Bulletin
of the European Communities

Supplement 8/76

Memorandum on the creation of an EEC trade mark

adopted by the Commission
on 6 July 1976

SEC(76) 2462
July 1976

Commission of the
European Communities

contents

Supplements 1976

1/76 European Union – Report by Mr Leo Tindemans to the European Council

2/76 Opinion on Greek application for membership

3/76 Action programme in favour of migrant workers and their families

4/76 Common research and development policy – Objectives, priorities and resources

5/76 Protection of fundamental rights within the European Community

6/76 Environment programme 1977-81

7/76 European Regional Development Fund — First Annual Report (1975)

8/76 Memorandum on the creation of an EEC trade mark

9/76 Group accounts: Proposal for a seventh Directive

10/76 Restoring balance in the milk market: Action programme 1977-80

Introduction

Object of the Memorandum

1. The object of this Memorandum is to present the views of the Commission on the creation of a Community system of trade mark law. The Commission considers that the creation of an EEC trade mark enjoying protection on a uniform basis throughout the territory of the common market is a necessary step towards attaining the objectives of the Community laid down in the EEC Treaty, and is clearly in the interests of manufacturers, distributors and consumers in the common market.

2. Following the introductory section, comprising a survey of the work carried out so far, the Memorandum explains in the second section the reasons for the creation of a Community trade mark law and the aims pursued. In the third section, the principles are set out, on which the proposed Community trade mark law is based. The final section deals with the most important individual provisions of substantive trade mark law and procedure, but without going into technical details.

Previous work

3. As a result of the EEC Commission's initiative of 31 July 1959, Member States and the Commission began work in December 1959 on the harmonization or unification of industrial property law. The object of this work was to create unitary and autonomous laws for the protection of industrial property covering the whole territory of the common market and supplementing national laws on industrial property, which would continue to exist. The Trade Mark Working Group, which was given the task of formulating a European system of trade mark law, began work at the end of 1961 under the chairmanship of the former President of the Dutch Octrooiraad, Dr De Haan; and in April 1964 it completed the Preliminary Draft of a Convention for a European Trade Mark (hereafter referred to as the 1964 Draft). As in the field of patent law the work on trade mark law came to a standstill during 1964/65, with the result that for the time being the 1964 Draft remained unpublished.

4. At the beginning of 1969, work was resumed in the field of patent law; and, since it was expected in 1972 that this work would soon be finished, the Commission decided in the spring of 1973 that it was time to resume work in the field of trade mark law. As a first step, the 1964 Draft was published[1] in order to obtain the first reactions of public and trade bodies. The Commission's initiative was followed by a statement made by the French Government in the Council of Ministers in June 1973, to the effect that the resumption of work on the creation of an EEC trade mark was considered to be desirable in view of the progress made in the patent law field. Following the publication of the 1964 Draft, the creation of an EEC trade mark for the common market was discussed in detail. Numerous private and international organizations sent the Commission statements of their position, all stressing the need for the creation in the near future of a system of trade mark law for the common market and expressing views on a number of fundamental questions. Although the statements disclosed a similar approach to many of the points raised, it was nevertheless apparent that certain fundamental questions still needed to be examined further, particularly in view of developments since 1964. To examine these questions and to prepare the groundwork for this Memorandum, the Commission set up a working party in September 1974 comprising officials of the Commission and experts drawn respectively from the academic and industrial worlds and from private practice (Professor Dr Friedrich-Karl Beier, Director of the Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, Munich; Mr Alain Thrierr, Deputy Director-General of the Union des Fabricants, Paris and Mr John Burreel, Queen's Counsel, London) The working party discussed the whole problem in a series of meetings between September 1974 and May 1976, and prepared the basic material on which this Memorandum has been based.

[1] Department of Trade and Industry: Proposed European Trade Mark: Unofficial Translation of a Preliminary Draft of a Convention for a European Trade Mark, published by HMSO, 1973.

Significance of the 1964 Draft

5. The Commission has taken as its starting-point for this Memorandum the main features of the 1964 Draft. This Draft, which comprises a comprehensive scheme for the protection of European trade marks in the common market, forms an important basis for the subsequent work.

6. In this work, however, developments which have taken place since 1964 have had to be taken into account, namely:

— the enlargement of the Community to include the three new Member States, which did not take part in the previous work and whose national legal systems differ in certain important respects from those of the six original Member States;

— substantial changes in Member States' trade mark law, particularly as the result of basic reforms and intended reforms in France, the Benelux States, Germany and the United Kingdom, and of new developments in case-law and in academic studies;

— the continued development of Community policy and law particularly as a result of declarations by the Heads of State or Government and recent decisions of the European Court; and finally

— the changes since 1964 in the European patent convention, whose original provisions, as set out in the preliminary draft convention on a European patent law dated 1962, influenced not only the structure but also some of the specific provisions of the 1964 Draft relating to trade mark law.

7. These developments have resulted in such a changed situation, compared with 1964, that the provisions of the 1964 Draft have had to be looked at entirely afresh; consequently to some extent new proposals are submitted.

Reasons for the creation of a Community system of trade mark law and its main objectives

The Trade Mark in relation to the objectives of the Community

8. In examining the need for an EEC trade mark and in determining its legal form, the objectives of the European Economic Community must be adopted as a basis. Article 2 of the EEC Treaty provides that the Community has as its task *inter alia* to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, and an accelerated raising of the standard of living.

9. Article 2 also provides that the Community must promote these salient economic and social objectives by establishing a common market. Article 3 provides that the activities of the Community for this purpose shall include the abolition, as between Member States, of obstacles to the freedom of movement for goods and services and the institution of a system ensuring that competition in the common market is not distorted.

10. As regards trade marks, no system reflecting internal market conditions in the common market has yet been set up. Although a European market may already have developed for other products, national markets in branded goods still predominate. There is as yet, to the disadvantage of consumers, distributors and manufacturers, no common market for branded goods and thus no internal market for a substantial proportion of goods for sale.

11. Branded goods are the result of the mass production by industry of increasingly diverse consumer goods. The consumer is faced throughout the Community with a large and, as a result of the establishment of the common market, still considerable number of consumer goods of the same kind; and these are not distinguished, like raw materials and many agricultural products, by natural or technical features alone, but have numerous variations and differences in quality, special properties, taste and appearance. To make the right choice, the consumer needs to be able to identify and distinguish these goods according to their origin and to recognize a connection between a particular product, its quality and its reputation.

12. Trade marks facilitate this process of identification and choice. Merely indicating the manufacturer's name and address is in general insufficient to accomplish this, since the same manufacturer usually produces various products and types of product. The consumer needs a clear and unambiguous distinguishing mark for each required article. Thus trade marks assist the consumer in the first instance when consumer goods of the same kind are offered for sale, facilitate a further purchase of same article and enable the consumer to distinguish, according to his wishes, between the various goods offered for sale. The same is true in respect of the provision of services.

13. To an economic system directed towards the needs of consumers, trade marks are thus indispensable. They play an important role in the public interest in the distribution of goods and services, and should therefore be given legal protection.

14. If trade marks are really going to enable consumers to distinguish one manufacturer's products from those of another, to identify one product in relation to others made by the same manufacturer or other manufacturers, and if necessary to purchase again a product similar in both quality and kind, consumers must be certain that the trade mark may not be used by another manufacturer in respect of a similar product. Otherwise confusion might arise, and consumers might be misled or deceived. Their confidence in the trade mark would have been abused. The trade mark would lose its function of providing consumers with a guide to the particular origin of the product and its particular quality and characteristics, though these are not legally guaranteed. A trade mark would become merely an indication of the kind of product without providing a means of distinguishing products one from another. It

would cease to function as a means of enabling consumers to identify products more easily and to choose between them. It would not only become generally useless, but also be a source of confusion.

15. For these reasons, trade marks are recognized under the laws of all the Member States as belonging exclusively to a particular manufacturer or distributor. Others may market similar goods, but may not use the same mark. Only by relying on this exclusive right will the owner of a trade mark be prepared, and the legislature expect him, to produce funds to invest in publicising the trade mark as a distinguishing mark and as a recommendation of his product and to offer the product for sale with a particular quality and specification. The owner of the trade mark is interested in the protection of the goodwill attaching to his company or product and embodied in his trade mark, and its ability to attract customers. The right to use a trade mark is thus recognized and legally protected in all the Member States as industrial or commercial property.

16. While each Member State thus has a national system of trade mark law in the interests of industry, commerce and consumers alike, there has until now been no system of trade mark law applicable throughout the territory of the Community.

17. This means that consumers are prevented from obtaining goods or services throughout the Community which are of the same origin, quality and character and bearing an EEC trade mark, as is at present possible in every Member State under national trade mark systems. Consumers have no alternative in the form of EEC trade marks covering the common market and giving uniform protection from confusion, deception and misleading information as regards the whole territory of the Community.

