

Defining the territorial scope of genuine use Pieter Veeze¹, Alicante, November 10, 2011

Dear ladies and gentlemen,

I will deal today with a subject, which I think is one (of the view) “unexploited areas” of European trademark law: the territorial scope of genuine use. It is an honour and a pleasure to have been invited to speak on this subject, which is, to my belief, one of the key questions for the future of trademark law in Europe and which has, honestly speaking, become more and more sort of a “personal hobby” for me. I would like to thank the organization for giving me this opportunity.

To give you an idea about the program, so you will more or less know what to expect:

- I will start with a short introduction about use in general, since I think it is important, before focussing on genuine use, to place the different forms of use that are relevant in trademark law, and their underlying *ratio legis*, into perspective.
- Then I will explain the contents of our Office’s ONEL decision. I will be brief on that, since I assume that anyone present here today has heard about the case and an English translation of the decision has been distributed as reference material for this conference.
- Then I will discuss the questions that the The Hague Court of Appeal has referred to the European Court of Justice. I will not simply read them to you, but also try to predict the answers.
- And, of course, this is where it becomes interesting, because if one talks about a not yet clarified issue in a room full of lawyers, people might disagree. So I sincerely hope that, after my presentation, we will have a vivid discussion.

Use in trademark law – some general remarks

As we all know being IP practitioners, in trademark law, it’s all about use. A trademark right is an exclusive right, which gives the owner the possibility to prohibit so-called *infringing use* by other parties. But use is also an important matter for the trademark proprietor himself:

1. As a general rule, the more use has been made of a trademark – or the more it has obtained a *reputation* – the broader scope of protection it enjoys.
2. Further, sometimes use is necessary to obtain protection. A trademark that is not *ab initio* distinctive can only be protected if it is used to such an extent that it has *acquired distinctiveness*.
3. Finally, use is necessary to keep the right alive and prevent it from being revoked, so called *genuine use*.

On these three forms of use (reputation, acquired distinctiveness and genuine use), the European Court of Justice (ECJ) has had the opportunity to provide some guidance. For reputation and acquired distinctiveness, this guidance also concerns, to a certain extent, territorial elements.

CHEVY² and PAGO³ deal with reputation. EUROPOLIS⁴ and STORCK⁵ (about the candy shape) deal with acquired distinctiveness.

¹ In a personal capacity.

² ECJ, C-375/97, 14.09.1999.

Both CHEVY and EUROPOLIS arised from a referral from a Benelux court. And many people seemed to think at the time that there was a clear connection between these cases, arguing that if a mark has been used to an extent to which it has a reputation, this would certainly be enough to acquire distinctiveness. They found, in other words, that the bar for acquired distinctiveness should be lower than for reputation. I can vividly remember the almost Babylonical discussions we've had with the opposite party (and a lot of our users) when our Office defended before Court it's point of view that acquired distinctiveness must be proven for the whole relevant territory.

Of course, today, we all know the outcome of these milestone ECJ decisions. On the one hand, acquired distinctiveness must indeed be proven in the whole territory where the trademark originally lacked distinctiveness and in case of a CTM the ECJ even seems to demand acquired distinctiveness in all 27 Member States. On the other hand, reputation in one single Member State can be sufficient.

I will not go into the details of acquired distinctiveness and reputation, because these are not my subjects and I am sure other speakers will address them. I would just like to say that I find this outcome justified and completely logical. Distinctiveness is a condition for the existence of a right and its underlying *ratio legis* is the public interest, or to be more precise, the interests of competitors in case of descriptive marks and the interests of consumers in case of non-distinctive marks. As a general rule, trademark rights are undividable (it is all or nothing), so it is simply impossible for a mark to exist if it cannot fulfil its distinctive function, even in a small part of the relevant territory. Reputation, on the other hand, can lead to a broader protection and its underlying *ratio legis* is, I think, the protection of goodwill. I see no problem whatsoever for a mark to enjoy a broader protection only in a part of the territory where it is valid. And possible unjust consequences, if any, of PAGO can, in my view be remedied by applying the DHL⁶ case.

