

Survey of Recent Developments in Trademark Law in the European Communities¹

This survey briefly summarizes recent developments in the area of trademark registration, utilization and protection in the European Communities. It focuses in particular upon the proposed directive and regulation governing the approximation of laws and the establishment of a Community trademark. Although this proposed directive and regulation has currently been referred by the Council to a working group for review and amendment, it promises to provide wide-ranging changes in trademark law in the EC by establishing the mechanisms for the registration and enforcement of a Community mark. This survey also outlines recent noteworthy Court of Justice and Commission decisions which impact on trademark rights in the EC.

I. The Proposed Directive and Regulation

As a result of the Commission's initiative of July 31, 1959, the member states and the Commission began work in December 1959 on the harmonization of industrial property law.² Harmonization of industrial property law in the Community was, and is, considered necessary to achieve the objectives laid down in the Treaty of Rome,³ in particular the promotion

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²The Trade Mark Working Group began work under the directive at the end of 1961 under the chairmanship of the former president of the Dutch Octrooiraad, Dr. De Haan. It was given the task of formulating a European system of trademark law.

³Treaty Establishing the European Economic Community, Treaty of Rome, March 25, 1957, 298 U.N.T.S. 4. The treaty was signed in Rome on March 25, 1957, by representatives from Belgium, France, the Federal Republic of Germany, Luxembourg, Italy and the Netherlands and became effective January 1, 1958. Certain provisions not relevant to this survey were

and protection of the free flow of goods.⁴ The Trade Mark Working Group completed a Preliminary Draft of a convention for a European Trade Mark in 1964.⁵ Subsequent developments, including the addition of the United Kingdom, Ireland and Denmark to the Community,⁶ required examination and alteration of the 1964 Draft. Consequently, in 1974 a working party was established to examine the issues.

On November 25, 1980, the Commission submitted to the council a "Proposal for a First Council Directive to Approximate the Laws of the Member States Relating to Trademarks" ("Draft Directive" or "Proposed Directive")⁷ and a "Proposal for a Council Regulation on Community Trademarks" ("Draft Regulation" or "Proposed Regulation").⁸ These proposals were subsequently published and were the subject of numerous critical commentaries and written observations directed to the Council.⁹ As a result of these observations and criticisms, the proposed directive and regulation have been referred to a working party.

The Commission is currently expected to offer redrafts of certain sections to meet comments made by the working group and the various EEC committees that have studied the issue. It is presently unsettled whether the amended draft regulation and directive will proceed directly to the Parliament for action or whether comments will once again be sought. Despite an anticipated passage goal of 1985/1986, present consensus expects a substantial delay in passage. Even if the amended draft directive and regulation is directed to the Parliament without prior referral to committees, it is antici-

amended, replaced, or repealed by the Treaty Establishing a Single Council and Single Commission, April 8, 1965, *reprinted in* IV INTERNATIONAL LEGAL MATERIALS: CURRENT DOCUMENTS, 776 (1965) (Merger Treaty) and the Treaty of Accession, January 22, 1972, *reprinted in* ENCYCLOPEDIA OF EUROPEAN COMMUNITY LAW vol. BI at B9-005 (Sweet and Maxwell 1974).

⁴Article 2 of the Treaty of Rome provides that the Community "shall have as its task . . . to promote throughout the Community a harmonious development of economic activities [and] a continuous and balanced expansion . . ." The primary method for obtaining these goals is through the free movement of goods and services. *See* articles 9 through 73.

⁵*Convention for a European Trade Mark*, 2 COMMON MKT. REP. ¶ 5873 (CCH) (Preliminary Draft).

⁶The Treaty of Accession was signed on January 22, 1972 by the Member States of the European Communities and Denmark, Ireland, Norway and the United Kingdom. Accession was subsequently ratified by Denmark, Ireland and Great Britain. Accession by Norway was defeated by popular referendum.

⁷*Draft Trade Marks Directive*, 30 COMMON MKT. L. REV. 357 (1981).

⁸*Draft Trade Marks Regulation*, 30 COMMON MKT. L. REV. 365 (1981).