18. In the absence of a Community system of trade mark law, manufacturers and distributors are prevented from using trade marks which are effective throughout the territory of the Community and which universally enjoy equal protection. The use of the same trade mark throughout the territory of the common market presupposes that its owner can obtain uniform and effective protection in all the Member States. The present system of trade mark protection based on the territory of individual states, takes only minimal account of this requirement. Since protection for trade marks can be obtained in each case only on the basis of national legal provisions in the respective territories of the individual Member States, and since those legal provisions vary substantially, it is at present possible to acquire effective protection for the same trade mark in all the Member States only with difficulty and then not in all cases.

19. As the other internal barriers within the Community are dismantled, interest in a European alternative to the existing national systems of trade mark law is increasing. To the extent that products for daily use and consumption are no longer marketed only nationally, but throughout the common market, more and more manufacturers and distributors are finding it disadvantageous to adopt and use trade marks only at national level. The common market has an increasing need for the common trade mark, in the same way that national trade marks serve national markets. Such a device would enable manufacturers and distributors of branded goods to adapt to the common market more effectively and with less expenditure of time, trouble and money.

20. National trade marks naturally stimulate mainly national trade. All the indications are that EEC trade marks will go further and will promote an expansion in inter-State trade to a greater extent than national trade marks.

21. National trade marks are already by their very nature an instrument not only of national but also of international trade. They facilitate inter-State trade by enabling a particular place of origin to be indicated and identifying numerous products, and are particularly suitable for merging national markets into the common market without disorientating consumers. By virtue of their role as an indicator of origin and quality and as a means of advertising, trade marks are indeed an indispensable means of promoting trade and in doing so assist the further interpenetration of

national markets. They help manufacturers to acquire new markets and thus help to promote the expansion of economic activity beyond national borders. They are similarly indispensable for consumers, since they help consumers to make a choice from amongst the vast range of goods for sale, which has increased considerably as a result of the establishment of the common market. Branded goods are also a factor encouraging interpenetration of national markets when they are ready-to-use products available in large numbers, for although they may originate in another country of the Community, they are easily acquired and offered for sale by the modern distributor and can often be marketed in self-service shops.

22. Even though, from an economic point of view, more and more trade marks are developed which are *de facto* European in nature, trade marks remain, from a legal point of view, split up as before into seven national varieties of industrial property right,[1] subject to rules differing from Member State to Member State. Trade marks can at present generally be registered in individual Member States but only at some expense and often after having to overcome substantial legal difficulties. Because of the differences in Member States' national laws it is by no means certain that specific marks can necessarily be registered in all Member States. The existing legal framework reflects the economic functions of trade marks only at the level of individual States and not at Community level.

23. There is no EEC trade mark which can serve as a uniform means of distinguishing goods and services throughout the common market irrespective of the internal borders of the Community and unaffected by dissimilar systems of trade mark law in individual Member States. Since each of the seven systems of trade mark law in the individual Member States provides that in its own territorial jurisdiction the same trade mark will be borne only by products whose quality, characteristics and the like are usually controlled by the same undertaking, the merger of these seven areas into a single trading area urgently needs a Community system of trade mark law providing trade marks with uniform protection throughout the territory of the Community.

24. A system of trade mark law applicable throughout the Community would be of particular value both in establishing a free market for branded goods and services bearing trade marks and in ensuring fair competition, as required under the preamble to the EEC Treaty. It would not be permissible for several undertakings to market their goods under the same EEC trade mark. In addition, a Community system of trade mark law would lead to an approximation of the legal conditions affecting competition between the manufacturers of goods bearing EEC trade marks. The protection accorded by an EEC trade mark would be the same throughout the Community and would not vary from one Member State to another. This would be a substantial contribution to the establishment of a system of undistorted competition within the common market, as required by the EEC Treaty.

25. For all these reasons it is necessary to introduce and provide protection for an additional trade mark at Community level. A system of trade marks is required which will match the dimensions of the common market. The time is ripe for the creation, alongside existing national systems of trade mark law, of an autonomous and modern Community system for the protection of trade marks enabling undertakings to market their products throughout the territory of the common market under the same trade mark. Similar to the operation of national trade marks at present within the territory of their validity, the creation of an EEC trade mark would make a substantial contribution by facilitating and promoting trade in consumer goods within the Community and thus ensure the harmonious development of economic activities, a continuous and balanced expansion, and an accelerated raising of the standard of living in the Community. It would do so in the following ways: by informing all consumers in the Community of the origin and characteristics of numerous consumer goods, by providing Community-wide protection of consumers from being confused, misled and deceived, and by facilitating the marketing throughout the Community of industrially mass-produced goods.

[1] A uniform system of trade mark law exists in the Benelux countries.

Principle of the free movement of branded goods

26. An important consideration in the creation of an EEC trade mark is the fact that national laws on trade marks may prejudice the free movement of goods within the common market. It is therefore consistent with one of the main objectives of the European Economic Community, that steps should be taken to remove wherever possible national barriers created by the existence of different industrial property laws. From the outset, this principle has governed the Commission's work on Community trade mark law and will be treated as an essential guideline for all future work. The principle of the free movement of goods has indeed already been recognized in part in recent judgments delivered by the European Court of Justice and by national courts: where trade mark rights have been used in a manner incompatible with their main function and by insisting on applying the territorial limits of national trade mark law to the territory of that Member State with the object of preventing parallel imports of branded goods, whether marketed by the owner of the trade mark or with his consent the courts have condemned such behaviour. To the extent that this practice has been condemned, the principle of the free movement of goods has already been established.

27. On the other hand, the principle of the free movement of goods has not been extended to goods which are brought into circulation in individual Member States by firms which have no legal, financial, technical or economic connection under the same or a similar trade mark. In its judgment in Van Zuylen Frères v Hag AG,[1] the European Court of Justice decided that it was incompatible with the rules for the free circulation of goods in the Common Market to prohibit the marketing in one Member State of a product which lawfully bore the same trade mark in another Member State for the sole reason that there existed in the latter State an identical trade mark of the same origin. However, the case concerns an exceptional situation confined to the limited number of instances in which legally independent and economically unrelated firms use identical trade marks which were originally owned by the same persons. The treatment of the far more numerous conflicts between national trade marks which originated independently of each other and are identical or confusingly similar calls for a fresh approach for the following reason. In view of the existence of trade marks protected by over one and a half million registrations in the Member States of the Community and in view of the ways in which national registration and opposition procedures work in practice, a considerable number of conflicts may be expected. If in all these cases different owners were permitted to distribute their goods under the same or confusingly similar trade marks within the same area, it would not be possible to avoid confusion, merely by the addition of explanatory matter or other distinguishing features or by the use of special packaging. Indeed, this would run counter to the main function of a trade mark, which is to indicate to the consumer that the product originates from a specific firm.

28. It is an essential principle of trade mark law, recognized in all Member States, that it is the trade mark as such which indicates the origin of products connected with it and distinguishes them from other products, and that additional descriptions cannot entirely avoid the dangers of confusion caused by the similarity of the mark. Judicial decisions recognize the value of additional descriptions only in certain rare and exceptional cases where a conflict cannot be resolved in any other way: for example, in cases of 'honest concurrent user', (the United Kingdom and Ireland), in certain cases where family names are involved (several Member States) or in cases of 'Verwirkung' (Germany). The judgment in the Hag case added the use of trade marks of the same origin to the list of such exceptions.

29. If these exceptions were to become the rule, trade marks could no longer be guaranteed to fulfil their function of indicating origin. Supplementary information about the geographical origin of a product will not necessarily prevent the public

[1] CJEC 3.7.1974 — Van Zuylen Frères v Hag AG, 192/73-[1974] ECR 731.

from erroneously assuming that the product originates from the same undertaking or group of undertakings; even differentiating information not related to geographical origin cannot, in principle, prevent the public from being deceived. The following consideration militates against adding differentiating information as a universally suitable means of resolving conflicts, in the interest of the free movement of goods, between owners of trade marks not having the same origin: for the consumer, a trade mark is indispensable in that it provides concise information which enables a particular product and its origin to be identified amid the mass of consumer goods. Additional differentiating information would make the consumer's choice more difficult, since the trade mark alone would no longer provide a guarantee of the origin of the product. The differentiating information would then have to assume this function of the trade mark. However, this would to a large extent reduce the effectiveness of trade marks as a method of informing consumers of the origin of a particular product.

30. Moreover, the principle of 'honest concurrent user' known in the United Kingdom and Ireland cannot be used to support the argument that, under existing Community law, products bearing identical trade marks which are not of the same origin should be allowed to circulate freely. Under the principle of 'honest concurrent user', identical or confusingly similar trade marks are allowed to coexist, subject to specific conditions and limitations; including territorial restrictions. In seeking to apply this solution at Community level, however, it is not sufficient to provide that under certain circumstances identical or similar trade marks are allowed to coexist in the Member States. It is one thing for such a rule to apply under a national system of law and another for it to be recognized as governing the relationships between several national legal systems under Community law. Where two identical trade marks coexist under the same legal system, this generally means that the owner of the original trade mark has not enforced his priority over the owner of the later trade mark. However, where trade marks under different legal systems are identical, the priority principle does not apply: that is to say, the owner of a trade mark in country A cannot enforce the right of priority which he enjoys in that country against an identical later trade mark in country B. The exception of 'honest concurrent user' cannot therefore be automatically applied to the relationship between the various national legal systems of the Member States.

