTMs. Defendants who use their mark across the EU can now force claimants to establish infringement in each official language—a tall order that may price many trademark proprietors out of enforcing their rights in multiple countries. The alternative may have its disadvantages (for example, it might feel like rough justice to grant a pan-EU injunction to the extent that confusion is limited to only a few Member States) but it is surely more in line with trademark owners' expectations from a supposedly unitary CTM system. This is a difficult policy question for the EU, but ought to be resolved if trademark applicants are expected to be able to assess the true value of seeking CTMs rather than national marks.

### C. Replacement of National Marks

Proposals for the harmonization of national trademark law and the introduction of CTMs were made around the same time, back in 1980.<sup>130</sup> In the end, it was the TMD that came first, as harmonizing national laws was seen as a necessary first step to enable the establishment of a CTM system.<sup>131</sup> Has the time now come to take the final leap and remove national marks altogether? Would this even be desirable?

We suggest not. At a time when the concern is to de-clutter the register, forcing CTM registrations when national registrations would suffice seems to be a move in the wrong direction.<sup>132</sup> From a brand owner's perspective, there may also be tactical reasons for registering national marks. For example, applying for national

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<sup>129</sup> *DHL Express France*, 2011 E.C.R. I-\_\_\_ at ¶¶ 46–48.

<sup>130</sup> *Proposal for a First Council Directive to Approximate the Laws of the Member States Relating to Trade Marks*, COM (1980) 635 Final (Nov. 19, 1980).

<sup>131</sup> See Kerly's *Law of Trade Marks and Trade Names*, *supra* note 4, ¶ 1-004.

<sup>132</sup> See *Max Planck Study*, *supra* note 5, at 270.

registrations avoids having to manage potentially conflicting marks in countries that are not of commercial interest. A split system will also mean that national marks continue to be assessed on their merits by the trademark institutions that are closest to them. For example, the CJEU recently confirmed that the validity of earlier national marks can only be challenged in national proceedings.<sup>133</sup> This means that the General Court cannot hold that an earlier national trademark lacks distinctive character. For now, at least, the advantages of a dual system continue to outweigh the disadvantages—particularly if the issues outlined above can be resolved.

### III. THE EU TRADEMARK INSTITUTIONS

Over the last twenty years the trademark-related caseload of the EU institutions has grown considerably. In part a natural consequence of the TMD and the CTMR, this growth has also been spurred on by self-promotion from OHIM. The result has been increased pressure on EU judicial capacity. Unfortunately, however, the appetite to resolve the capacity squeeze remains relatively modest. This section outlines the rise of the EU trademark institutions over the past twenty years, and considers whether the next twenty years will herald a more radical shake up: a specialised central EU trademark court.

#### A. *Increasing Caseloads: the Facts*

As is apparent from sections II and III above, the EU judicial institutions have been kept busy with requests to interpret EU trademark law. The statistics set out below show a dramatic rise in the amount of court and registry time devoted to trademarks. In particular:

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<sup>133</sup> Case C-196/11 P, *Formula One Licensing BV v. Office for Harmonisation in the Internal Market (Trade Marks and Designs)*, 2012 E.C.R. I-\_\_\_\_, ¶ 38 (delivered May 24, 2012) (not yet reported).

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- the number of new CTM applications at OHIM has more than doubled since the mid-1990s;<sup>134</sup>
- the CJEU and the General Court have, respectively, 37% and 109% more new cases each year than they did ten years ago;<sup>135</sup> and
- over that period, the number of new IP cases started each year has more than doubled for the CJEU, and is almost five times higher for the General Court.<sup>136</sup>

The number of CJEU and General Court judges has lagged behind this growing caseload. The only additional judicial appointments have been made when a new country joined the EU.<sup>137</sup> This constraint on judicial capacity could lead to significant delays in access to justice. The figures speak for themselves.

### 1. OHIM

In the past few years, OHIM processed approximately 100,000 CTM applications annually, up from just fewer than 44,000 in 1996.<sup>138</sup> There are likely to be several reasons for the uptake of the CTM. Firstly, following the reduction of CTM e-filing application fees, OHIM received almost 20% more CTM applications in 2006

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<sup>134</sup> See *Statistics of Community Trade Marks 2012, Overview: Applications*, OFFICE OF HARMONIZATION IN THE INTERNAL MARKET, 1 (Mar. 9, 2012), [http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics\\_of\\_community\\_trade\\_marks\\_2012.pdf](http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2012.pdf) [hereinafter *CTM Statistics*] (on 4 December 2012 99,254 applications for 2012 had been reported, but based on the previous two years this total will most likely reach over 100,000).