⁹*See, e.g.*, Report of the Section for Industry, Commerce Crafts and Services on the Proposal for a First Council Directive to Approximate the Laws of the member states relating to Trade Marks and the Proposal for a Council Regulation on Community Trade Marks, CES 335181 (10 September 1981); letter from Thomas J. Corum to the Honorable Ivo Schwartz (May 19, 1982) (containing the comments of the U.S. Trademark Association on the draft directive and regulation). *See also* Armetage, *The CTM: Comments on the Latest Drafts of the Proposed EEC Regulation and Directive*, 3 EUROPEAN INTELLECTUAL PROPERTY REV. 72 (1981); Morcom, *The Future of Trade Marks in the EEC*, [1982] JOURNAL OF EUROPEAN BUS. L. 70 (1982); Herman, *The Perils of Harmony*, *The Financial Times*, March 24, 1982, at 1, col. 1.

pated that various substantive issues will remain to be settled by future Council activity. In spite of the uncertain timetable established, however, it appears certain that some type of Community-wide trademark system will be in existence by the latter half of the decade.

A. The Proposed Directive

The proposed directive seeks to harmonize the laws of the member states in an effort to eliminate actual or potential impediments to the free movement of goods and services within the Community. These impediments, in the commission's view, occur as a result of disparities in the protection afforded trademarks in the various states which may be used to partition the common market and distort competition. The basis for the proposed action is article 100, which provides for the issuance of directives for the approximation of provisions laid down by member states which directly affect "the establishment or functioning of the common market."¹⁰ Full-scale harmonization is not sought by the Commission in the present proposal. Instead, the directive covers only trademarks acquired by registration. Marks acquired through use would continue to be protected by national laws.

Under the draft directive, which covers registered trademarks including collective and guarantee marks (art. 1), registration of a given mark may be refused on various absolute and relative grounds. Among those marks denied validity on absolute grounds are marks consisting of signs which cannot constitute a trademark, such as descriptive marks, unless secondary meaning is established. Relative grounds for invalidation include functionality, the misleading nature of the mark, or the use of different marks for the same product in different member states.¹¹ (art. 2.) Upon registration, the proprietor obtains the exclusive right to prohibit any party from using, without his consent, a mark "identical with or similar to the trademark in relation to goods or services identical with or similar to those in respect of which application was made." The test for infringement under the directive is the creation of a "serious likelihood of confusion on the part of the public." (art. 3.)

The right to protection of a trademark includes the right of the owner to prevent the trademark from becoming a generic term. Thus, publishers must make certain a reproduction of a trademark is accompanied by a notification that trademark registration has been applied for. (art. 4.) The

¹⁰Article 36 of the Treaty of Rome maintaining the member state's right to regulate goods to protect "industrial and commercial property" continues to apply since the directive is only a partial approximation.

¹¹See *Centrafarm B.V. v. American Home Products Corporation*, 24 COMMON MKT. L. REV. 326 (Ct. J. European Communities, 1978) discussed *infra*.

owner, however, may not prohibit the fair use of a mark. (art. 5.)¹²

The directive provides for the protection of prior rights by refusing registration or invalidating trademarks which are likely to result in confusion to the public with prior registered marks or with marks protected by other prior rights, including marks protected by common law. (art. 8.) The dispute mechanism established by the directive requires the authority before whom the dispute is brought to explore the possibility for amicable settlement. (art. 9.) Failure to oppose registration of an identical mark within three years precludes invalidation or infringement actions. (art. 10.)¹³

Once a trademark is registered it must be "put to serious use." (art. 11.) Failure to do so for five consecutive years results in invalidation of the mark. (art. 14.) Only "circumstances arising independently of the will of the proprietor" are sufficient to constitute legitimate reasons for not using the mark. (art. 11.) Other grounds for invalidation include genericness and likelihood that use of the mark will mislead the public as to the nature, quality or geographic origin of the services or goods for which the mark is used. (art. 14.) The procedures and effects of registration and invalidation of trademarks are to be determined by the laws of the member states. (art. 17.)

B. The Draft Regulation

The draft regulation seeks to provide a unitary trademark, registrable in a single application, usable throughout the Common Market. Its aims of facilitating the free movement of goods and services through the provision of uniform protection for a given mark in the Common Market as an entity complements the goals of the draft directive. The regulation does not replace the laws of the member states but instead provides an alternative to country-by-country registration of a given mark.

