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SYMPOSIUM COMMENTARIES

TRADEMARKS IN THE EUROPEAN COMMUNITIES FROM AN AMERICAN PERSPECTIVE

*Baila H. Celedonia**

I. INTRODUCTION

I view the harmonization of the European Community's intellectual property laws perhaps differently than most of tonight's speakers. My concern is how these changes will affect my United States clients who do or plan to do business in Europe. While all areas of European Community (EC) intellectual property law — copyright, patent, and trademark — affect United States companies, trademark law and practice will affect United States businesses most significantly. Whatever the nature of a United States company's business, whether it is high-technology, entertainment, consumer products, or widgeits, its products or services will bear trademarks if it is to do business successfully in Europe. The availability, registrability, and protectibility of a mark in any particular country will be an important ingredient in a company's ability to successfully market its goods and services.

Trademark laws have been the most territorial of all intellectual property rights. Unlike copyright, which, particularly in Europe, has developed under the unifying influence of the Berne Convention, the trademark laws of the EC countries have differed significantly from country to country. The reason for this

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is that, despite long-standing international trademark treaties such as the Paris Convention, first signed in 1883, and the Madrid Arrangement of 1892, trademark rights are based on individual, national registration systems. On the other hand, the Berne Copyright Convention forbids the very kind of "formalities" which are at the heart of all trademark registration systems.

Beyond the different legislation which implements each country's registration system, a national registration system also develops its own bureaucracy and "bureaucratic" precedents. Examples of such differences include the way examiners view whether a mark is "non-distinctive," or how close is too close to an existing registration. Differences also involve how much, if any, review is given before registration. All of these practices differ from country to country, even where the underlying legislation is similar. In addition, because of the importance of trademarks to the viability of a market-driven economy, trademark conflicts are more likely to reach the courts or the administrative review process. Thus, further inconsistencies are raised as each country has developed its own judicial and administrative gloss on its national trademark law.

Because of these inconsistencies, when an American company decides to market in Western Europe, the trademark which it has used for years and registered in the United States may be unregistrable in one or more countries in the EC, while at the same time, easily registered in others. Further, in some EC countries, one may feel that the application has dropped into a bottomless pit, not to emerge from the bureaucratic morass for four or five years.

Of course, it is not just American companies (and their trademark counsel) that have been troubled by the inconsistency among the trademark laws of EC countries. Such inconsistencies are even more problematic to the stated goal of the EC, which is to remove restrictions on the free movement of goods and on the freedom to offer services throughout the EC — a goal which was set for the end of 1992.

II. HARMONIZATION

The goal of free movement is to be fostered by a two-step process: first, by the harmonization of the various member states' trademark laws; and, second, by the creation of a Community Trade Mark — a single registration valid throughout the

EC. The first step was realized in the Trademark Harmonization Directive promulgated by the European Council of Ministers on December 21, 1988. This Directive requires all member states to change their national laws by 1992 in order to create a more uniform system and, in many member states, a more liberalized trademark system. It does not require the member states to have identical laws — and they will not. The Directive attempts to set Community-wide standards in areas such as the types of words or symbols which can be registered, possible grounds for refusal or invalidity of a mark, the rights conferred by registration, the effect of non-use of the mark, and the effect of acquiescence towards third-party use of a registered mark.

While the Directive sets mandatory grounds for the refusal of registration or invalidity based on the nature of the mark and with regard to conflicts with earlier rights, it also sets optional grounds or standards. So, even if one assumes that the member states will interpret the provisions of the Directive in the same way — which has not been the case — the optional provisions make uniform implementation unlikely. For example, a member state may adopt such non-traditional grounds as those contained in a dilution statute as grounds for refusal of registration.

