



## Trademark law in the European Union Current legal framework and proposals for reform

**SUMMARY** *The traditional function of a trademark is to guarantee the origin of goods or services to a consumer. However, trademarks have recently started assuming new functions, including for communication and investment.*

*The legal framework for trademarks in the EU is based on the coexistence of national trademarks systems, harmonised by a Directive since 1988, and a unitary Community Trademark, introduced in 1994 by a Regulation.*

*The case-law of the Court of Justice has played a prominent role in the development of EU law on trademarks, in particular with regard to their distinctiveness, use in comparative advertising and in keyword advertising.*

*The existing legal framework has been evaluated in 2011 by the Max Planck Institute for Intellectual Property, which prepared an in-depth study for the Commission. Their overall evaluation is positive, and includes several recommendations for improvement. Some academics have, however, expressed more critical opinions.*

*In March 2013 the Commission adopted a reform package for EU trademark law. This concerns both the Community Trademark (to be renamed European Trademark) and a proposal for the recast of the Directive harmonising national trademark laws.*

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### Background

#### Traditional functions of trademarks

According to the traditional view, the function of a trademark is primarily to guarantee the origin of goods or services.<sup>1</sup> This function contributes to **market transparency**, benefiting both undertakings and consumers. Undertakings are protected against unfair competitors who wish their goods or services to 'pass off' as goods or services of another undertaking. Consumers know which trader's products they are buying, which makes it easier for them to choose what they wish and contributes to the reduction of their search costs.

The guarantee function of trademarks is matched by **defensive protection**, whereby the trademark owner is entitled to prevent other undertakings from using identical or similar signs for identical or similar goods or services. Protection is granted only where there is a risk of confusion among buyers. The risk of such confusion is taken for granted in cases of so-called '**double identity**' (identical sign, identical product).

#### Extended functions of trademarks

The exclusive right to a trademark allows its owner to gain additional benefits by using it as an **exclusive channel of communication** within certain areas of the market. In particular, instead of simply guaranteeing



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the origin of goods or services, the trademark owner uses it in promotional campaigns to persuade consumers to associate a certain lifestyle with the trademark.<sup>2</sup> In fact, consumers are actually willing to pay for the 'trademark experience' associated with the brand, independent of the product itself.<sup>3</sup>

These new functions of trademarks require **broader legal protection** for trademark owners. In addition to the original defensive protection, brand investment protection is granted through **brand exploitation rights**,<sup>4</sup> whereby brand-owners can control the way the brand is used in communication. Such protection is independent of any risk that consumers will confuse goods or services offered under the brand with other products.

### Brand authorship v trademark ownership

Many modern brands – protected as trademarks – are important company assets, the best known ones being worth billions of euros.<sup>5</sup> In this context some [scholars](#) have been revisiting views on brand authorship.

Traditionally it was held that brands are one-sided communication channels through which the company sends marketing messages to essentially **passive consumers**. More recently the view of **collective brand authorship** has been put forward, emphasising the role played by consumers and their communities, culture industries, as well as intermediaries (such as critics or salespeople) in the creation of **brand value**.<sup>6</sup> Nevertheless, the law recognises only companies as brand owners, thus following the traditional view. This has met with [criticism](#) from some scholars.

## Current legal framework in the EU

### Directive and Regulation

The current legal framework of trademark law in the EU comprises the [Trademark Directive](#) (1988; [codified](#) in 2008) which harmonises national trademark laws, and

the [Trademark Regulation](#) (1993, [codified](#) in 2009) which established a unitary, EU-wide [Community Trademark](#) (CTM). The Trademark Directive and Trademark Regulation share most aspects of substantive law.<sup>7</sup> However, the scope of the Directive is narrower; in particular, it does not address issues of procedural law, which are left to the Member States (MS).

### Community Trademark (CTM)

CTMs are awarded by the [Office for Harmonisation in the Internal Market](#) (OHIM) and cover all MS. Therefore, a prospective CTM owner needs to make only one application in order to protect the trademark throughout the EU.