<sup>135</sup> See *id.* Statistics for the past ten years are based on the authors' aggregation of available data. The increased workload of the courts is not just due to trademarks. The EU's judicial institutions have also had to cope with EU expansion and a wider jurisdictional remit, including under REACH, the EU's chemicals regime.

<sup>136</sup> See *id.*

<sup>137</sup> See Consolidated Version of the Treaty on European Union, Mar. 30, 2010, 2010 O.J. (C 83) 13, 27, art. 19(2). There must be one judge from each Member State in the CJEU and at least one judge from each Member State in the General Court (and since the General Court's creation it has had only one judge per Member State). *Id.* The new appointments equated to an eighty percent increase in the number of judges over this ten-year period. *The History of the European Union*, EUROPA.EU, [http://europa.eu/about-eu/eu-history/index\\_en.htm](http://europa.eu/about-eu/eu-history/index_en.htm) (last visited Sept. 16, 2012).

<sup>138</sup> See *CTM Statistics*, *supra* note 134, at 1 (demonstrating that there were 105,900 CTM applications in 2011 and 98,343 CTM applications in 2010).

than in 2005.<sup>139</sup> The percentage of applications filed electronically increased from 30% to 70% in that year.<sup>140</sup> Secondly, the EU (as a combined market) has become a more attractive place to do business, particularly since the harmonization of certain e-commerce laws in the late 1990s<sup>141</sup> and early 2000s.<sup>142</sup> For European companies and foreign investors, the CTM offers a convenient and cost-effective one-stop shop that protects their brands. Thirdly, when the European Community joined the Madrid Protocol in 2004, it became even easier to apply for CTMs and to use the CTM as a basis for other applications.<sup>143</sup>

Inevitably, this increased interest in the CTM has had tremendous effects for the caseload of the General Court and the CJEU.

## 2. The General Court

In 2011, the General Court had an influx of over 300 more new cases than in 2000 (see inset graph).<sup>144</sup>

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<sup>139</sup> OHIM, *European Trademarks and Designs Newsletter* 10 (November 2006), available at <http://www.oami.europa.eu/en/office/newsletter/06012.htm#ED1>.

<sup>140</sup> See *CTM Statistics*, *supra* note 134, at 1–2; *OHIM Annual Report 2007*, TRADE MARKS AND DESIGN REGISTRATION OFFICE OF THE EUROPEAN UNION 1, 13 (2007), <http://oami.europa.eu/en/office/press/pdf/AR2.pdf>.

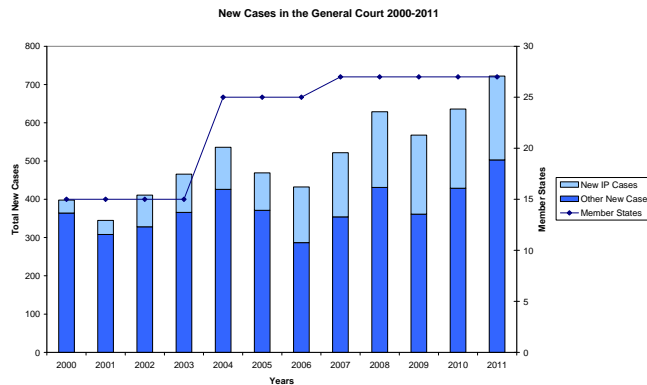
<sup>141</sup> Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts.

<sup>142</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market. See OHIM, *European Trademarks and Designs Newsletter*, *supra* note 139 at 1.1 (“A Look Back at OHIM in 2006”); see, e.g., Véronique Musson, *Finding its Feet: 10 Years of OHIM Practice*, *WORLD TRADEMARK REV.* 15 (Sept.–Oct. 2006) (describing the success of the EU system within the last decade).

<sup>143</sup> See Musson, *supra* note 142, at 19.