Under the regulation, a Community trademark can only be registered for the entire Community and can only be invalidated for the entire Community. (art. 1.) Despite the regulation's broad scope, accommodation with prior rights of national trademark owners is provided for. Although the owner of a "prior right subsisting in a particular locality" may not seek cancellation of a Community trademark (art. 42), he may oppose the use of

¹²Examples of fair use protected under the directive include use of a person's own name and address to describe his goods, indications concerning "the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service" or use of a trademark "to demonstrate the purpose of accessories or spare parts." (art. 5.)

¹³"Well known" marks within the meaning of article 6 of the Paris Convention are given five years to object to a mark. (art. 10.)

the mark in the "territory where his right is valid." (art. 45.)¹⁴ Furthermore, the proprietor of the Community trademark is precluded from opposing the use of the prior right in the territory in question.

Rights in a Community trademark exist by virtue of registration. Use alone is insufficient.¹⁵ (art. 5.) Registration may be refused on grounds of descriptiveness, genericness or the misleading nature of the mark. (arts. 6 & 7.) To preclude registration, prior rights in the form of another registered Community mark may be asserted. (art. 7.) However, the owner of the prior mark must intercede and oppose the registration or he will be barred by acquiescence. (arts. 34 & 44.) Under the regulation guarantee and collective marks may also be registered and protected. (arts. 86 & 88.)

The regulation contains the same basic provisions regarding the rights obtained on registration (arts. 8-9)¹⁶—absolute and relative grounds for invalidation (arts. 6 & 7), fair use exceptions (arts. 10 & 11), and the requirement of "serious use" of the mark (including revocation of registration for failure to use a mark for an unbroken period of five years (art. 39)—as the draft directive. (art. 13.) Since the regulation seeks to avoid the inconsistencies that may arise from the application of national law to trademark matters, the national laws of the member states do not apply "in relation to the validity or use of Community trademarks." (art. 82.) Rules of procedure and civil sanctions for infringement, however, are governed by the law of the member state in which the hearing is located. (arts. 12 & 76.)

A trademark owner may not receive double protection for his mark. Thus, upon publication of registration of a Community trademark, an identical or similar national trademark for the same goods or services, owned by the same proprietor, loses its effectiveness for the same period as the Community mark has effect. National trademark rights automatically resume effectiveness upon cessation of the Community mark except where the mark is found invalid due to nonuse. (arts. 81 & 82.)

Under the draft regulation, licensing agreements must be registered. Furthermore, the proprietor of the mark is required to ensure that "the quality" of the licensed goods or services "is the same as that of the goods . . . or . . . services provided by the proprietor." (art. 21.)

The Community trademark system will be administered by the Community Trademark Office. (art. 99.) Within the trademark office there will be an examining division, an opposition division, an administration of trade-

¹⁴The owner of a prior right, however, is precluded from opposing registration of the Community mark if his mark is unregistered. (art. 34.) Instead he must apply for revocation of the mark. (art. 46.)

¹⁵Registration is for a ten-year period with renewal every ten years. (art. 14.)

¹⁶Beyond providing protection against confusion to the public arising from the use of similar marks on similar goods, article 8 also provides for protection against confusion to the public from the use of a similar mark on *dissimilar* goods where the "Community trademark is of wide repute and use of that sign is detrimental to that repute."

marks division, a cancellation division and boards of appeal. (arts. 112-17.) Decisions of the trademark office are subject to appeal (arts. 48 & 49), with ultimate appeal to the Court of Justice. (art. 54.)

C. *Substantive Areas of Dispute*

The attempt of the proposed directive and regulation to bridge common law and civil law systems has necessarily produced a result which neither side completely accepts. Among the areas of concern to various proprietors and practitioners are the following substantive proposals:

- 1) requiring the owner of an unregistered mark to seek cancellation instead of permitting him to oppose an application for a Community trademark;
- 2) requiring a "serious" likelihood of public confusion before remedy will lie under either the directive or the regulation;
- 3) permitting invalidation of a registered mark if the proprietor sells the same goods under different marks in other member states;
- 4) adopting the British-style examination system as opposed to the French-style *marque déposé* where trademarks are registered without examination;
- 5) losing trademark rights through "acquiescence" where the similar mark may have been used in a country where the proprietor had no right or commercial reason to object;
- 6) precluding national trademark infringement or passing off suits against a Community mark;
- 7) attempting to codify the law of exhaustion of rights as established under current case law;¹⁷
- 8) permitting invalidation of marks entered into force prior to the directive which fail to meet the directive's criteria;
- 9) placing the effective date of revocation of a mark under the regulation from the moment the grounds for validity arose instead of from the date of decision; and
- 10) requiring a proprietor to ensure that the quality of licensed goods is the same as that of the goods he manufactures.