The Trademark Regulation lays down a **full-fledged legal framework**, regulating not only issues of substantive law (definition of trademark, grounds for refusal of registration, scope of protection) but also the entire procedure (registration, renewal, revocation, declaration of invalidity, as well as appeal proceedings). Detailed procedural rules are laid down in an [implementing regulation](#) (1995), a [regulation](#) on OHIM's rules of procedure (1996) and a [regulation](#) on [fees](#) payable to OHIM (1995).

Besides applications for CTMs, oppositions and requests for cancellation of CTMs are filed to OHIM. Its decisions can be appealed to a Board of Appeals, whose decisions, in turn, can be challenged before the General Court of the EU and then before the Court of Justice.

### Coexistence of the two systems

National trademark systems, harmonised by the Trademark Directive, coexist with the CTM. Both systems are similar, and also interlinked. For instance, an application for a CTM can be made through OHIM or through a national trademark office. A person who has filed an application for a trademark under national law of any state party to the [Paris Convention](#) for the protection of industrial property (all MS are parties to the Convention) enjoys **priority** when filing for

a CTM within six months of their national application.

Furthermore, MS designate national administrative bodies and courts responsible for the enforcement of CTMs. Such courts act as Community trademark courts.

### Development of the law by the CJEU

The case-law of the Court of Justice (CJEU) has played an important role in the development of EU trademark law. Trademark cases reach the Court either under the Regulation (on appeal from OHIM or from national courts applying the Regulation) or under the Directive (as preliminary references from national courts applying national harmonised trademark law). Whenever the rules of the Directive and Regulation are identical, decisions interpreting one of the acts are considered as authoritative interpretations of the other act, too.<sup>8</sup>

#### Admissibility for registration

Under the existing legal framework, a trademark must have a **distinctive character** in order to be registered. According to CJEU case-law, the distinctiveness should be [assessed](#) according to the perception of the average consumer of the goods or services in question. Signs which are not inherently distinctive may **acquire distinctiveness** through use. According to the [CJEU](#) such use must be proven for the entire EU, although not necessarily for each MS separately.

#### Comparative advertising

Comparative advertising, where one trader explicitly compares their products with those of another trader overlaps with trademark law when the trademark of the other product is used. The CJEU [held](#) that such use is not illegal, provided that it complies with the [Misleading Advertising Directive](#).

#### CJEU ruling in *L'Oréal v Bellure*

In [L'Oréal v Bellure](#), Bellure, a producer of inexpensive 'smell-alikes', used a comparative table of Bellure and L'Oréal smells, as well as alluded in the names and design of its perfumes to L'Oréal's luxury products. The Court ruled that intentional use of a trademark without in any way confusing consumers as to the origin of the goods, can nevertheless be regarded as **unfair 'free riding'** and thereby be illegal. The CJEU ruled that Bellure was '**riding on the coat tails**' of L'Oréal, gaining an **unfair advantage** from the luxury brand's reputation which is prohibited by the Directive. It was clear in the case that the L'Oréal trademark was not subject to any other harm, such as **blurring** (detriment to distinctiveness) or **tarnishment** (detriment to reputation). There was no risk of misleading consumers as to the identity of Bellure's 'smell-alikes'. In effect, what the CJEU protected, was not the consumer's right not to be misled by a fake, but L'Oréal's investment in its brand image. As a scholar pointed out, the CJEU thereby judicially recognised '**trade marks as brands**'.<sup>9</sup>

#### Keyword advertising

The CJEU has dealt extensively with keyword advertising, whereby a search engine or sales platform offers the possibility for a trader to appear prominently in search results when a certain keyword is typed. The controversial aspect is when a given keyword coincides with a trademark. In [Google v Vuitton](#), the Court ruled that keyword advertising is illegal if it creates an impression of a commercial link between the advertiser and the trademark owner. In [Interflora](#) it added that keyword advertising can be illegal if it affects the **investment function** of trademark protection, e.g. if it affects the reputation of the brand in question.

### Genuine use

A trademark which is not put into genuine use within a certain period of time can be **cancelled**. The CJEU [held](#) that there is no genuine use if trademarks are used on goods which are **distributed for free**. However, a charitable institution [may satisfy](#) the requirement of genuine use, even if it provides its services for free, because it uses a mark to distinguish its services from those offered commercially. The Court also [underlined](#) that in assessing genuine use across the EU, territorial borders of the MS should be disregarded.