<sup>144</sup> Compare Bo Vesterdorf, *Proceedings of the Court of First Instance in 2000*, 1 (2000), [http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-09/tp2000\\_2008-09-30\\_16-26-3\\_988.pdf](http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-09/tp2000_2008-09-30_16-26-3_988.pdf) (statistics concerning the judicial activity for the Court of First Instance in 2000), with *Annual Report 2011*, CVRIA 1, 194 (2012), [http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-06/ra2011\\_version\\_integrale\\_en.pdf](http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-06/ra2011_version_integrale_en.pdf) [hereinafter *Annual Report 2011*] (statistics concerning the judicial activity for the General Court in 2011). See generally Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community, Dec. 17, 2007, 2007 O.J. (C 306) 1 (renaming the Court of First Instance, the General Court in 2007).





Intellectual Property cases have accounted for about a third of the General Court's workload since 2006.<sup>145</sup>

In 2002 and 2006, the number of new IP cases entering the General Court increased significantly.<sup>146</sup> The 2002 increase can probably be attributed to the Community Designs Regulation, which came into force the year before.<sup>147</sup> In 2006, coinciding with OHIM's reduced CTM e-filing fees (see above), there were 45% more appeals from OHIM to the General Court.<sup>148</sup>

### 3. The CJEU

The story has been similar at the CJEU. In 2011, the CJEU had 185 more new cases than in 2000 (see inset graph, next page).<sup>149</sup>

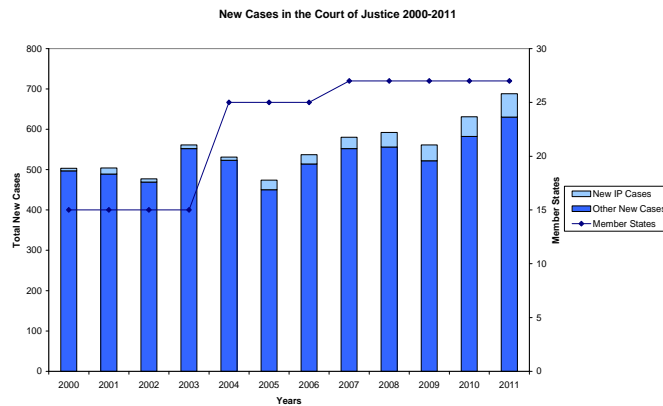
<sup>145</sup> *Annual Report 2011*, *supra* note 144, at 194.

<sup>146</sup> See *Statistics Concerning the Judicial Activity of the Court of First Instance*, 173 (2002), <http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-10/st02tr.pdf>; *Statistics Concerning the Judicial Activity of the Court of First Instance*, 173 (2006), [http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-09/06\\_trib\\_stat\\_2008-09-29\\_13-32-40\\_772.pdf](http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-09/06_trib_stat_2008-09-29_13-32-40_772.pdf). In 2005 and 2006, the overall number of new cases in the General Court was less than in previous years. *Annual Report 2011*, *supra* note 144, at 211. This may have been due to the introduction of the Civil Service Tribunal in 2005. See Council Directive 04/752, 2004 O.J. (L 333) 7 (EU).

<sup>147</sup> Council Regulation 6/2002/EC of 12 December 2001.

<sup>148</sup> *Board of Appeal Statistics*, (Sept. 2012) 1, 2, [http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/appeal\\_stats\\_2012.pdf](http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/appeal_stats_2012.pdf).

<sup>149</sup> Compare *Annual Report 2011*, *supra* note 144, at 95, with *Statistics of Judicial Activity of the Court of Justice* (2000), available at <http://curia.europa.eu/jcms/upload/docs/application/pdf/2008-10/st00tr.pdf>.



A significant amount of that increase was due to IP, and—in particular—trademark cases.

The rising number of CJEU trademark cases has been driven by many factors, including the willingness of national courts to make preliminary references and of trademark owners to appeal General Court decisions. References show little signs of slowing down, particularly as national courts rarely characterise the trademark effects of new technologies as *acte clair*.<sup>150</sup> The CJEU is at least trying to discourage unnecessary appeals from the General Court, with recent CJEU decisions confirming the CJEU's reluctance to interfere with the General Court's findings of fact.<sup>151</sup> The scope of an appeal to the CJEU is now clearly limited to errors of law<sup>152</sup> or the other narrow grounds set out in the CTMR.<sup>153</sup>

<sup>150</sup> See generally Case C-323/09, *Interflora Inc. v. Marks & Spencer Plc.*, [2012] E.T.M.R. 1; Joined Cases 236 & 238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-\_\_\_; Case C-558/08, *Portakabin Ltd. v. Primakabin BV*, 2010 E.C.R. I-6959.

