

When is the use of a trade mark in the EC not use of a trade mark in the EC?

1. This issue arose in the case of Leno Merken B.V. v Hagelkruis Beheer B.V. It may have profound implications as regards the right to use trade marks in the EC.

The Facts

2. Both parties are Dutch trade mark agencies which provide similar services. The defendant, Hagelkruis, applied to register “OMEL” as a Benelux trade mark in 2009. That application was opposed by Leno, who had registered “ONEL” as a Community Trade Mark (CTM) in 2003. The dispute was decided by the Benelux Office for Intellectual Property (BOIP) on 15 January 2010.
3. The opponent claimed that the marks, both visually and audibly, were virtually identical as were the services offered by the companies and hence there was a likelihood of confusion between the marks. That was acknowledged by the Defendant.

The issue

4. The question which arose for determination was whether use in one country in the EC is sufficient to maintain a CTM. That turned on the interpretation of the words “in the Community” in Article 15(1) of Council Regulation (EC) 207/2009 on the Community Trade Mark (CTMR).
5. Article 15(1) provides that *“if, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.”*
6. The CTMR does not, however, provide a definition of the term genuine use in the EC and in particular the territorial scope of use that is required for it to be genuine use, except that it must be use in the EC.
7. Therefore, although the defendant accepted that the mark “ONEL” had been used in the Netherlands, it required evidence that it had been used elsewhere in the EU. The defendant said that it did not intend to use the “OMEL” mark in the Benelux but planned to use it in Scandinavian countries and had filed the Benelux application in order to apply for an international trademark under the Madrid Protocol. The opponent indicated that it would oppose the use of “OMEL” anywhere in the EC.

8. The opponent claimed that use of the CTM in the Netherlands was sufficient to satisfy the requirement for “genuine use in the Community” in Article 15(1) and therefore did not respond to the defendant’s request for evidence that it had been used elsewhere in the EC.
9. The opponent relied on a joint statement issued by the Council and the Commission in 1993, which states that “*use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community*” and guidelines used by the Office of Harmonisation of the Internal Market (OHIM), which adopted that principle.
10. The defendant responded that, if the CTMR meant that use in one Member State constituted genuine use in the EC, it would have said so explicitly. The Defendant argued that use in the EC is very different from use in one of the community member states and that it would be undesirable and unjust if the owner of a CTM, used in one very small part of the EC, could prevent others from using that mark throughout the rest of the EC, even in areas where he is not active at all.

The Decision

11. The BOIP found that the opposition was unjustified because it decided that genuine use in one Member State is not enough to constitute genuine use in the EC and the opponent could not prove genuine use of its CTM within the EC, as it could prove use in the Netherlands only.
12. The BOIP stated that the joint statement was not legally binding or of any legal significance and conflicted with (1) the recitals in the preamble to the CTMR which it seemed to think meant that a CTM required the mark to be used throughout the entire EC and (2) article 112 of the CTMR which enabled a CTM to be converted into a national trade mark if it is not used at Community level but is used at national level.
13. The BOIP noted that, because of the increased size of the EC, in terms of geographical area and population, allowing a CTM to be valid if used only in one Member State would create unjustified restrictions and could become an obstruction to the free movement of goods and services within the single market.
14. The BOIP said that “*After all, a trademark right offers a monopoly. In order to justify that monopoly and to fulfil its essential function, the mark must be used. A monopoly that goes (much) further than the territory, in which the mark is used, will indeed form an obstacle for the free movement of goods as well as the freedom to provide services within the internal market. This is obviously not what the legislator had in mind. It would be most unjust if an undertaking that only uses its mark on a local scale could impede the possibilities for other undertakings in the entire territory covered by the internal market. It would even be more unjust if an undertaking that is only active locally (this applies*

to the majority of small and medium-sized businesses, a substantial part of the European economy) were to be hindered in developing its activities, and would have to defend itself against another undertaking that is also only active locally, and which does not have a single economic activity in an area that even approaches it to some degree, as a result of which there is no likelihood of confusion among the relevant public for both undertakings.”

Implications

15. The decision, if confirmed, may indeed facilitate the free movement of goods and services and prevent businesses from holding unjustified monopolies in trade marks. The size and diversity of the EC has increased greatly since the CTM scheme was introduced and it is perhaps unfair that the use of a mark in one part of the EC can prevent the use of that mark in another part of the EC where there is no likelihood of confusion. As the BOIP observed the use in one member state may boil down to a very local use only and it would, in its opinion, be unacceptable if that use could prevent use of the same or a similar mark anywhere else in the EC.
16. On the other hand, much of the legislation in the EC is based on the premise that something that is valid in one Member State is valid in all Member States. The use of international boundaries to determine what genuine use is goes against the single market ideal of the EC. For small businesses who intend to expand in the EU, it may be difficult to protect their brand throughout the EC, if this decision is upheld by the ECJ.
17. Prior to this decision, it was thought that the owner of a CTM who makes genuine use of its mark in one or more countries of the EC can maintain its CTM and take action against infringement or later registrations of conflicting marks in any member state.
18. If, however, this decision is upheld by the ECJ, the result may be that a party who owns a CTM but uses it in one member state only may be liable to have that CTM revoked and may not be able to prevent others from using the same mark in other member states.
19. It follows from the decision of the BOIP that genuine use in one country does not result in genuine use in the EC that genuine use in the EC requires use in more than one member state of the EC. Questions then arise as to the territorial extent to which a CTM must be used throughout the EC to maintain its registration and to enable it to be used to challenge other infringing marks. Would, for example, the mark have to be used in the territory in which the infringement is taking place or a conflicting registration was threatened?
20. Use in one country being use in the EC has the virtue of simplicity. Once that principle is removed, difficult questions are likely to arise in each case as to whether the actual use is sufficient. This is undesirable as it increases uncertainty and costs.

Conclusion

21. An appeal has been made to the Dutch Court of Appeal. The outcome of that appeal should make the position clearer, especially if a request for a preliminary ruling is made to the ECJ.
22. OHIM issued a statement in January 2010 saying that it will continue to consider that boundaries of Member States should not play a part when assessing genuine use in the EU. How long it will be able to maintain that stance is likely to depend on the outcome of this case.

If you would like to talk to us about the issues raised by this note, please contact:

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