Some positive harmonization, however, will be achieved. I see the most important change as the ability to register so-called non-distinctive marks in countries such as Germany and the United Kingdom. It is common in the United States for marketing people to choose marks which are suggestive or merely descriptive of the goods, to use United States parlance, such as “KOOLS” for menthol cigarettes. It makes the marketing of the product easier. Trademark lawyers, however, like totally arbitrary marks because they are stronger, and easier to register and enforce against third parties. Surname marks, such as MCDONALD’S, or geographic marks are also popular in the United States.

Under American law, merely descriptive, surname and geographic marks are registrable on the Principal Register with proof of “secondary meaning” and on a Supplemental Register without such proof. Merely descriptive, surname, and geographic marks are considered “inherently non-distinctive.” Under the Directive, member states are now *required* to register (or declare valid) an inherently non-distinctive mark *if* before the date of application, the mark has acquired secondary meaning. Optionally, member states may allow registration if secondary meaning

is obtained after application.

In France, however, the new law will be more restrictive than the old with regard to the distinctiveness of a mark. Old French law only prohibited marks which designated an "essential" feature of the product or service. Under Article 2b of the new French law, the mark cannot designate *any* feature of the goods or services, except with distinctiveness acquired by use, i.e., secondary meaning.

Member states have slowly begun to amend their national trademark laws as required by the Directive. Many, such as Germany, have already amended their laws. Others, such as the United Kingdom, have yet to do so, although a White Paper has been issued. The Council of European Communities has deferred the date for implementation of the Trademark Harmonization Directive until December 13, 1992.

Implementation of the Directive presents greater or lesser problems, depending on the country. The laws of Belgium, the Netherlands, and Luxembourg (which, since 1971, have had a single Benelux registration system and single law), Denmark, Italy, and Spain have not required significant modification to bring them into compliance with the Directive. On the other hand, Germany and the United Kingdom have required significant changes in their national laws. For example, for the first time, three-dimensional marks will be registrable in Germany and the United Kingdom. In addition, Germany will no longer prohibit pure holding company ownership of a mark. This prohibition had caused major problems for United States lawyers structuring acquisitions because it is typical, often for tax reasons, for holding companies to own the trademarks of their subsidiary operating companies.

As an American practitioner, I don't expect to change my advice to businesses on trademark protection in Europe, other than to remind them that if even extremely long-term plans contemplate sales in Europe, they should seek registration now. Because United States trademark rights arise from use and not registration (until 1989, a United States application could not be filed prior to actual use of the mark in the United States), American companies generally have not protected marks of potential interest but rather have waited until they were ready to launch. However, if American companies wait until they are ready to market in Europe, they may find out that they are too late. The mark may have already been registered by a European

company. Therefore, if the mark is important in the United States, and a company has any plans to market in Europe, it should start a registration program.

Clearly, the many changes will bring an increase in uncertainty, particularly in the short run, as we see the actual effect of the changes on local law and on the local registration process. Reliance on the advice of competent, reliable trademark lawyers or agents in each country remains the key to advising clients in these times of change. Also, American companies that license their trademarks in the EC will be affected by the competition laws in the EC, particularly Article 85 of the European Economic Community Treaty, which will make territorially restricted license agreements difficult, if not impossible.

III. COMMUNITY TRADE MARK

The second step in the harmonization process, which is accounted for in the Directive, will be the creation of a Community Trade Mark (CTM) registration system in which one registration will cover all EC countries. This goal, first articulated in 1976, has been bogged down by purely political issues, such as where the registry should be located and the official language or languages of applications. Americans are rooting for English — which will almost certainly be one of the languages.

The Harmonization Directive itself starts the process of the CTM, as the Directive makes a conflict with marks which are identical with an earlier trademark for identical goods a mandatory ground for refusal or invalidity. The Directive defines "earlier trademark" to include an earlier-filed CTM application or earlier-registered CTM.

The advantages of a CTM system are obvious for American companies. A single registration rather than multiple registrations will, of course, save appreciable money. But that is not the only advantage. Under current proposals, use of the mark in just one of the member states will satisfy the CTM use requirements. This will give protection throughout the EC, but allow for a gradual introduction of a brand.