<sup>151</sup> See Case C-100/11, *Helena Rubinstein SNC v. Office for Harmonisation in the Internal Market (Trade Marks and Designs)*, 2012 E.C.R. I-\_\_\_, ¶ 84 (delivered May 12, 2012) (not yet reported).

<sup>152</sup> See Case C-196/11, *Formula One Licensing BV v. Office for Harmonisation in the Internal Market ((Trade Marks and Designs)*, 2012 E.C.R. I-\_\_\_, ¶¶ 56–57 (delivered May 24, 2012) (not yet reported).

<sup>153</sup> CTMR, *supra* note 6, at art. 65.

*B. Taking the Strain: Can the EU's Institutions Cope with their Caseload?*

The increasing trademark caseload raises questions about whether the EU's trademark systems are still fit for purpose.

1. OHIM

Over the past eighteen years, OHIM has worked hard to improve the desirability and accessibility of the CTM. As outlined above, those efforts include reducing filing fees, introducing electronic applications, dealing with EU expansion, and joining the Madrid Protocol.

The reception of this success story has, at times, been mixed. On the positive side, significant improvements have been made to the speed of OHIM decisions.<sup>154</sup> OHIM's current Service Charter, a clear statement of its priorities, even includes timeliness targets.<sup>155</sup> However, concerns remain about whether achieving these targets might prejudice the quality and consistency of decisions.<sup>156</sup> Even with examiners following detailed guidelines, there is a risk that certain CTM examinations will miss the nuances of EU trademark law.

If the CTM system is to succeed for the next twenty years, the right balance must be struck between CTM examination speed and the number of cases that need to be appealed. There is also a more fundamental question: who should be the ultimate gatekeeper for CTM applications? The current pace and frequency with which CTM applications are granted,<sup>157</sup> along with the growing number of General Court and CJEU trademark cases, suggests that OHIM is a relatively light filter. The General Court and, to a lesser extent, the CJEU, are frequently required to step in.

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<sup>154</sup> See Rhys Morgan, *Ensuring Greater Legal Certainty in OHIM Decision-Taking by Abandoning Legal Formalism*, 7 J. OF INTELL. PROP. L. & PRAC. 408, 408 (2012); Edward Fennell, *Leaving a Legacy*, 27 INTELL. PROP. REV. 32, 32 (2009).

<sup>155</sup> See generally *Timeliness Service Standards 2012*, OFFICE OF HARMONIZATION FOR THE INTERNAL MARKET (TRADE MARKS & DESIGNS) (May 8, 2012), <http://oami.europa.eu/ows/rw/pages/QPLUS/serviceCharter/serviceCharter.en.do>.

<sup>156</sup> Morgan, *supra* note 154, at 408.

<sup>157</sup> According to statistics published on OHIM's website, nearly ninety percent of CTM applications in 2011 were granted.

There are signs that the CJEU would like OHIM to take greater responsibility for the accuracy of examinations. For example, the CJEU has recently affirmed that OHIM examiners must take into account decisions on previous, similar applications in order to ensure consistency and legal certainty.<sup>158</sup> Of itself, though, this is unlikely to deter sophisticated trademark owners from appealing adverse CTM examination decisions, especially as appeal costs remain relatively low.<sup>159</sup>

What is needed, we suggest, is a three-pronged approach. First, OHIM's processes need to be robust enough to give applicants the confidence that examination decisions will be consistent and in line with EU trademark law. That may result in increased OHIM fees, but it is appropriate for this cost be met by trademark applicants rather than the EU taxpayers who fund appeals to the General Court and CJEU.<sup>160</sup> Secondly, the General Court needs to increase its capacity and expertise to hear appeals from the OHIM Board of Appeal, as we set out in more detail in the next sub-section. Thirdly, trademark examination appeals to the CJEU should be available to rights owners only in rare cases.