As far as *genuine use* is concerned, guidance can be found in three cases: ANSUL⁷, LA MER⁸ and VITAFRUIT⁹. However, besides the remark that "*the territorial scope of the use is only one of several factors to be taken into account in the determination of whether it is genuine or not*"¹⁰, these cases do not deal with territorial aspects of use. Moreover, they do not deal with the question whether the territorial scope of the right concerned has any bearing on the amount of use that is required to constitute genuine use. And more precisely, since these cases were about national (or Benelux) marks, they do not deal with the question whether the wordings *genuine use in a Member State* in Art. 10 of the Trademark Directive¹¹ and *genuine use in the Community* in Art. 15 of the Community Trade Mark Regulation¹² (CTMR) must be interpreted to have the same meaning or not.

So, to stay with my subject, what is the *ratio legis* of genuine use? The requirement of genuine use is, in my belief, one of the cornerstones of any trademark system that is based on registration, rather than on first use. That is why the opinions on this

³ ECJ, C-301/07, 06.10.2009.

⁴ ECJ, C-108/05, 07.09.2006.

⁵ ECJ, C-25/05, 22.06.2006.

⁶ ECJ, C-235/09, 12.04.2011.

⁷ ECJ, C-40/01, 11.03.2003.

⁸ ECJ, C-259/02, 16.10.2003.

⁹ ECJ, C-416/04, 11.05.2006.

¹⁰ VITAFRUIT, point 76.

¹¹ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

¹² Council Regulation (EC) No. 207/2009 dated 26 February 2009 on the Community Trade Mark.

subject from a European perspective are often quite different from those from a US perspective. A registration-based system has the advantage of being clear, but the disadvantage of potentially causing unjust situations. One should not forget that a trademark right grants a monopoly. I think the *ratio legis* behind the requirement of genuine use is that this monopoly is only justified if the mark is actually being used, at least within a reasonable period of time. This is in my view clearly a matter of public interest; competitors should not to be hindered by registered “dead wood”. And further, I think it logically follows from the essential function of a trademark – a trademark serves, in fact, as a “badge of origin”, which “enables the public, without any possibility of confusion, to distinguish the product or service from others which have another origin”; only a mark which is actually used can serve that purpose¹³.

To conclude these general remarks about use in trademark law, I do think that the different forms of use are clearly separate subjects and their underlying *ratio legis* is clearly different. So if one would ask me whether I think if acquired distinctiveness or reputation is more comparable to genuine use, I would probably say these concepts can simply not be compared because they are totally different....

On the other hand, if I were to be forced to make a choice, I would probably say that in my opinion and from a logical point of view, there is a closer similarity between genuine use and acquired distinctiveness than between genuine use and reputation. Although acquired distinctiveness concerns what I would call the *conception* or *birth* of the right and genuine use its *continuation*, both concepts have in common that they deal with the *existence* or *validity* of a trademark. Reputation, on the other hand, is about something totally different, namely the (*possibly enhanced*) *scope of protection*.

ONEL: the facts

But now, let's go to the ONEL case. I will start with the facts, and then go to the arguments. And as I said I will be relatively brief on this, since I am sure that everyone present here today knows that, in the beginning of 2010, the Benelux Office issued an opposition decision which attracted quite a bit of attention: the ONEL case¹⁴.

The owner of a CTM for the mark ONEL filed an opposition at our Office against the Benelux trademark application OMEL, both for legal services. As you can see, both the marks and the services are similar. The earlier mark was registered as a CTM for more than five years, and the defendant demanded proof of use. He specifically added that he was aware of the use of the ONEL mark in the Netherlands – which is not surprising because ONEL is active in the IP consulting business for more than 40 years. Genuine use in the Netherlands was, therefore, *in confesso* between the parties, and the request for proof of use only concerned other EU countries.

The opponent refused to submit proof of use and stated that this was superfluous, since both parties agreed that the mark had been genuinely used in the Netherlands. In his opinion, which he mainly based on the so-called “Joint statements”¹⁵ and on OHIM's opposition guidelines, genuine use in one single member state by definition implies genuine use of a CTM.

¹³ ANSUL, point 37; 8th recital in the preamble to Directive 2008/95/EC.

¹⁴ BOIP, 2004448, 15.01.2010.

¹⁵ Joint statements by the Council and the Commission of the European Communities entered into the minutes of the Council meeting at which the Regulation on the Community Trade Mark is adopted on 20 December 1993, OJ OHIM 1996, p. 615: “The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.”

The defendant of course strongly disagreed.