II. A Brief Overview of Trademark Law in the European Communities

The national laws of the member states govern the existence of trademark rights within the Community. Although article 30 of the Treaty of Rome prohibits quantitative restrictions on imports and all measures hav-

¹⁷See *Hoffman-La Roche & Co. AG v. Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*, 23 COMMON MKT. L. REV. 217 (Ct. J. European Communities, 1976) (discussed *infra*).

ing the equivalent effect, article 36 permits the imposition of such restrictions on imports and exports of trademarked items. These restrictions however, must be justified on grounds of "protection of industrial, or commercial property." Since article 36 provides an exception to the general prohibition against impeding the free flow of goods in the Community, it is narrowly interpreted. Decisions are based upon an analysis of the actual function of the activity in question as a protector of the role of a trademark as a source indicator and the requirements of article 30 and article 85(1).¹⁸ Among the more noteworthy decisions are the following.

A. *Parallel Importation of Goods*

National trademark rights which can be utilized to prevent the parallel importation of marked goods are limited in their exercise to the extent necessary to enforce the prohibition of article 85(1). In *Etablissements Consten & Grundig-Verkaufs-GmbH v. EEC Commission*,¹⁹ the Court of Justice upheld the Commission's decision that the exclusive distribution agreement between Grundig and Consten violated article 85(1). As part of the agreement, only Consten could import Grundig products into France; conversely, Consten was precluded from re-exporting those products to other countries of the common market. The court determined that such an agreement "indisputably affects trade between member states." Consequently, the parties could not utilize national trademark laws to prohibit the importation of the parallel goods.

Proprietors of trademarks originating from a common source cannot invoke national trademark rights to prohibit parallel imports. In *Sirena S.R.L. v. Eda F.R.L.*,²⁰ the Sirena Company had acquired its trademark "Prep" for cosmetic creams from the firm Mark Allen by written assignment. Defendant Novimpex had imported jars of cosmetic cream bearing the identical trademark which it had obtained from Eda, a German enterprise holding a license from Mark Allen. Sirena sued the defendants for infringement. The Court of Justice determined that prohibiting the importation of the goods in question violated article 85 in light of the owners' acquisitions of the marks or the right to use them "under agreements between them or agreements with third parties."²¹

¹⁸Article 85(1) prohibits "all agreements and undertakings . . . which may affect trade between member states and which have as their object or effect . . . the restriction . . . of competition within the common market."

¹⁹5 COMMON MKT. L. REV. 418 (Ct. J. European Communities, 1966).

²⁰10 COMMON MKT. L. REV. 260 (Ct. J. European Communities, 1971).

²¹See also *Van Zuylen Freres v. Hag A.G.*, 14 COMMON MKT. L. REV. 127 (Ct. J. European Communities, 1974) (Belgium Company which obtained a trademark by assignation cannot preclude assignor from importing identically marked goods since both derived from a common source).

National trademark rights, however, can be utilized to prevent importation of goods marketed under a confusingly similar name where there is no common origin and no agreements which restrict trade. In *Terrapin (Overseas) Ltd. v. Terranova Industrie C.A. Kapferer & Co.*,²² Terrapin owned a trademark registered in England while Terranova owned a German registered mark. Terranova successfully opposed registration by Terrapin of its trademark. The Court of Justice upheld the propriety of Terranova's actions in light of the absence of any "agreements restricting competition [or] legal or economic ties between the undertakings" and the independent source of each company's respective trademark rights.

B. *Exhaustion of Rights*

A trademark owner cannot prohibit the importation of trademarked products which had previously been distributed in another member state by him or with his consent. In *Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Grossmarkte GmbH & Co. K.G.*²³ plaintiff invoked his exclusive distributorship rights to prohibit the sale of sound recordings in the Federal Republic of Germany which it had delivered to its French subsidiary. The court determined that prohibiting the sale of products distributed by the producer (or with his consent) "solely for the reason that such distribution does not take place on the territory of the first member state, is contrary to the rules providing for the free movement of goods within the common market."