## 2. The General Court and the CJEU

The statistics set out above, and the trademark support needed by OHIM, suggest that the current workload pressures on the General Court and CJEU are unlikely to subside without intervention. The issue is most acute for the General Court but there are also capacity concerns at the CJEU.<sup>161</sup>

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<sup>158</sup> See, e.g., Case C-51/10 P, *Agencja Wydawnicza Technopol sp z o.o. v. Office for Harmonisation in the Internal Market (Trade Marks and Designs)*, 2011 E.C.R. I-\_\_\_\_, ¶ 74 (delivered Mar. 10, 2011) (not yet reported).

<sup>159</sup> See List of Fees Following Commission Regulation (EC) No 355/2009 of 31 March 2009, Office for Harmonization of the Internal Market (Jan. 10, 2012), <http://oami.europa.eu/ows/rw/pages/CTM/feesPayment/listFees.en.do>.

<sup>160</sup> Under the CTMR, OHIM retains largely autonomous budget control, funded principally by users' fees. See Council Regulation 207/2009, 2009 O.J. (L78) 1, 2 (EC).

<sup>161</sup> See Commission Opinion on the requests for the amendment of the Statute of the Court of Justice of the European Union, presented by the Court, at paras. 28–29, COM (2011) 596 final (Sept. 30, 2011) [hereinafter *Commission Opinion*]. See also Draft Amendments to the Statute of the Court of Justice of the European Union and to Annex I

There are at least three ways to ease the pressure:

- Create a specialized trademark court to replace the General Court;
- Create specialized trademark chambers at the General Court and/or the CJEU; or
- Alter the existing composition, structure and/or procedures of the General Court and/or the CJEU.

It seems likely that the EU will adopt a hybrid of the second and third options.

The EU Commission and the CJEU have recently decided against creating a specialist trademark tribunal, primarily because it would not reduce the current backlog of cases quickly enough.<sup>162</sup> This reasoning, however logical, seems to be driven more by necessity than forward-planning.

Instead, the EU Commission's proposed solution is to increase the number of General Court judges by twelve to thirty-nine and to allow the creation of specialised chambers.<sup>163</sup> This should at least give certain judges an opportunity to focus more on trademark law. However, it stops short of creating a specialist IP or trademark court with its own rules tailored to IP cases. A more modest expansion of the CJEU's judiciary is also likely, combined with some minor procedural changes. The EU Commission (at the CJEU's instigation) recommends increasing the number of judges in the Grand Chamber from thirteen to fifteen and appointing a Vice President to assist the President.<sup>164</sup> Unfortunately, the evidence suggests that these tweaks are unlikely to go far enough. For example, the UK House of Lords European Union Committee has suggested that the maximum increase in efficiency that is possible to achieve from procedural change has already

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There to, 1, 2 (Mar. 28 2011), available at [http://curia.europa.eu/jcms/upload/docs/application/pdf/2011-04/projet\\_en.pdf](http://curia.europa.eu/jcms/upload/docs/application/pdf/2011-04/projet_en.pdf).

<sup>162</sup> See *Commission Opinion*, supra note 161, at paras. 28–29, 5 n.1. (explaining that the Civil Service Tribunal took two years to come into operation).

<sup>163</sup> See *id.* at ¶ 32.

<sup>164</sup> See *id.* at ¶¶ 16–18.

occurred.<sup>165</sup> They propose that more drastic changes are now required.<sup>166</sup>

It is hardly surprising that the EU has so far shied away from a radical overhaul of its trademark institutions. However worthy, the EU trademark system is, for now at least, unlikely to attract as much political attention as the other challenges facing Europe. However, if the EU is to maintain confidence in its trademark systems, it will need to keep a watchful eye on how OHIM, the General Court and the CJEU interact. The key will be to maintain and—to some extent—restore confidence in the consistency and efficiency of these institutions. That will require investment: first by OHIM (and therefore its fee-paying users), to ensure that speed does not trump legal certainty; and secondly by EU taxpayers, to ensure that the General Court and the CJEU bring in sufficient IP talent to put trademark law in safe hands for the next twenty years.

#### CONCLUDING COMMENTS: EU TRADEMARK LAW AND ITS EXTERNAL INFLUENCE

As the overview above seeks to demonstrate, the EU has in general made great strides in its harmonization and development of trademark law over the past twenty years. There is every reason to believe that this trend will continue for the next twenty years, particularly if the necessary institutional and legislative reforms take place. Having established its own strong foundations, there may now be an opportunity for EU trademark law to play a more global role. It also seems likely that it will itself become increasingly subjected to external influence.