So the legal issue that divided parties in this case is the interpretation of the words “in the Community” in article 15 CTMR, and more precisely the question on whether the explanation in the Joint Statements – that genuine use in one country constitutes genuine use in the Community – is legally valid. As I am sure you all know, our Office answered this question in the negative. I will now explain on which grounds our decision is based.

ONEL: the arguments

As a true lawyer, I always read backwards, so I will start with the conclusion (points 37 and 38 of the decision). I will fully quote them, since I have experienced that there is sometimes a misunderstanding about it:

37. Taking everything into consideration, the Office is of the opinion that the view contained in the Joint Statements stating that genuine use in one single country by definition results in genuine use in the Community, cannot be maintained.

38. The invoked right is a CTM and parties have admitted that it has only been used in the Netherlands. The services for which the invoked right is registered are destined at a large public located throughout the entire Community. Use in only the Netherlands can, given these facts, not be classified as normal use of the invoked right.

As you can see, I have underlined the words “by definition”. Many people seem not to have read those words very carefully. Our decision does not state that use in one member state is by definition not enough. It simply states that it is not by definition enough. This is, of course, something quite different.

In this case, the mark has been registered for legal services in the field of IP. The target public for those services can be found throughout the entire Community. The trademark has, however, only been used in the Netherlands, which represents (compared by population) less than 3,5% of the Community. Given these facts, we felt that the use was not enough to constitute genuine use in the Community.

So, what are the arguments for this decision?

First of all, it recalls that the Joint Statements are not legally binding. According to settled case law¹⁶, the ECJ can simply disregard this kind of statements when it doesn't agree with them. The Praktiker-case (about retail services) is a good example of a case in which this happened.

Secondly, the decision states that the concerned Joint Statement is legally disputable, and that it is, at least, at odds with the second, third and sixth recitals in the preamble to the CTMR. In short, I understand from these recitals that CTMs are meant for companies, which *adapt their activities to the scale of the Community*, whereas national trademarks are meant for companies, which have their activities on a smaller level. These different needs for protection are, I think, the basis for coexistence of the various systems.

¹⁶ ECJ cases, Antonissen (C-292/89, 26.02.1991), Praktiker Bau- und Heimwerkermärkte (C-418/02, 07.07.2005) and LIBERTEL (C-104/01, 06.05.2003).

Thirdly, the decision states that the Joint Statement contradicts with (the system of) the CTMR itself, more precisely with Article 112 relating to conversion of a CTM into national marks. Paragraph 2, subsection a, of this Article provides that conversion is not possible if “*the rights of the proprietor of the [CTM] have been revoked on the grounds of non-use, unless in the Member State for which conversion is requested the [CTM] has been put to use which would be considered to be genuine use under the laws of that Member State*”. This provision would simply be pointless if genuine use in one single member state would indeed by definition be sufficient in order to maintain a Community Trade Mark, the more so as the concept of genuine use has been harmonized by the Trademark Directive.

Fourthly, the decision recalls that, since the establishment of the CTMR, the factual and economic situation has changed dramatically. The EU has grown to 27 member states and further expansion is imminent. In a territory (currently) covering more than four million square kilometres and a (current) population of more than 500 million people, use in one Member State only essentially boils down to use of merely local significance. In my opinion, such use is not enough to justify such an extensive exclusive right.

Fifthly, the decision states that the Joint Statement could, in the end, even undermine the most important objectives of both the Directive (second recital in the preamble) and the Regulation (fourth recital in the preamble): it can distort competition and might be an impediment to the free movement of goods and unrestricted economic activity.

Sixthly and lastly, the decision contains what I would call an economic or “common sense” argument. It would simply be unfair if a company that only uses its mark on a local scale could block the entire EU market. It would be unfair if a locally active company would have to defend itself against another locally active company on the other side of the EU, simply because one of the parties “has chosen a coat which is much too large for him”. Let’s not forget that not all companies are multinationals. It is, on the contrary, an economic fact that most companies aren’t. Small and medium sized companies (SMEs) are often referred to as “the engine of the European economy” and represent a substantial part thereof. If all these companies were to choose such a broad protection, there would pretty soon not be much left for others.