31. There are serious objections to allowing two identical trade marks not having the same origin to coexist, whether on the basis of requiring supplementary information or by the general application of the principle of 'honest concurrent user', because of the possibilities of abuse associated therewith, particularly in the form of trade mark pirating. National trade marks are frequently applied for in only one or two Member States; this will even become the general rule after the Community system of trade mark law has entered into force. Any third party can therefore register an identical or similar trade mark in the other Member States in which trade mark protection has not been applied for. If the principle of the free movement of goods were also applied to identical trade marks not having the same origin, this would provide third parties with an incentive to apply for an identical trade mark in a Member State in which no protection existed, in order to market their products in the territory of the owner of the original trade mark under the later trade mark so as to exploit the goodwill built up by him. Except in cases where the systematic pirating of trade marks is carried on, or where a third party misappropriates a well-known trade mark, it will not in general be possible to prove bad faith on the part of a third party. This is because a third party in this position will in general be able to claim that he has acquired his trade mark legally in accordance with national provisions and that he was not aware of the existence of an identical or similar trade mark in another Member State. Small and medium-sized undertakings operating in only a restricted area of the common market would be worst affected by such improper practices. Their national trade marks would be rendered completely valueless if there were opportunities for such abuses.

32. The discrepancy between the principle of the free movement of goods and the existence of conflicting national trade marks can be resolved completely only if national trade mark laws are replaced by an EEC trade mark system. But this is an objective which from a legislative point of view cannot be envisaged for the time being and can in fact be achieved only gradually, with the progressive integration of the common market.[1] Progress towards this end will be encouraged by the creation of a single trade mark law for the common market, while existing national trade mark laws will gradually decline in importance. If, as a part of this process, an increasing number of national trade marks are converted into EEC trade marks and an increasing number of new trade marks are registered as EEC trade marks, existing and possible future cases of conflict will diminish greatly before very long. This development can be assisted and hastened by legislative means if there is built into the Community trade mark law a procedure which would facilitate the solving of any conflicts between national and Community trade mark law.[2]

33. The work on the creation of a Community trade mark law should therefore be pursued as a matter of urgency and should be brought to an early conclusion. This view is reinforced by judgments of the Court of Justice which has repeatedly drawn attention, for example in Sirena Srl v Eda Srl[3] to the fact that national laws have still not been approximated on a 'Community basis' and that this has resulted in raising obstacles to the free movement of gods.

34. In summing up it must be noted that one of the objectives to be attained with the introduction of the Community trade mark law, that is to say, ensuring the free movement of branded goods, can only be brought about gradually and for the present only in part because of the continued existence of national trade mark laws. The Commission is therefore of the opinion that, in addition to the work for the creation of an EEC trade mark, the subject matter of this Memorandum, ancillary provisions have to be elaborated for the purpose of removing as far as possible the obstacles to the free movement of goods caused by the continued existence of national trade mark laws. For this purpose it is essential to adopt the necessary ancillary provisions as part of the approximation of laws so that conflicts occurring by reason of the existence of confusingly similar national trade marks may also be capable of solution.[4]

Approximation of national trade mark law

35. The EEC Treaty provides for the approximation of the laws of Member States[5] to the extent required for the proper functioning of the common market. The Commission has therefore examined whether the stated objectives of the Community can be achieved with the help of a directive pursuant to Article 100 of the Treaty. The outcome is that the objectives of the European Economic Community, including that of ensuring the free movement of goods within the Community, cannot be achieved in the field of trade mark law only by the approximation of national laws any more than in the field of patent law. The reason is that the principle of territoriality in national systems of trade mark law cannot be surmounted in this way. Under this principle, a trade mark which is granted in one Member State can take effect only within that State; and the conditions, extent and limits of the protection afforded by the trade mark are governed solely by the law of that State. Even if national systems of trade mark law are assimilated through the approximation of laws, it is inescapable that in individual Member States third parties who are independent of one another can acquire protection for identical or similar trade marks, since it is only the national law in question which determines the registration requirements of a national trade mark. This could be avoided only if the approximation of laws could also bring about an assimilation of the widely differing national registration procedures[6] in such a way that each national trade mark office was required, before the registration of a trade mark, to examine whether that mark was eligible for regis-

1 Points 64 to 66.
2 Points 99 to 105.
3 CJEC 18.2.1971 — Sirena Srl v Eda Srl 40/70-[1971] ECR 69.
4 Point 36.
5 Article 3 (h).
6 Point 74.

tration and whether any prior trade marks in other Member States precluded its registration. However, this wide degree of approximation is neither practicable nor desirable, since instead of only the proposed EEC Trade Mark Office,[1] all the nine national trade mark offices would have to be equipped, at a high cost in terms of both staff and money, to undertake such a comprehensive examination. The approximation of national laws alone cannot therefore resolve conflicts arising from the coexistence of identical or similar trade marks owned by undertakings which are legally independent and economically unconnected. As already indicated,[2] the creation of a Community system of trade mark law and the establishment of an EEC Trade Mark Office are the most appropriate way in which conflicts preventing the free movement of goods can be reduced and in the end completely eliminated.

36. Even if the approximation of national trade mark laws is thus not an acceptable alternative to the creation of a uniform system of law applicable throughout the Community, it may all the same have an important complementary function to fulfil in providing a solution for the remaining cases of conflict. With the aid of a directive on the basis of Article 100 a measure can be introduced providing for the principle of the free movement of branded goods and services to apply also to cases where goods and services bearing confusingly similar national trade marks from several Member States are in conflict. This principle should certainly be recognized in cases of conflict between new national trade marks after the coming into force of the Community trade mark law. However, as regards national trade mark rights then in existence, the principle of respecting lawfully acquired prior rights ought to prevail during an interim period of 10 to 15 years.

37. One method in particular may be useful for the purpose of resolving such conflicts, i.e., to seek to resolve difficulties that exist on a sensible economic basis. By means of a change in national laws brought about through the approximation of laws, national courts when dealing with a complaint could be required to try in the first place to procure an amicable settlement between the parties or to adjourn the case before them either of their own motion or at the request of the parties or one of them for the purpose of an appeal to the Conciliation Board of the EEC Trade Mark Office.[3] The Board would prepare suitable demarcation proposals. If the parties do not accept the court's proposed settlement or the agreement prepared by the Conciliation Board, then the Court would, in cases where this is justified by circumstances, permit the importation on condition that the terms imposed by it regarding the use of the trade mark are respected. Where an agreement has been prepared by the Conciliation Board the national court would have to take this into account in arriving at its decison. This change in national law would thus have the effect that national courts—subject to the interim period for prior rights—would always decide in favour of the free movement of goods where the danger of deception regarding the relevant origin can be eliminated by the imposition of reasonable terms of usage.

38. In the course of the work for the approximation of laws, the concepts of confusingly similar trade marks and similarity of goods which are fundamental criteria in trade mark law determining the scope of trade mark protection should continue to enjoy special recognition.[4] The principles developed under the legal systems of Member States defining these concepts have immediate repercussions on the free movement of goods. However, the question whether under any system of law trade mark protection is determined by statute or by case law is not of the same importance, as by the operation of the principle of prior rights the creation or maintenance of confusingly similar trade marks can be entirely prevented. It is otherwise if in the course of trade between Member States independently recognized national trade marks the protection of which was previously determined solely according to the relevant national concepts and legal principles come into conflict. The possibility of such conflicts between confusingly similar trade marks increases in a common market comprising

1 Point 56.
2 Points 16 to 25.
3 Point 99.
4 Points 113 and 114.

seven different systems of national trade mark law. If the concepts of confusingly similar trade marks and similarity of goods are given a wide interpretation, such conflicts become even more frequent. The national rules which when applied in individual Member States can lead to variations in the scope of the protection afforded thereunder, should therefore be approximated with the object of not extending protection in the future beyond that extended by the EEC trade mark. The extent of the protection to be provided by the latter will be adjusted according to the specific subject matter of trade mark law, in particular the real need for protection of the owner of the trade mark and the consumer. In addition, with regard to the requirement to make use of the trade mark, the internal national rules should be aligned with the strict rules proposed in this Memorandum for the EEC trade mark in order to further reduce any possible cases of conflict.

The relationship between the proposed Community trade mark system and existing international treaties

39. The need to create a European trade mark law for the common market is not diminished by the fact that international agreements already exist in the field of trade mark law.