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<sup>165</sup> See HOUSE OF LORDS EUROPEAN UNION COMMITTEE, 14TH REPORT OF SESSION 2010–11, *The Workload of the Court of Justice of the European Union*, H.L. 128 at ¶ 88 (Apr. 6, 2011), available at <http://www.publications.parliament.uk/pa/ld201011/ldselect/lducom/128/128.pdf>.

<sup>166</sup> See *id.*

## I. INSIDE-OUT

To influence trademark law elsewhere across the globe, the EU must first seek to enter into multilateral treaties to encourage foreign countries to adopt EU trademark norms. The Anti-Counterfeiting Trade Agreement (“ACTA”) had been one such attempt.<sup>167</sup> Certain developed territories (including the EU, the United States of America and Japan) sought to broker an international trade agreement to export high standards of IP protection worldwide, including in relation to anti-counterfeiting.<sup>168</sup> More than five years in the making, ACTA set out the procedures and measures necessary to enforce intellectual property rights and to counter large-scale infringements at borders.<sup>169</sup>

But for all its grand designs, ACTA had two significant flaws. First, it was not a truly *international* agreement. Key countries and regions were missing from the treaty, including China (where a significant proportion of the world’s counterfeits are manufactured) and the Middle East (which is a major distribution hub for Europe).<sup>170</sup> Secondly, those responsible for ACTA failed to convince their critics that ACTA fairly balanced IP rights with fundamental freedoms.<sup>171</sup> In this way, a seemingly well-intentioned treaty was hijacked by anti-establishment sentiment. The European Parliament recently voted to reject ACTA, meaning that it cannot now become law in the EU—“the first time that [the European] Parliament [has] exercised its Lisbon Treaty power to

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<sup>167</sup> Anti-Counterfeiting Trade Agreement, Oct. 1, 2011, *available at* [http://www.mofa.go.jp/policy/economy/i\\_property/pdfs/acta1105\\_en.pdf](http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf).

<sup>168</sup> See Press Release, Office of the United States Trade Representative, Partners Sign Groundbreaking Anti-Counterfeiting Trade Agreement (Oct. 2011) [hereinafter *ACTA Press Release*] *available at* <http://www.ustr.gov/about-us/press-office/press-releases/2011/october/partners-sign-groundbreaking-anti-counterfeiting-t>.

<sup>169</sup> See Press Release, Office of the United States Trade Representative, Joint Press Statement of the Anti-Counterfeiting Trade Agreement Negotiating Parties (Oct. 2011), *available at* <http://www.ustr.gov/about-us/press-office/press-releases/2011/october/joint-press-statement-anti-counterfeiting-trade-ag>.

<sup>170</sup> See *ACTA Press Release*, *supra* note 168 (showing that out of all ACTA negotiating parties, no Middle Eastern country was present).

<sup>171</sup> See David Jolly, *A Question of Internet Freedom*, N.Y. TIMES, Feb. 6, 2012, <http://www.nytimes.com/2012/02/06/technology/06iht-acta06.html?pagewanted=all#>.

reject an international trade agreement.”<sup>172</sup> Controversially, this vote took place before the CJEU had the chance to consider ACTA’s compatibility with the EU treaties.<sup>173</sup> Increased protection for EU trademark owners against international counterfeits is still some way off.

Secondly, the EU could leverage its relationship with the WTO to develop a more detailed worldwide framework for trademark protection. The EU, like the other 156 WTO members,<sup>174</sup> is a party to TRIPS, which also incorporates the relevant parts of the Paris Convention for the Protection of Industrial Property (the “Paris Convention”).<sup>175</sup> The core rationale for TRIPS is similar to that for EU trademark law: harmonising IP protection should “reduce distortions and impediments to international trade” and competition.<sup>176</sup>

Unsurprisingly, given the number of countries involved, harmonization of trademark law under TRIPS and the Paris Convention has been far more modest than within the EU. These treaties, among other things, set out basic standards for trademark registrability<sup>177</sup> and infringement,<sup>178</sup> and prohibit discrimination against foreigners’ IP protection.<sup>179</sup> However, many of the relevant provisions remain optional or only set minimum standards.<sup>180</sup> Despite the wide reach of TRIPS and the Paris Convention, there is still considerable scope for trademark

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<sup>172</sup> See Press Release, European Parliament, European Parliament Rejects ACTA (July 4, 2012), available at <http://www.europarl.europa.eu/news/en/pressroom/content/20120703IPR48247/html/European-Parliament-rejects-ACTA> (“478 MEPs voted against ACTA, 39 in favour, and 165 abstained.”).