The owner of a trademark has the right to prevent an importer of a trademarked product, after that product has been repackaged, from affixing the trademark to the new packaging without his authorization. In *Hoffman-LaRoche & Co. AG v. Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*,²⁴ Roche-SAPAC was the proprietor of the marks "Valium" and "Roche" for Diazepam. The marks were licensed in Germany and Great Britain. Centrafarm purchased "Valium Roche" in Great Britain, and sold it to a subsidiary who then repackaged the product in the Netherlands. On the repackaged products were affixed the prior trademarks (Valium and Roche) and a marketing notification label. The Court of Justice determined that the proprietor of a trademark right protected in two member states at the same time may prevent the marketing of a product to which the mark has been lawfully applied after the product has been repackaged with the trademark affixed by a third party. Under the treaty, however, the proprietor could not prevent importation if either "the use of the trademark right by the proprietor, having regard to the marketing sys-

²²18 COMMON MKT. L. REV. 482 (Ct. J. European Communities, 1976).

²³10 COMMON MKT. L. REV. 631 (Hanoseatische Oberlandergericht, 3rd Civil Chamber, 1971).

²⁴23 COMMON MKT. L. REV. 217 (Ct. J. European Communities, 1976).

tem which he has adopted, will contribute to the artificial partitioning of the markets between member states . . . , the repackaging cannot adversely affect the original condition of the product, [or] the proprietor of the mark receives prior notice of the marketing of the repackaged product and it is stated on the new packaging by whom the product has been repackaged.”²⁵

C. Other Issues

The legality of the use by a manufacturer of different marks in different member states for the same product depends upon the purpose behind the selection of the marks. In *Centrafarm B.V. v. American Home Products Corp.*,²⁶ American Home Products Corporation owned the marks “Seresta” (registered in the Benelux register) and “Serenid D” (used in the United Kingdom) for tablets whose active constituent is oxazepamum. Centrafarm purchased tablets in Great Britain, repackaged them, and sold them in the Netherlands under the “Seresta” brand. Focusing upon the “essential function of the trademark . . . to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user,” the Court of Justice determined that the manufacturer of a product may lawfully use different marks for the same product in different member states provided the practice is not followed “as part of a system of marketing intended to partition the markets artificially.”

The grant of an exclusive trademark license constitutes a restriction on the trade between member states in violation of article 85. *In re The Agreements of Davide Campari-Milano*,²⁷ Campari-Milano, holder of the trademarks “Bitter Campari” and “Cordial Campari,” established a network of licensees to manufacture and sell its product. Under the agreements at issue, Campari-Milano agreed, *inter alia*, not to grant trademark licenses for its marks to other parties or to manufacture its product in the relevant countries under the agreement. In return, the licensees agreed not to handle competing products. The Commission determined that these practices were “caught by article 85(1) of the treaty.”²⁸

²⁵But see *Pfizer Inc. v. Eurim-Pharm GmbH*, 33 COMMON MKT. L. REV. 406 (Ct. J. European Communities, 1982) (Pfizer could not prevent importer Eurim-Pharm from marketing product manufactured in another member state by Pfizer’s subsidiary where importer in repackaging the product “confined himself to replacing the external wrapping without touching the internal packaging and made the trademark affixed by the manufacturer to the internal packaging visible through the new external wrapping, at the same time clearly indicating on the external wrapping that the product is manufactured by the subsidiary of the proprietor and repackaged by the importer”).

²⁶24 COMMON MKT. L. REV. 326 (Ct. J. European Communities, 1979).

²⁷22 COMMON MKT. L. REV. 397 (Ct. J. European Communities, 1978).

²⁸See also *The Community v. Brooke Bond Liebig Limited*, 22 COMMON MKT. L. REV. 116 (Commission European Communities, 1978) (an exclusive distribution agreement violates article 85(1)).

III. Conclusion

The proposed directive and regulation governing the approximation of laws and the establishment of a Community trademark promise to provide wide-ranging changes in trademark law in the EC. Difficulties, however, exist in forging a compromise between common law and civil law systems. Until these areas of disagreement are resolved, the national law systems of the member states will continue to govern the existence of trademark rights within the Community. Nevertheless, restrictions placed by the member states on the import and export of trademarked items are narrowly limited to those necessary to protect the role of a trademark as a source indicator.