40. The Paris Convention of 1883 for the protection of industrial property, to which all Member States of the Community subscribe, leaves the principle of territoriality undisturbed and restricts itself to facilitating the acquisition of national trade mark rights by nationals of other signatories of the Convention.

41. The Madrid Agreement of 1891 on the international registration of trade marks does indeed make it possible by means of a single application to obtain trade mark protection in the remainder of the contracting States on the basis of national registration. However, only the six original Member States of the Community adhere to it. Furthermore, international registration does not lead to a unitary trade mark protection, subject to the same rules in States which are party to the Agreement, since it only allows for a 'batch' of national trade mark rights to be acquired by a single application.

42. The Trademark Registration Treaty (TRT), which was signed in Vienna in 1973, and whose aim is to permit countries still outside the Madrid Agreement — including the three new Member States of the Community—to accede to a new system of international trade mark registration, is not yet in force. If all Member States of the European Communities accede to the TRT, the only real improvement in the situation as compared with the Madrid Agreement will be that applications under the TRT are thereafter independent of registration in the country of origin. A TRT registration establishes only national trade mark rights whose content and extent are still determined according to national law and whose effect is limited to the area of jurisdiction of the participating State.

43. International trade mark registration, whether under the Madrid Agreement or under the TRT, undoubtedly facilitates the application procedure; but, unlike the proposed Community trade mark law, it is basically restricted to a simplification of that procedure. Thus registration of a trade mark under the TRT by the international office has the same effect in the countries named in the application as a national registration, as long as the appropriate national authorities raise no objection on the basis of Article 12 of the TRT. The same applies where an application for international registration relates to a regional trade mark, for example, an EEC trade mark. International registration therefore has the same effect as the registration of an EEC trade mark only if the EEC Trade Mark Office raises no objection, for example, on the basis of a prior conflicting trade mark. The two systems are, however, undoubtedly compatible and may usefully complement each other.

Legal basis

44. The EEC Treaty provides that the objectives of the Community specified therein are to be attained by the use of powers conferred by the Treaty on the Community institutions. No spe-

cific powers are provided in the EEC Treaty in the field of industrial property rights for the adoption by Community institutions of laws which are directly applicable in each Member State. The Commission therefore has to examine whether the Community institutions can make use of the reserve powers vested in them by virtue of Article 235 of the Treaty. This provision states that 'if action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community, and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the Assembly, take the appropriate measures'.

45. The creation of a Community trade mark system is based solely on the existence of the European Economic Community and the establishment of a common market. It is necessary so that the common market for branded goods can be established and function like a national market, thus promoting the economic and social objectives of the Community. This has already been set out in detail.[1]

46. Action by the Community does seem necessary to attain these objectives. Article 2 of the EEC Treaty states that 'the Community shall have as its task', by establishing a common market, the promotion of the Treaty objectives set out and, according to Article 3, 'the activities of the Community' include in particular the removal of obstacles to the free movement of goods and the institution of a system ensuring that competition in the common market is not distorted.

47. It has already been pointed out that the EEC Treaty does not confer the powers necessary for the attainment of these Community objectives, since Council directives under Article 100 on the approximation of the laws on trade marks in Member States do not provide a satisfactory solution to the problems under discussion.[2] Under Article 235 the Council unanimously adopts appropriate measures on a proposal from the Commission and after consulting the European Parliament.

48. At the political level, the European Parliament has repeatedly stressed that the Commission and Council should make use of this provision if circumstances required it. Agreeing with this, the Heads of State or Government of the nine Member States declared solemnly at their Conference held in Paris on 18 and 19 Ocotober 1972:[3] 'They were agreed in thinking that, for the purpose in particular of carrying out the tasks laid down in the different programmes of action, it was desirable to make the widest possible use of all the provisions of the Treaties, including Article 235 of the EEC Treaty'.

49. Accordingly, on publication in May 1973 of the 1964 Draft, which was intended at the time as a convention between the Member States under international law outside the framework of the EEC Treaty, the Commission stressed in its introduction that it was seeking a Community solution, and that in publishing the 1964 Draft it was making no prejudgments in favour of a convention.

50. For all these reasons[4] the Commission has decided to set up a working party of governmental experts from the Member States and Commission experts to discuss the main outstanding problems and to base the drafting of the appropriate provisions on the 1964 Draft and on this Memorandum.

51. The Commission decided at the same time to consult again all interested parties, and with this object and with the object of stimulating the widest possible public discussion, to publish this Memorandum. Participation by interested parties in the creation of a Community system of trade mark law has thus in no way come to an end. On the contrary, the Community law-making process enables them to become fully involved, both at national and at Community level, even while the text of the proposed system of trade

---

1 Points 8 to 34.
2 Point 35.
3 Point 15 of the final communiqué, Bull. EC 10-1972, Part 1, Ch. I.
4 Points 8 to 48.

mark law is being drawn up under the aegis of the Commission. So far as involvement at Community level is concerned, the Commission will, according to the progress of the work, conduct written and oral consultations and hearings, if need be, with the help of the working party. After the Commission has submitted a formal proposal to the Council, the European Parliament and the Economic and Social Committee will be consulted. This will entail renewed discussion in detail of all aspects of the proposal in committee and in plenary session and will, in the Economic and Social Committee, involve the direct participation of interested parties. The Commission will then revise its proposal on the basis of detailed written opinions of both institutions and on the basis of any other solutions proposed by interested parties in the meantime, and will submit to the Council a version which is amended accordingly. Interested parties may then make further representations to the Council and to the individual members of the Council (the appropriate ministers from the Member States). This represents a five-stage legislative and consultative procedure: commencement and directing of the work; drafting of proposed measures; reference to consultative bodies; drafting of an amended proposal; discussion, amendment and acceptance of the proposal.

Fundamental concepts and principles of the Community system of trade mark law

Fundamental concepts

52. The trade mark system to be created for the Community should be based on the following concepts.

53. The basic rules should conform with the declared objectives of the European Economic Community. The Community system of trade mark law must therefore serve the interests of consumers, manufacturers and distributors alike. This means that trade marks used in the services sector, collective marks and certification marks should, along with ordinary trade marks, be included in the Community system of trade mark law. It also means placing special emphasis on the interests of consumers, who should be protected from being deceived or misled. Another special objective should be to ensure that the Community trade mark system is available to all interested undertakings, irrespective of their size and economic importance. It is important that the EEC trade mark should provide the means for smaller and medium-sized undertakings to extend their economic activities further afield within the common market.

54. To attain the declared objectives of the Community, the new trade mark system must be based on the unitary and autonomous character of the EEC trade mark, and include rules which guarantee the free movement of goods and so promote competition between products marketed by the owner of the trade mark or marketed with his agreement. In addition, the proposed system must, as already stated,[1] make a definite contribution to a marked reduction in the number of conflicts between national trade marks held by different owners and the resulting obstacles to the free movement of goods. In particular the compulsory use of EEC trade marks, which is a fundamental part of the proposed rules and upon whose consistent enforcement the functioning of the Community system of trade mark law largely depends,[2] will help to fulfil this objective.

55. A forward-looking, balanced and attractive system of protection is envisaged, which reflects the most recent developments in international trade mark law, takes into account well-proven legal principles of national trade mark law and represents a genuine alternative to the existing national and international systems of trade mark law. A Community trade mark law must be sufficiently attractive to ensure that it will be preferred by applicants wishing to obtain trade mark protection within the common market. This means especially that a simple, flexible and inexpensive registration procedure must be provided which gives firms within a reasonable time effective and easily enforceable trade mark protection.

56. This requires the creation of a modern, well organized EEC Trade Mark Office, provided with the means and the staff to carry out searches and examinations in a satisfactory way not only in the interests of the public but also of firms seeking trade mark protection. The EEC Trade Mark Office, which should have a large measure of legal, administrative and financial independence, will have the particularly important task of giving positive help to applicants in tracing prior trade marks within the Community and in resolving any resulting conflicts, so as to meet industry's need for the greatest possible degree of legal certainty.

Accessibility; participation of non-member States

57. The principle of free accessibility, on which the Community trade mark system will be based, will meet the needs of firms which are based in non-member States and which require protection for their trade marks throughout the common

[1] Points 26 to 32.
[2] Point 118.

market. This principle, as laid down in Article 5 of the first version of the 1964 Draft, means that nationals of non-member States, provided that these States are signatories to the Paris Convention for the protection of industrial property, or provided that they guarantee reciprocity, will be entitled without further question to apply for registration of an EEC trade mark. This universally accepted proposal has the advantage that the trade marks of foreign firms are subject to the same preconditions for protection and the same examination procedures as EEC trade marks belonging to nationals of the Member States of the European Communities.

58. Since the reason for the creation of the unitary and autonomous EEC trade mark lies in the very nature of the European Economic Community since its objective is the establishment of a common market for branded goods, in order to promote the economic and social objectives of the EEC Treaty, the territorial scope of the Community trade mark system will at first be automatically limited to the territory of the Community. This does not exclude the possibility that non-member countries which have close economic associations with the European Communities will be able to participate in the Community trade mark system at a later date.