Before we get too caught-up with the concept of the EC as a single market, we should remember that most brands sold, and certainly most services offered, in the EC are sold or offered in only one or, at most, a few countries. Particularly in low-technology areas, such as food and hygiene products, national preferences will dictate the market well into the twenty-first century.

Therefore, for reasons having nothing to do with impediments to the free flow of goods caused by national trademark laws and registration systems, for most small businesses in Europe, a home country registration may be all that is needed (in the same way as small businesses in the United States have continued to use the state trademark registration systems).

Even with the upcoming advent of the CTM system, individual national registers will continue for the foreseeable future. And since the CTM system, as conceived, will "sit on top of" the existing national systems, a prior, conflicting national registration will prevent a CTM registration. A prior national registration of an identical mark in a country such as Greece, even if the Greek market is of no interest to the client, could prevent an American company from obtaining a CTM registration in the future. This is one of the reasons I recommend to my clients who have certain interest in doing business in a portion of the EC, such as the United Kingdom, Germany, and France, that they seek to register throughout the EC, barring financial constraints. I would note, however, that the current CTM proposal does provide for conversion of the CTM application to national applications (for priority date purposes) if the CTM registration is unavailable.

IV. THE MADRID PROTOCOL

Many have questioned the need for a Community Trade Mark, as there already exists an international register system — The Madrid Agreement of 1891, now administered by the World Intellectual Property Organization (WIPO) in Geneva. There are currently 29 countries worldwide which belong to the Madrid Agreement. But four EC members — the United Kingdom, Denmark, Greece, and Ireland — are not members of the Madrid Agreement, nor are the United States and Japan.

Under the Madrid Agreement, a national of a member country can — armed with a home country registration — make a single application through WIPO that designates the member countries of interest. The application is separately reviewed by each national Trademark Office. American companies with a subsidiary in a Madrid Agreement-country can take advantage of this system by filing in the name of the subsidiary.

However, because of certain serious problems with the current arrangement, I seldom recommend such a course. These problems also have prevented many countries from joining the

program. Among these problems is the need for a home country registration, rather than an application, in order to file. In some countries, it can take years before an application matures to a registration. An even more serious flaw, from my point of view, is that if the home country registration fails for any reason during the first five years, it can lead to cancellation of all registrations obtained through the Madrid Agreement's filing procedure. A home country registration — even for a valuable mark — can easily fail for such mundane reasons as failure to timely file some necessary document.

These problems are being addressed in the "Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks." The Madrid Protocol, as it is known, corrects many of these defects. The International Registration will be able to be based on a home country application. And most importantly, if the home registration fails within five years, the Protocol application can be converted into individual country applications, maintaining the earlier priority date. The priority date is critical because the party with the earliest priority date is the one who will win in any conflict. Failure of the home country registration after five years does not affect the International Registration.

The Protocol has not yet come into effect. However, it has already been signed by 28 countries, including the four EC countries — Denmark, Greece, Ireland, and the United Kingdom — which are not signatories to the Agreement. The United States is also seriously considering joining the Protocol.

The Protocol also provides for inter-governmental organizations to become members of the Protocol. Assuming the EC joins, this provision would allow for a Madrid Protocol application to be based on a CTM application or registration, and for the CTM to be a designated registration filed for through the Protocol.

The Protocol is not a substitute for the CTM because it is still based on individual, national registrations. Both the Madrid Agreement and Madrid Protocol are basically filing systems. Thus, the Protocol would not serve the harmonization goal of the EC as would successful adherence to the Trademark Directive and the Community Trade Mark system.

V. CONCLUSION

Harmonization of EC trademark laws and the institution of a Community Trade Mark system should ultimately be helpful to American companies, particularly if both the United States and the EC join the Madrid Protocol. But, despite the hype, 1992 is not the magic year. The single European market will not be a reality, either legally or factually, for quite a long time to come.