<sup>173</sup> See *id.*

<sup>174</sup> *Members and Observers*, WORLD TRADE ORGANIZATION, (Sept. 14, 2011), [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm).

<sup>175</sup> See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197.

<sup>176</sup> TRIPS Preamble, *supra* note 175, TMD, *supra* note 1, recital 2.

<sup>177</sup> See Paris Convention, *supra* note 175, art. 6*quinquies*(B); TRIPS, *supra* note 175, at art. 15.

<sup>178</sup> See TRIPS, *supra* note 175, at art. 16–17.

<sup>179</sup> See *id.* at art. 4; Paris Convention, *supra* note 175, at art. 2(1).

<sup>180</sup> See generally Paris Convention, *supra* note 175; TRIPS, *supra* note 175.



protection to vary across the world. There is, in particular, sparse harmonization of the standard of protection afforded to well-known marks. Greater homogeneity would be most welcome. Unfortunately, it seems unlikely that there will be much political appetite for broader global trademark reform, at least until the ACTA dust has settled.

Thirdly, the EU could continue its educational approach to promoting its trademark norms by offering to support trademark law progress in developing countries. This may have benefits for EU businesses that are looking to expand overseas and it could help to strengthen the EU's trade relationships in emerging markets. The correct approach to providing this support will depend on the country involved. As the EU already takes an active role within WIPO, the best way to channel any such efforts may be through the Regional Bureaus of the World Intellectual Property Organization.

## II. OUTSIDE-IN

While turning trademark law into the EU's next global export is perhaps rather ambitious, there is every chance that EU trademark norms will find themselves increasingly influenced by foreign pressures. For example, as a WTO member, the EU has already accepted trademark-related obligations under TRIPS.

International law also has some indirect effect under EU law. Although the CJEU has held that the validity of EU laws cannot generally be assessed by reference to TRIPS,<sup>181</sup> there are circumstances in which the CJEU will, where possible, interpret EU law in light of international treaty obligations.<sup>182</sup> This rather

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<sup>181</sup> Case C-149/96, Portuguese Republic v. Council of the European Union, 1999 ECR I-8395, ¶¶ 42–49; Joined Cases C-300/98 and C-392/98, Parfums Christian Dior SA and Others, [2000] E.C.R. I-11307, ¶ 44; Case C-245/02, Anheuser-Busch Inc. v. Budějovický Budvar, národní podnik, [2004] E.C.R. I-10989, ¶ 54; Case C-491/01, The Queen v. Secretary of State for Health *ex parte* British American Tobacco (Invs.) Ltd., 2002 ECR I-11453, ¶¶ 154–56.

<sup>182</sup> EU legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the EU. *See, e.g.*, Case C-341/95, Gianni Bettati v Safety Hi-Tech Srl., [1998] ECR I-4355, ¶ 20; Case C-306/05, Sociedad

piecemeal approach to merging international and EU norms is uncomfortable and has the potential to create significant legal uncertainty. Far more satisfactory would be for the CJEU to decide either that the EU's international treaties have direct effect, or that they have no effect unless expressly transposed. The former has the advantage of putting the EU at the forefront of compliance with international law, but will leave practitioners with the heavy burden of juggling international, EU and national laws. The latter would simplify the legal analysis but could expose the EU to accusations that it has breached its international commitments. This tension will have increasing relevance as the EU continues its efforts to seek greater global trademark law harmonization. Finding the right fit between international, EU and national trademark law may be one of the biggest challenges facing EU trademark jurists for the next twenty years.

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General de Autores y Editores de España (SGAE) v Rafael Hoteles SA., [2006] ECR I-11519, ¶ 35). In certain circumstances, the obligation may be limited to matters where EU law is intended to implement the relevant treaty obligations. *See* Joined Cases 403 & 429/08, *Football Ass'n Premier League Ltd. v. QC Leisure*, 2011 E.C.R. I-\_\_\_\_, at ¶ 186 (delivered on Oct. 4, 2011) (not yet reported).