59. The inclusion of European countries, in which trade mark protection will frequently be sought by firms operating in the Member States of the European Communities, would also be in the interests of those firms. An immediate extension of protection to these countries would, however, have the result that trade marks registered there might create obstacles to the registration of an EEC trade mark, thus increasing the difficulty of finding a solution to one of the main problems affecting the future Community trade mark law. The need for firms in the common market to be additionally protected in those countries can be met for the time being by supplementary national registrations or by recourse to the Madrid Agreement in the case of countries which are parties to the Agreement.

Unitary and autonomous character

60. The declared objectives of the Community can be attained only if the principles governing the unitary and autonomous character of the EEC trade mark, as laid down in Article 2(2) of the 1964 Draft, are fully maintained.

61. The unitary character of the proposed trade mark is achieved in the following way: it can be applied for and registered only for the whole area of the European Economic Community, and Community trade mark rights can be transferred or can expire only with effect for the whole area. It will be consistent with the majority of the views expressed by commercial interests for the unitary principle to be adopted; and it is only by a unitary system of protection that the requirements of the common market can be properly met.

62. Rigid interpretation of the unitary principle, whereby every prior national right could pose an obstacle to the registration of an EEC trade mark, might have the undesirable result that the possibility of securing an EEC trade mark registration would be greatly diminished. These considerations do not justify a general departure from the unitary principle; but, if the success of the Community trade mark system is not to be jeopardized, the unitary principle should be interpreted not in a dogmatic way but as a general rule to which there may be exceptions in respect of prior rights having only a local or regional importance.

63. The autonomous character of the EEC trade mark will be ensured by the fact that it will be subject only to the provisions of the proposed law, and that national laws will be applied only if this is expressly provided. The proposed law should, however, refer to national laws only if this is seen to be unavoidable. The rights conferred by registration of the EEC trade mark, including the scope of its protection, should be determined on a Community basis as in the first version of Article 14 of the 1964 Draft.

Coexistence of Community and national systems of trade mark law

64. It is one of the assumptions of the 1964 Draft, that national trade mark laws in Member States will continue to exist alongside the proposed Community trade mark law. Ideally, trade mark law will also develop in such a way that one day the Community law will totally replace national laws; but on a realistic assessment of present conditions, this aim cannot be achieved immediately or perhaps entirely. It is not therefore advisable to fix a specific time limit within which the owners of national rights must convert these rights into applications for Community rights.[1]

65. Even if the introduction of the proposed Community trade mark law and the expansion of trade between Member States stimulate interest within the common market in a form of trade mark protection which goes beyond national boundaries. there will still be firms which for widely varying reasons do not need such far-reaching protection and which are content with national or regional protection. If from the outset such firms were offered only EEC trade mark rights, they would be guaranteed protection beyond their actual needs; and this would increase needlessly the number of conflicts to be resolved and add to the difficulties which traders have in finding new trade marks with advertising appeal. It is also unreasonable to expect small undertakings, which for economic reasons are interested only in national trade mark protection, to apply for the more expensive EEC trade mark. Moreover, many trade marks which are designed to impart information to the consumer are unsuitable, on linguistic grounds, for use outside the language field concerned. Finally, the continued existence of national trade mark laws is also justified on the ground that the Community trade mark law will protect only trade marks registered under the proposed scheme. There is, however, an additional need for the complementary protection of unregistered trade marks, and other signs, which must still be guaranteed by national laws on trade marks, unfair competition, passing-off, and the like.

66. The main point in favour of the coexistence of national and Community systems is that this is the only way in which the creation of a unitary EEC trade mark, which is effective in all the Member States and which a single owner is entitled to use, can be achieved. The limitations on the free movement of goods resulting from the continued existence of national systems of trade mark law[2] cannot be removed by immediately replacing these laws with a Community system of trade mark law, since in carrying out this process existing prior national trade mark rights would have to be taken into account. This would mean that an EEC trade mark, whose effect would be limited to the appropriate national territory, would have to be granted to several owners of identical national trade marks. This is what happened in the case of the Benelux Trade Mark Law. Where, for example, identical Belgian and Dutch trade marks were in conflict, their owners could acquire a Benelux trade mark which was, however, effective only in their respective national territories.

67. The possibility of acquiring both European and national trade mark protection in respect of the same trade mark should not generally be allowed except during any transitional period. A special problem certainly arises in cases where prior national trade marks are converted into EEC trade mark applications. It is a matter for consideration in the light of Article 181 of the 1964 Draft, whether it is necessary to allow double protection for the maintenance of acquired rights, and especially of earlier national priorities.

---

1 Point 159.
2 Point 32.

Principles of substantive trade mark law and procedure

Function of trade marks

68. Any regulation of trade mark law depends ultimately on the functions which are attributed to the trade mark. Both economically and legally the function of the trade mark as an indication of origin is paramount. It follows directly from the concept of the trade mark as a distinctive sign, that it serves to distinguish trade marked products originating from a particular firm or group of firms from the products of other firms. From this basic function of the trade mark are derived all the other functions which the trade mark fulfils in economic life. If the trade mark guarantees that the commercial origin is the same, the consumer can count on a similarity of composition and quality of goods bearing the trade mark; and the advertising value of the trade mark requires that between the trade marked goods and the owner of the trade mark there is a definite legal relationship. Although the quality function predominates in the mind of the consumer and the publicity function predominates in the mind of the producer, so far as the legal aspect is concerned the decisive criterion is the function of the mark as an indication of origin. Only if the proper purpose of the trade mark is maintained, namely to distinguish the trade marked goods from goods of different origin, can it fulfil its further role as an instrument of sales promotion and consumer information; and only then does the trade mark right perform its function of protecting the proprietor against injury to the reputation of his trade mark. Moreover, on the question of the admissibility of parallel imports in trade mark law, judgments by national Courts have shown that, only if protection is confined to the traditional and generally acknowledged function of the trade marks as an indication of origin, will the legal position be compatible with the principle of the free movement of goods.

Categories of trade marks

69. Since the Community trade mark law should be equally available to undertakings in all sectors of the economy, trade marks used in the sevices sector, collective marks and certification marks must be capable of registration as EEC trade marks in addition to ordinary trade marks.

70. There is an ever increasing need for the formal protection of service marks which is clearly demonstrated by the enactment in many countries in recent years of legislation under which service marks are protected. Moreover, the evidence shows that many firms which offer not only goods but also services have a justifiable interest in obtaining protection of their trade marks for both goods and services. Although in certain sectors, there may be only a limited need (according to locality or region) for the protection of service marks, there are other sectors, such as transport, banking, insurance, travel agency, and the like, in which firms offer their services throughout the common market; and in such cases there is no good reason to base the protection of service marks in national trade mark laws alone. Indeed this method of dealing with the problem would run counter to the declared aims of the European Economic Community, which include the freedom to provide services in all the Member States. It is in accordance with the growing evidence since 1964 of the need for adequate formal protection of service marks that the protection of service marks should be included as a substantive part of the Community trade mark law and not—as in the 1964 Draft—limited to a cross-referenced provision at the very end.

71. The Community trade mark system should also provide for the protection of collective and certification marks. These trade marks are potentially growing in importance. They will play a significant role in the common market as a means of marketing, of standardizing and developing quality products, and of informing the consumer. For small and medium-sized firms the use of a collective trade mark may often be the only means of extending their activities throughout the common market.

Definition of mark

72. The Community trade mark system should adopt a definition of the term trade mark which is as broad as possible and includes all signs or devices which are capable of distinguishing the goods or services of the applicant from the goods or services of others. Therefore, in accordance with Article 8 of the 1964 Draft, not only words and pictorial presentations should be admitted to registration as marks, but also letters, numbers, colour combinations, as well as the shapes of articles or their packaging. Instead of excluding any of these categories from registration or making their registration dependent on special requirements, the criterion for registration should be an examination as to whether the mark applied for is by its nature inherently distinctive or has acquired distinctiveness as a result of its use in the course of trade.

73. This line of thinking is supported not only by the more recent international developments in the field of trade mark law but also by all the interested bodies, as expressed, for example, in the definition of trade marks adopted in 1963 at the Berlin Congress of AIPPI (International Association for the Protection of Industrial Property). There are two additional reasons for adopting this approach which are of special significance for the Community trade mark system. The first reason is that, if the Community trade mark law were to be based on a trade mark definition more narrowly drawn than the definition in some Member States, the Community trade mark system would be less attractive and the applicant would be obliged in many cases to apply for national trade mark protection. The second reason is that the wider definition would make for a greater degree of legal certainty: it would provide an inducement to register distinguishing characteristics, such as get-up, which it has not hitherto been possible in some Member States to protect through registration and which would thus be available in the public register for inspection by third parties.