## Opinions on the current system

### Max Planck Institute study

In 2011 the [Max Planck Institute for Intellectual Property and Competition Law](#) delivered a [study](#) on the overall functioning of the trademark system to the European Commission.

Their general opinion of the existing trademark system in the EU was positive, although a number of recommendations for improvement were made. In particular, the study recommended bringing about **more harmonisation**, *inter alia* by expanding the scope of the Trademark Directive and by making its optional provisions mandatory. The study also emphasised the need for **more coordination** between OHIM and the national trademark offices.

### Other academic opinions

Some scholars [argue](#) that the CJEU has expanded trademark rights to include exploitation rights without sufficient policy reasons. They see a need to introduce limitations on the scope of trademark protection, in particular with regard to their use outside trade – in the areas of expressing opinion (criticism, review, caricature, parody and pastiche), research, teaching as well as cultural activity. They advise the introduction of a **general due cause defence** which could be invoked to limit trademark rights in all kinds of

situations, and not only in cases involving well-known brands (as the law requires now).

### Critique of the *L'Oréal v Bellure* ruling

The CJEU decision in [L'Oréal v Bellure](#) (see above) has given rise to particularly intense debate.<sup>10</sup> [Scholars](#) have criticised the Court for having a detrimental impact on **freedom of expression**, both in the commercial and non-commercial context. It is argued that under *L'Oréal*, traders cannot tell the truth about their products (e.g. that they are cheap equivalents of luxury ones). **Parodies** of a trademark could be considered as illegal, especially if they are critical of the brand or the lifestyle associated with it. A reference to Article 10 [ECHR](#) on the freedom of expression is advocated as one way of limiting the scope of trademark protection considered to be too broad.

Taking a broader point of view, others have argued<sup>11</sup> that there is a general need to promote the **public interest** within EU trademark law, understood as balancing the interest of the trademark owner with that of consumers and competitors. According to them, this is necessary to **actively nurture competition** in the market. Certain recent CJEU rulings ([Viking Gas](#); [Google v Vuitton](#)) are praised as examples of this approach.

Finally other [authors](#) see more place for the subsidiarity principle and a **greater role for national legal traditions** in the development of harmonised EU trademark law.

## The Commission's proposals

In March 2013 the Commission presented a [package](#) of proposals including a new [Trademark Regulation](#) and a recast [Trademark Directive](#), as well as the Commission Regulation on OHIM fees. In the Parliament, the package has been referred to the Legal Affairs Committee, which has appointed Cecilia Wikström (ALDE, Sweden) rapporteur for both major acts.

The main objective of the amendments is to make the trademark system in the EU more accessible and efficient for undertakings. This would be achieved by lowering costs, simplifying and accelerating procedures, increasing predictability and legal security. The Commission also emphasised the need to ensure better coordination between the CTM system and national trademark regimes.

One formal aspect of the amendment package is to update the terminology to the post-Lisbon Treaty environment. Hence, the CTM would be renamed **European Trade Mark (ETM)** and **OHIM** the **EU Trademark and Design Agency (TDA)**.

### **Expanded scope of Trademark Directive**

An important feature of the proposal is an expansion of the scope of the Trademark Directive, in order to align it with the Trademark Regulation, and thereby increase the extent of harmonisation of national trademark laws. The new areas include the role of a trademark as an object of property; guarantee marks, certification marks and collective marks, as well as an entire chapter on procedures (filing, opposition, revocation and invalidity).

### **Revised definition of trademark**

The definition of a trademark in the Regulation and Directive is considerably expanded, to cover colours as such, and sounds. The requirement that a trademark be capable of being represented graphically is dropped, so that it would suffice that the trademark can be represented in a way which allows the subject of protection to be determined.

### **Changes in scope of protection**

#### *Protection of well-known trademarks*

Within the Trademark Directive the extended protection granted to trademarks with a reputation is no longer optional, but is made **mandatory**, just as it is in the Trademark Regulation. In such cases the trademark owner is entitled to prevent the use of an identical or similar sign (regardless

of whether it is used in relation to identical or similar products) if the use of that sign is **without due cause** and takes **unfair advantage** or is **detrimental** to the distinctive character or reputation of the well-known trademark.