To visualize what we are talking about, let’s take the example of the Grand Duchy of Luxembourg. I hope I am not offending anyone in this audience who is from that country, but our Director General, who is a Luxembourg national, explicitly authorized me to use this example. In terms of population, Luxembourg represents 0.08% of the EU and in terms of area, it represents even less: 0.005%. A use on that scale would not constitute any more than just a merely local use. Yet, according to the Joint Statement, it would be enough to block the entire (or the other 99.995% of the) EU market. In my opinion, this is really excessive.

ONEL: the case before the ECJ

So far for the decision of our Office. As you know, the decision has been appealed before the Court of Appeal in The Hague¹⁷, which has referred four questions to the ECJ¹⁸:

¹⁷ Case 200.057.983/01, 01.02.2011, available (in NL, FR and EN) on www.boip.int.

¹⁸ Case C-149/11.

1. Must Article 15(1) of Regulation (EC) No 207/2009 1 on the Community trade mark be interpreted as meaning that use of a Community trade mark within the borders of a single Member State is sufficient to constitute genuine use of that trade mark, provided that, had it been a national trade mark, such use would have been regarded as genuine use in that Member State (cf. Joint Statement No 10 regarding Article 15 of Council Regulation (EC) No 40/94 2 of 20 December 1993 and the Opposition Guidelines of the OHIM)?
2. If question 1 is answered in the negative, can the use of a Community trade mark within a single Member State as described above never be regarded as genuine use in the Community as referred to in Article 15(1) of Regulation (EC) No 207/2009?
3. If the use of a Community trade mark within a single Member State can never be regarded as genuine use in the Community, what requirements must be laid down - in addition to the other factors - in respect of the territorial scope of the use of a Community trade mark when assessing genuine use in the Community?
4. Alternatively - contrary to what has been stated above - must Article 15 of the Regulation on the Community trade mark be interpreted as meaning that the assessment of genuine use in the Community should be done wholly in the abstract, without reference to the borders of the territory of the individual Member States (and that, for example, market share (product markets/geographic markets) should be taken as the point of reference)?

These questions can be summarized as follows:

1. Is use in one country always enough?
2. If not, is it never enough?
3. If it is never enough, what is needed?
4. Should the assessment of genuine use in the Community be done in the abstract, without reference to the borders of the territory of the individual Member States?

I must perhaps first explain that, unlike OHIM, the Benelux Office is not a party in appeals against its decisions in *inter partes* cases. So I do not have first hand information on the appeal case. However I've heard that the parties have filed written conclusions before the ECJ and so did the Commission the Governments of six Member States. The next step will be the hearing, then the Advocate-General's conclusion, and finally the ECJ ruling, which cannot be expected before the end of next year.

Genuine use: predicting the future

I now come to the last and hopefully most exciting part of this presentation: I will use my crystal ball to try to predict the future and answer the questions. This is of course the most speculative part of my presentation and I hope we can have some discussion about it in a few minutes.

Our Office's decision in the ONEL case focuses on what degree of use is *not* enough to constitute genuine use of a CTM. The Court of Justice, of course, has been asked the opposite question: what *is* enough?

We know from the past – good examples are the CHIEMSEE¹⁹ case, but also the three cases about genuine use, ANSUL, LA MER and VITAFRUIT – that it is often difficult to get clear percentages or *de minimis* rules. My guess is, that the ECJ will not be tempted to do so in this case as well.

Perhaps the ECJ can find inspiration in the earlier HIWATT case from the General Court²⁰. This is, if I am not mistaking, until now the only case in which a judge in Luxembourg has considered the geographical aspects of genuine use, and I quote:

37. Accordingly, not only does genuine use of a trade mark exclude artificial use for the purpose of maintaining the mark on the register; genuine use means that the mark must be present in a substantial part of the territory where it is protected, inter alia exercising its essential function, which is to identify the commercial origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent purchase (Case T-79/00 Rewe-Zentral v OHIM (LITE) [2002] ECR II-705, paragraph 26).

However, I am not quite sure whether this formula would indeed totally clarify the issue, since the wordings used in PAGO are dangerously similar, and we all know where that has brought us.

Personally, I think that the fourth question is the most interesting, and the answer to that question will imply an answer to all the other questions. And in my view, this answer could already be found in the case law of the ECJ. In ANSUL, the ECJ considered:

“When assessing whether use of the trade mark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of those goods or services, the characteristics of the market and the scale and frequency of use of the mark.”