Grounds for refusing registration

74. National systems of trade mark registration in Member States differ substantially with regard to the provisions governing the registration of trade marks and the refusal of trade mark applications. Three different systems are at present in operation. Under the first system, registration is automatic without any kind of examination. The second makes no provision for automatic searches for prior rights, though it allows the owners of such rights to oppose registration. The third system provides for both automatic searches for prior rights and for opposition proceedings. The System proposed in this Memorandum for the EEC trade mark is a compromise between the second and third systems.

75. Under the 1964 Draft, an EEC trade mark could be registered only if a prior examination had shown it to be eligible for protection. A prior examination as to eligibility serves on the one hand to protect the general public against unjustified trade mark monopolies and deception and, on the other hand, takes account of the interests of commercial concerns in having trade mark conflicts brough to light at an early stage. The Community trade mark law will thus represent an advance beyond the trade mark systems of a number of Member States which do not provide for such an extensive prior examination.

76. So far as the prerequisites for protection are concerned (or, stated in the negative, the grounds for refusing registration) the distinction between absolute and relative grounds of refusal made in the 1964 Draft[1] should be maintained.

77. Absolute grounds of refusal apply in those cases where the mark applied for should be excluded from registration on grounds of public interest: for example, if it is not distinctive, if it is descriptive or deceptive or if it is contrary to public order. In all cases, these grounds of refusal should be taken into account by the EEC Trade Mark Office in considering whether to accept or reject the application. On the other hand, relative grounds of refusal relate to those cases where the trade mark applied for is confronted by prior third

[1] Articles 11 and 12.

party rights. In these cases, the 1964 Draft has adopted a proposal which leaves it to the owners of these rights to assert them by means of opposition proceedings against the registration of an identical or confusingly similar trade mark for the same or similar goods.

78. For a number of reasons, this proposal is preferable to a system in which the likelihood of confusion between the trade mark applied for and prior third party rights is automatically presumed and leads to immediate rejection of the application, even where the owner of the prior right does not enter an opposition to it. Prior trade mark rights are by their nature private rights, the defence of which is primarily their owners' concern. Because of their close knowledge of the market situation, these owners are also in a better position to judge the extent to which the value of their trade marks will suffer economic detriment by virtue of the application for a confusingly similar trade mark by a third party. By contrast, where the examination is undertaken by the Trade Mark Office, with power to refuse the application, the examiner would have to take into account a hypothetical trade mark conflict, since he would be mainly concerned with legal concepts and rules based on a notional set of facts. This could lead to the rejection of newly filed trade marks in many cases even though no actual conflict exists or is likely to arise. An additional factor is that, in view of the large number of pre-existing national trade marks, an examination and refusal procedure would make the acquisition of EEC trade marks more difficult.

79. Compared with the advantages of the proposed solution, to which may be added the simplification of the procedure and the savings in costs, the arguments in favour of the automatic rejection of identical or similar marks appear less convincing. The protection of the public from deception in respect of quality or from any other form of deception likely to affect purchasing decisions is ensured by automatically prohibiting the registration of deceptive marks. The need for consumers to be protected from possible errors about the commercial origin of goods is adequately met when the owners of prior marks assert their rights against applications by third parties for the registration of similar marks. Their interest in protecting the goodwill of their own marks against detrimental interference by third parties who have similar marks will, as a general rule, coincide with the interest of consumers in being protected from confusion regarding commercial origin. The EEC Trade Mark Office should, however, be given the power to refuse to register a subsequent trade mark where its similarity to a prior trade mark would prejudice genuine interests of the public and particularly of consumers.

80. Furthermore, it will be an important task of the EEC Trade Mark Office to carry out a search for prior trade marks which conflict with an application for an EEC trade mark, to inform the applicant of the result of the search and to give notice of the application to the owners of prior rights. A service of this kind will be in the interest of all parties involved and will provide valuable help for small- and medium-sized firms, for whom the conduct of a constant surveillance of applications, as well as of private searches, would be an excessive burden and involve prohibitive costs. The proposal constitutes a reasonable compromise between systems in which prior rights constitute automatic grounds for refusal and those in which prior rights must be determined by the parties themselves in opposition proceedings without the help of the relevant Office.

81. Since the question of cost and the need for efficiency are vital factors in ensuring that searches by the EEC Trade Mark Office meet the requirements set out in the foregoing paragraphs, new methods of effecting searches, and particularly the application of computers to the maintenance of trade mark records, are being carefully studied. The examination of this question has not yet been concluded.

Formal examination of applications

82. In registration proceedings before the EEC Trade Mark Office each application will initially be examined to determine whether it complies with the formal requirements of registration. In addition to the requirements contained in Article

65 of the 1964 Draft there should be a requirement that an applicant must state his business in order to determine whether the list of goods to be covered is related to the business activities of the applicant. By means of such an examination, which can be carried out relatively easily, it will be possible to prevent an applicant obtaining protection for goods or services in which *prima facie* he has no intention of dealing.

83. If there is an application for a mark which is intended for use by a licensee or a related company and not by the applicant himself, it should be sufficient for the list of goods covered by the application to correspond to the business of the licensee or the related company. In such a case there are reasonable grounds for allowing registration by the licensor or a firm, such as a holding company, which controls the use of the mark.

Absolute grounds of refusal

84. The examination for absolute grounds of refusal will be directed primarily to the question whether the trade mark is sufficiently distinctive and whether it consists of descriptive or other terms which must remain freely available for use by competitors. In addition, trade marks which are contrary to morality or to public policy, or the use of which is likely to deceive consumers about the characteristics of the goods concerned, will be excluded from registration. By excluding deceptive trade marks from registration the EEC Trade Mark Office will contribute from the outset towards the realization of an important aspect of consumer protection.

85. In determining whether a trade mark is eligible for protection, it is not only the linguistic, pictorial or conceptual content of the trade mark which counts. Nor is it sufficient, as in Article 11(1)(e) of the 1964 Draft, merely to prescribe that all facts be considered, and in particular the period of use of the trade mark. Instead, there should be an express provision that, even if a trade mark is not *prima facie* eligible for protection, for example because it is not distinctive, it may be nevertheless registered as an EEC trade mark in cases where, as a result of its use in the trade, it has become a distinctive sign in respect of the applicant's goods or services. The provisions governing absolute grounds of refusal are also of such importance that they should be self-explanatory and should not if possible be worded by reference to international agreements.

86. In an examination of absolute grounds of refusal, particular difficulties for the Community trade mark system may result from the fact that the trade mark applied for may have a differing meaning in the various Member States. It may be a descriptive term in one Member State, but may be treated as a valid, fanciful designation in others. In accordance with the 1964 Draft[1] the principle should be maintained that a Community trade mark right cannot be acquired in such a case. However, the examination should be guided by the rule that the application of this principle should not unduly impede the registration of EEC trade marks. For example, if a trade mark is regarded in most parts of the common market as eligible for protection, there should be a particularly careful examination to see whether there exists in other parts of the common market a serious, and not merely a hypothetical, need for such a term to be freely available for use by others.

87. All absolute grounds of refusal are to be automatically examined, and the appointment of examiners from the various Member States to serve in the EEC Trade Mark Office will make it easier to determine the different linguistic meanings of marks applied for. Furthermore, the EEC Trade Mark Office should be empowered to consult not only, as provided in Article 73 of the 1964 Draft, the national trade mark authorities, but also national or international trade associations and other appropriate bodies in order to obtain sufficient information to determine whether the trade marks applied for are eligible for protection.

88. If the EEC Trade Mark Office determines, on the basis of its own investigations that the trade mark is not eligible for protection, the application is rejected there and then. In all other

[1] Article 11 (2).

cases the EEC Trade Mark Office should publish the application and leave the question of eligibility for protection to be finally settled in opposition proceedings. Notwithstanding the 1964 Draft,[1] it is not only the central industrial property offices of Member States which should be entitled to bring opposition proceedings based on absolute grounds of refusal, but any person or association who can justify his interest in preventing registration. Industrial and consumer protection associations are well qualified to judge whether the registration of a trade mark would actually interfere with the interests which they represent, as well as the interests of the public. Experience of the British and United States legal systems suggests that the participation of interested public and commercial bodies in the examination of absolute grounds of refusal can usefully supplement official examination.

89. Since it is often the case that only individual components of a trade mark applied for are not eligible for protection, consideration should be given, following the English model, to the introduction of the concept of a 'disclaimer' into the Community trade mark system. If this concept is treated flexibly, it will help to prevent firms from monopolizing trade mark components which are not eligible for protection.

Relative grounds of refusal (prior rights)

90. The central problem of the future Community trade mark system concerns the treatment of conflicts between EEC trade marks and prior rights, in particular prior national trade mark rights.