#### *Comparative advertising*

The relationship between EU trademark rules and the law on comparative advertising is clarified – an owner may prevent the use of their trademark in advertising only if that use **infringes** the [Comparative Advertising Directive](#).

#### *Import of illegally trademarked goods*

A new rule is introduced under which the trademark owner may prevent **any third parties** from importing into the EU goods from third countries which bear a trademark or a sign which is essentially indistinguishable from it, even if the goods are not actually sold or offered for sale in the EU.

A trademark owner may prevent the import of goods bearing that trademark without the owner's authorisation even when only the seller is acting in a professional capacity. This new rule aims to effectively **prohibit consumers** buying such goods from outside the EU themselves (e.g. over the internet).

#### *Prohibition of preparatory acts*

Another new rule would prohibit preparatory acts; that is the offering, selling, storing or importing of 'get-up' or packaging with a trademark used without the owner's consent, as well as affixing such marks on goods, even before the goods themselves are placed on the market.

### **Certification marks**

A set of new rules is proposed to allow for the registration of certification marks at EU level. A **European certification mark (ECM)** is defined as a special type of ETM which is capable of distinguishing goods or services which are certified as regards their geographical origin, material, mode of manufacture, quality or other characteristic feature. An application for an ECM may be filed by any legal person, including public

bodies and authorities. The applicant may not carry out a business of supplying such goods themselves, but must be competent to certify them. Corresponding rules on registering certification marks at national level would also be inserted in the Trademark Directive.

### Changes in procedure

#### *No more mandatory searches*

Currently, after a CTM application is filed, OHIM performs a mandatory search for prior rights which could prevent the registration. A similar procedure is used in approximately half of MS.<sup>12</sup> The proposals aim at abolishing mandatory searches both with regard to the ETM and with regard to national trademarks. Instead, the proposal envisages the creation of an **open-access database** in which applicants could search themselves.

### Enhancing cooperation between offices

National trademark offices are **obliged to cooperate** both with each other and with the TDA with a view to seeing practices converge and reaching coherent results in

their decisions regarding the examination and registration of trademarks.

### Impact assessment

The legislative package is accompanied by an [impact assessment](#) prepared by the Commission. Within the Parliament, this is currently being analysed by the [Impact Assessment Unit](#). An **initial appraisal** of the Commission's impact assessment is expected to be ready in July 2013.

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## Endnotes

- <sup>1</sup> M. Senftleben, "[Bringing EU Trademark Protection Back Into Shape – Lessons to Learn from Keyword Advertising](#)", sixth Annual Conference of the EPIP Association (Brussels, 8-9 September 2011), see p 1.
- <sup>2</sup> M. Senftleben, "[Adapting EU trademark Law to New Technologies: Back to Basics?](#)", in: *Constructing European Intellectual Property: Achievements and New Perspectives*, ed. C. Geiger, Edward Elgar Publishing 2013, pp. 137-176, see p 141.
- <sup>3</sup> Senftleben, *Adapting...*, see p 142.
- <sup>4</sup> Senftleben, *Adapting...*, see p 143.
- <sup>5</sup> According to a [2013 ranking](#) by BrandZ, the most valuable brands are worth tens of billions of euros.
- <sup>6</sup> Cf D.S. Gangjee, "[Property in Brands](#)", *LSE Law, Society and Economy Working Papers* no. 8/13, see p 21.
- <sup>7</sup> T. Cook, *EU Intellectual Property Law*, Oxford University Press, 2010, see p 231.
- <sup>8</sup> A. Kur, "Harmonisation of Intellectual Property Law in Europe: The ECJ Trade Mark Case Law 2008-2012", *Common Market Law Review* vol. 50 (2013), pp. 773-804, see p 774.
- <sup>9</sup> Gangjee, *ibid.*, see p 13.
- <sup>10</sup> The ruling was openly criticised by the national court which submitted the preliminary reference ruling – see *L'Oreal v Bellure* [2010] EWCA Civ 538, para. 38.
- <sup>11</sup> J. Davis, "Promoting the public interest and the European Trade Mark Directive", *ERA Forum* (2013) 14: 117-129.
- <sup>12</sup> Kur, "Harmonisation...", see p 802.