I do not believe that national frontiers should be taken into account and that one should simply count the number of Member States to establish genuine use. This would contradict the principle of a single internal market. However, I do believe that if one would take account of all the facts and circumstances, the answer would clearly be different for a market of 500 million people than for a market that has a fraction of that population. So basically, if *all the characteristics of the market concerned* – whether they are geographic, economic, sociologic, demographic or whatever – are to be taken into account – which must of course happen on a case-by-case basis – I think we could be on the right way to solve the problem.

Bearing this in mind and to give rise to some discussion, I will share with you the answers that should in my view be given to the questions:

1. *Is use of a CTM in one country always enough?*

I guess I've made totally clear, that in my view, the answer should clearly be NO.

¹⁹ ECJ, C-108/97, 04.05.1999.

²⁰ Previously known as CFI, case T-39/01, 12.12.2002.

2. *If not, is use of a CTM in one country never enough?*

Again, I think the answer should be NO. However, I think that use in one country is in practice very unlikely to be enough and only if the relevant market for the goods or services concerned is very limited. As an example, the European market for airplane parts is probably almost exclusively located in France, near the Airbus factory. On the other hand, the airplanes that are built from these parts are, by their nature, not meant to stay in a limited geographical area, so I doubt if this is in fact a good example. As a general rule, I think that use on a EU level, meaning at least in several countries, is quite reasonable to demand. An undertaking that only uses its mark on a local level and continues to do so for more than five years, should choose – or convert to – a means of protection that fits its needs.

3. *If it is never enough, what is needed?*

In the light of my reply to question 2, this question does not need to be answered.

4. *Should the assessment of genuine use in the Community be done in the abstract, without reference to the borders of the territory of the individual Member States?*

In my view, the answer to this question should be YES. In the single market, and given the unitary character of the CTM, national borders are irrelevant. However, as indicated in the ANSUL case, *all the characteristics of the market concerned* must be taken into account and the size of that market is of course a relevant and important characteristic.

Ladies and gentlemen, I think this is enough about the subject, and it is certainly enough for my “crystal ball”, so I am going to finalize my presentation.

As a final thing, I would like to share something with you. Honestly speaking, I was a bit overwhelmed by the amount of attention the ONEL case attracted. The discussion about genuine use of a CTM is, of course, not entirely new²¹, but the ONEL decision really seemed to “boost it up”. Shortly after our decision, OHIM and several national offices issued press statements. Almost every users organization I had ever heard of has expressed an opinion, and the case has even been discussed in European Parliament. Further, the issue plays an important role in the famous *Study on the Overall Functioning of the European Trade Mark System* by the Max Planck Institute (MPI)²². I assume that tomorrow, Mr. Knaak will discuss this Study in detail with you, so I will not comment on that, besides from saying that I find it an extremely interesting and valuable document.

There is, however, one thing I find difficult to understand in the MPI Study, and that is the “second reading” of the Joint Statement, namely that it would not imply that use in one country by definition is enough²³. In my view the wordings are clear:

The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.

²¹ Some examples: Fabio Angelini and Luis-Alfonso Duran, in: Festschrift für Alexander von Mühlendahl, p. 303-317 and 333-341, François Griesmar (ECTA conference in Warsaw, 2006, to be found at www.ecta.org).

²² http://www.ip.mpg.de/shared/data/pdf/mp_i_final_report.pdf

²³ Page 134, par. 3.11.

The Joint Statement does not say that use in one country *can constitute* genuine use, it says that it *constitutes* genuine use in the Community, which for me implies, in plain English, an automatism.

Interestingly enough, I hear this “second reading” more and more, especially from sources that previously seemed much more radical in expressing their views on the (minimal) amount of use required to maintain a CTM. Suspicious minds might interpret this as an indication that everybody wants to be in the “winning team”. Or is afraid to be in the “loosing team”, and be criticized or even held liable in the future. I tend to look at this development in a positive way: even though the ECJ has not yet decided on the ONEL case, I believe that practically no one any more seems to answer question 1 in the (absolute) affirmative. So the discussions about it, in many different gremia, already seem to have led to a certain extent of convergence.

I am proud to play a part in these discussions, and not because it gives this humble public servant an open ticket to conferences like the one here today... I really think that this is an important issue for all trademark owners in Europe, whether they are multinationals or SMEs.

Ladies and Gentlemen: Thank you very much for your attention!