91. The 1964 Draft resolved the problem by providing that all holders of prior rights were entitled to oppose registration of an EEC trade mark and that the existence of such prior rights, even if they were valid in only one Member State or in only one part thereof, precluded the registration of the EEC trade mark. Prior rights included not only EEC trade marks, but also national trade marks, as well as all other exclusive rights in respect of a designation used in trade, such as the get-up of products, trade names, and the like.[2]

92. It is, however, true, as the majority of statements submitted to the Commission point out, that the proposal contained in the 1964 Draft overemphasizes the need to preserve prior rights and so runs the risk of jeopardizing the attractiveness of the Community trade mark system as a whole. Under the 1964 Draft, the existence of conflicting prior rights would make it extremely difficult to acquire new EEC trade marks, and it would be possible only for a few firms, in general those which are already active internationally, to convert their national trade marks into EEC trade marks. However, it is essential for the attainment of the aims of the Community, and in particular for the promotion of the free movement of goods, that access to the Community trade mark system should in fact be available to as many firms as possible throughout the common market. In many cases, an EEC trade mark could not be obtained if the provisions of the 1964 Draft were retained, and applicants would be forced to continue to apply for national trade mark protection for all those countries where no prior third party rights conflicted with the trade mark applied for. A further consequence of this is that the principle of coexistence of national and Community rights would be maintained indefinitely with all the implications for the free movement of goods which this involves. As was noted earlier,[2] a comprehensive and acceptable resolution of the conflict between different national trade mark rights, with all its disturbing effects on the common market, is possible in the long run only within the framework of the proposed Community trade mark system.

93. The basic principles of the solution to the problem of prior rights, now proposed by the Commission, differ from those contained in the 1964 Draft; they are as follows:

(a) the limitation of the right to enter an opposition to owners of registered marks and of other recognized trade marks;

---

1 Articles 79 and 80.
2 Articles 12 (1) and 80 of the 1964 Draft.
3 Point 32.

(b) the restriction of opposition proceedings to those relating to used trade marks;

(c) the introduction of a conciliation procedure.

Limitation of the right to enter an opposition to owners of registered marks

94. To make it easier to acquire EEC trade marks, their registration should be excluded on grounds of prior rights only if they conflict with prior registered or applied for EEC or national trade marks of with 'notorious marks' within the meaning of Article 6*bis* of the Paris Convention, and only if these marks are asserted in opposition proceedings. It should not be possible to assert other similar prior rights or copyright in opposition proceedings, but only in invalidity proceedings or as a defence in an infringement action before a national court.

95. This proposal is supported both by substantive and by procedural considerations. By limiting the right to oppose to registered trade marks—with notorious marks as a necessary exception—an inducement is created to register as EEC trade marks previously unregistered designations which are protected under national law on the basis of mere use. The procedural advantage of the Community trade mark law lies in the ability to settle trade mark conflicts in simple and relatively inexpensive opposition proceedings. The examination will also be simplified because the EEC Trade Mark Office will have to apply only the provisions of the Community trade mark law, and not the other, very varied provisions of national laws governing the protection of unregistered signs and copyright, competition laws and commercial and civil laws.

96. In addition, the need to protect unregistered designations, which are often important only regionally or locally, does not appear to be great enough to justify the rejection of an EEC trade mark application for the whole common market. The need for protection is adequately met if the owner of a regionally or locally used designation is allowed to maintain his exclusive rights in his marketing area: to that extent an exception to the unitary principle embodied in the Community trade mark system is acceptable. Experience of national legal systems, for example in the United Kingdom and in the United States of America, confirms that the recognition of infrequent cases of exclusive local or regional rights as against a trade mark which is in force in the rest of the territory does not result in a significant impairment of the free movement of goods.

97. The same approach might be adopted for unregistered designations which are protected nationally, such as certain business names, particularly because it is in practice difficult to distinguish between designations which are protected only regionally and those which are protected nationally. It may also be assumed that designations whose importance is not limited to a single region will, in the majority of cases, be registered either as national or as EEC marks, and the broad definition of trade marks proposed for the Community trade mark system will allow to a large extent the registration of service marks, business names and get-up.

Restriction of opposition proceedings to those relating to used trade marks

98. Notwithstanding the provisions of the 1964 Draft, opposition proceedings against an EEC trade mark application should be permitted only if the owner of the prior trade mark can show that he has made genuine use of his trade mark for the respective goods within the previous five years. This amendment is essential to the scheme. As experience of a comparable provision introduced in Germany in 1968 shows, this rule will greatly reduce the volume of oppositions. The proposed rule should apply both to prior EEC and to prior national trade marks relied on in opposition proceedings. It has special importance in particular for the latter, since by limiting the right to bring opposition proceedings to used national trade marks, the number of conflicts likely to impair the free movement of goods will be substantially reduced. It is in fact fundamental to the scheme that the right to bring opposition proceedings on the basis of national trade marks should be conditional upon compliance with the strict user requirements of the Community trade mark law.[1]

[1] Point 130.

Institution of a Conciliation Board

99. An additional and important proposal for the resolution of conflicts between EEC and national trade marks is the institution of a Conciliation Board at the EEC Trade Mark Office. This Conciliation Board would have the duty of giving assistance in resolving conflicts with prior national trade marks. Experience of national trade mark systems suggests that in a large number of cases conflicts which arise as a matter of law may be resolved in practice by agreement among the parties about the manner of using the trade mark in the trade; for example, by an agreement to use the trade mark only for specific goods or only in a specific form (e.g. different packaging). Experience of these 'consent agreements' in national systems has been good, and the principle should be applied to the Community trade mark system. The proposed Conciliation Board should help parties, by offering advice and proposals for conciliation, to resolve their differences. The activities of the Conciliation Board will be especially important during the transitional period, when a large number of the pre-existing national trade marks will be converted into EEC trade marks. In these cases in particular, the Conciliation Board can help the process of conversion by proposing arrangements which, by reconciling the interests of the parties, lead to the inclusion of many national marks in the Community trade mark system. In cases where the acquisition of an EEC trade mark is precluded by the existence of prior rights covering only a small part of the common market, it may also be in the interest of both parties if the owner of the prior right—possibly for a financial consideration—is persuaded to adopt a different trade mark which does not conflict with the EEC trade mark for which an application has been made.

100. It is of cardinal importance for the creation of the Community trade mark law that the obstacles to uniform protection within the common market caused by the many national laws already in existence should as far as possible be removed. In doing so the principle of lawfully acquired prior rights must be taken into account for an interim period of 10 to 15 years. After the interim period, registration of the EEC trade mark would in principle have priority. It does not appear to suffice, therefore, to leave the solution of conflicts between the applicant for an EEC trade mark and the owner of prior rights to the parties alone, subject to notification of the Conciliation Board. The examining section of the EEC Trade Mark Office dealing with this conflict should be granted special powers in case the appeal to the Conciliation Board has not resulted in an amicable settlement between the parties. A provision could be included for the examining section to reject opposition to the extent to which the danger of deception regarding the origin of the goods can be removed by the imposition of special terms of usage. Having regard to the conciliation proposal the examining section would be required to lay down the terms of usage in its decision which will have binding effect.

101. Where prior rights are claimed only in invalidity proceedings against an already registered EEC trade mark, the measures suggested in points 99 and 100 above could be adapted to apply here also. Altogether, the intervention of a Conciliation Board combined with the special powers of the examining section and of the invalidity procedures will contribute greatly to the attractiveness of the Community trade mark law.

Outline of the proposed procedure

102. In the light of the above proposals, the registration procedure would be as follows.

103. After examination of the formal requirements of the application the EEC Trade Mark Office will examine automatically whether there are absolute grounds of refusal; concurrently, or at the conclusion thereof, the Office will carry out a search for prior rights. This search should extend not only to prior EEC trade marks and prior EEC trade mark applications but also, if possible, to prior national marks registered in the Member States. To avoid the risk of prejudicing the interests of any of the parties concerned, the search should be carried out by a separate search division and not by the examining section nor by the division responsible for settling opposition proceedings. The result of this search will first of all be communicated to the applicant for the EEC trade mark to give him the opportunity either to

withdraw or limit the application or to conduct negotiations with the owners of prior rights. If the application is not withdrawn, it will be published. At the same time, the owners of prior rights revealed by the search will be notified of the publication of the EEC trade mark application. If no opposition proceedings are begun, the trade mark will be registered.

104. If opposition proceedings are begun, they will be conducted before the examining section which may, according to the circumstances of the case, either determine the opposition proceedings itself or, if a fair compromise seems possible, refer the parties to the Conciliation Board. This Board may also be called in aid by the parties themselves.

105. The Conciliation Board should be chaired by an experienced judge or official and should also comprise practitioners experienced in the trade mark field from the Bar, from industry and from consumer circles. It will discuss the case with the parties, taking into account all its economic aspects, and will make a settlement proposal on this basis. If the parties do not accept the settlement proposed and if both the application and the opposition are maintained, opposition proceedings will be continued. The examining section is obliged to register the EEC trade mark if the conflict between the applicant and the owner of the prior trade mark can be resolved in an economically sensible manner by the imposition of special terms of usage. An appeal against the decision of the examining section can be lodged with the appeal section of the EEC Trade Mark office and an appeal against a decision of the latter lies to the Court of Justice of the European Communities.

Rights conferred by the new law

106. As already mentioned[1] the unitary and autonomous character of the EEC trade mark will be assured if, in addition to the requirements for protection and the registration procedure, the rights conferred by the EEC trade mark are also uniformly defined throughout the common market in the Community trade mark law.[2] The present version of Article 14 should, however, be improved. In contrast to the 1964 Draft, it would be preferable to define the rights of the owner of the EEC trade mark not only negatively, that is by reference to the power to oppose the use of the same or a similar trade mark, but also positively, by stating that he is granted an exclusive right to use the registered trade mark. This does not represent a substantive difference. However, the positive definition expresses more appropriately the fact that the registration of the EEC trade marks confers upon its owner a right, which he may not only assert against infringements, but also transfer to others by way of assignment or licence.

107. The exclusive right of the trade mark owner should, as in the 1964 Draft, be defined in general terms by means of the formula 'use in the course of trade' and not by an enumeration of individual kinds of use or of circumstances constituting infringements. It must be made clear that 'use' does not necessarily imply that the branded goods must have been brought into circulation but that it includes affixing the protected trade mark upon the goods, keeping the branded goods in store and offering the branded goods for sale. This broader concept of 'use in the course of trade' is just as necessary, if the trade mark owner is to be effectively protected against trade mark infringements, as the ability to proceed against the use of the trade mark on business papers or in advertising, including radio and television advertising.

108. On the other hand, there are objections to extending the exclusive right of the trade mark owner beyond that of opposing the use of an identical or similar trade mark for identical or similar goods which is made 'without justification' under circumstances which may damage the owner of the EEC trade mark.[3] Because of its general wording, this provision would carry the risk of an extension of the monopoly of the trade mark owner beyond the proper needs of trade mark protection. What might be acceptable is a special provision directed against the use of well-known trade marks for dissimilar goods where

[1] Points 60 to 63.
[2] Article 14, first version of the 1964 Draft.
[3] Article 14 (1) (b) of the 1964 Draft.

such use is likely to have a detrimental effect on the distinctive force and the advertising value of the trade mark in question. However, these are exceptional cases which may be taken care of adequately by applying the general provisions of competition law or the law of torts, or special provisions, as in the Benelux trade mark law. In so far as the trade mark laws of some Member States give trade mark protection in cases where the protected trade mark is used for the purpose of attaching references or making comparisons, or for other unfair purposes, these cases do not appear to fall within the ambit of the Community trade mark law. The rules fall rather within the law of unfair competition, a field in which harmonization measures are being considered at Community level.

109. It should be made clear in the text that the protection of the EEC trade mark also extends to its use as a part of a business name. The wording of Article 15 of the 1964 Draft leaves some doubt in this respect, and should be improved. Two groups of cases should be considered as limiting the exclusive right of the trade mark owner, one being the right to use one's own family name, and the other being the right to use descriptive terms. In both cases the criterion should be whether the use which is made of the name or term is a fair use.

Scope of protection

110. So far as the territorial scope of protection is concerned, the protection afforded by the EEC trade mark will extend, in principle, to all Member States of the European Communities.[1] Exceptions will exist (as explained in Point 96) in cases where there is a conflict between the EEC trade mark and unregistered prior rights of local or regional significance in one or more Member States.

111. So far as its duration is concerned, protection will be afforded from the date on which the registration of the EEC trade mark is published for a period of ten years from the date on which the application is filed.[2] So far as priority as against third party rights is concerned, as is commonly recognized in trade mark law, the date of filing at the EEC Trade Mark Office or, for example, where priority under the Paris Convention is claimed, the date on which the trade mark application was first filed in a Convention country, should be the determining factor. The term of protection may be extended by further periods of ten years each.[3]

112. In addition to the provisions contained in the 1964 Draft, it is proposed that the renewal of the registration should be conditional not only on payment of renewal fees, but also on submission of a declaration of use in which the owner states that he has used the mark during the five years previous to the application for renewal. If the trade mark owner does not submit such a declaration or submits it only in respect of part of the goods or services covered by the registration, the registration will not be renewed or will be renewed only in part. This rule, which has proved itself in other legal systems[4] would have the desirable effect that, without undue administrative effort, a constant clearing of the EEC trade mark register of 'dead wood' takes place through the removal of partially or totally unused trade marks. Under the provisions of the 1964 Draft, the majority of unused trade marks would remain on the register and new applicants would be able to determine only with difficulty whether the registered trade mark was used and would therefore constitute an obstacle to the registration of new trade marks.

113. So far as the substantive scope of the EEC trade mark is concerned, protection is defined by reference to the likelihood of confusion and the similarity of goods. The likelihood of confusion applies both to identical and to confusingly similar designations but should be defined in a different way from Article 14(2), of the first version of the 1964 Draft. The case law in all Member States treats the likelihood of confusion as being present if the use of identical or similar designations creates or is likely to create the erroneous impression that the goods originate from the firm of or from the group of firms of or, as should be

[1] Article 14 of the 1964 Draft.
[2] Articles 21 and 90 of the 1964 Draft.
[3] Articles 21, 103 *et seq.* of the 1964 Draft.
[4] e.g., the USA.

added, are in some other way connected with the trade mark proprietor. The inclusion of a reference to firms belonging to groups of companies will reflect the principle, now recognized in the case law of Member States and of the European Court of Justice, that legally independent members of the same group of companies related by joint trade mark use must be considered, for the purpose of trade mark law, as a single unit.

114. Mistakes about the origin of the goods, will be relevant for purposes of the law where identical or confusingly similar designations are used for identical or similar goods. The inclusion of goods, which are similar to the goods bearing the registered trade mark within the scope of protection of a mark, is broadly consistent with the law of all Member States. A relatively wide definition of the similarity of goods is necessary for adequate protection of an EEC trade mark, particularly if the mark is subject to strict requirements as to use in relation to the list of goods for which it is registered.[1]

115. If a legal definition of the similarity of goods is attempted, the approach recognized in case law could be used: that there is a similarity of goods where the respective goods have so close a commercial relationship as to justify the assumption in the trade that they come from the same firm. An analogous definition would be appropriate in respect of similarity between services or between goods and services.[2]

Exhaustion of trade mark rights

116. It is consistent with the traditional function of a trade mark,[3] as defined in this Memorandum, and with the principle of the free movement of goods within the common market, that the trade mark owner's exclusive right to use the trade mark does not extend to goods which have been placed on the market by him or by a firm with which he has commercial relations (such as a subsidiary, a licensee or the like). This principle, known as 'exhaustion of trade mark rights', was dealt with comprehensively in the 1964 Draft both for EEC trade marks[4] and for the concurrent use of an EEC and a national trade mark by the same owner.[5] These rules were included in the 1964 Draft to ensure the free circulation of branded goods originating from the same firm or the same group of companies, and to counteract attempts to use the trade mark rights as an instrument of marketing policy and pricing policy aimed particularly at the partitioning of the common market, since this would be inconsistent with their true function. The recent case law of the European Court of Justice, as well as that of national courts, has in the meantime unequivocally established that this misuse of trade mark rights is incompatible with the provisions of the EEC Treaty on the free movement of goods and with the objectives of trade mark protection. Notwithstanding the clear case law on this subject, the provisions of Article 16 of the 1964 Draft should be maintained in the proposed Community trade mark law as an expression *ex abundante cautela* of a fundamental principle of trade mark law. On the other hand, the complicated rule governing a special case contained in Article 17 seems superfluous in the light of the development in the law already referred to.

117. There are no basic objections to the present wording of paragraphs (1) and (2) of Article 16. It would, however, be worth stating in paragraph (3), in the interests of clarity, that the principle of exhaustion expressed in Article 16(1) also applies to cases where the trade mark owner or a related company has marketed goods of differing composition or quality under the same trade mark. On the other hand, it is within the legitimate interests of a trade mark holder to be able to oppose the marketing under his trade mark of goods which, as a result of an alteration or deterioration of their condition (as in the case of reconditioned goods), are no longer genuine goods of the trade mark owner: this is covered by Article 16(3).

---

1 Point 118.
2 Article 177 (2) of the 1964 Draft.
3 Point 68.
4 Article 16.
5 Article 17.

User requirements

118. As already pointed out,[1] it is essential for the functioning of the Community trade mark system that both EEC trade marks and surviving national trade marks are subject to strict and resolutely applied user requirements. Only if trade mark protection is limited to trade marks actually used in the course of trade—and to trade marks intended to be used within a reasonable period—will it be possible to keep within acceptable bounds the total number of protected trade marks existing in the nine Member States and hence the number of potential conflicts between them. The rules on user requirements contained in the 1964 Draft[2] do not take sufficient account of this need or of the lessons to be learnt from experience of the various national trade mark systems. Basically, they provide only that an EEC trade mark may lapse in the case of non-user and then only as the outcome of a successful action. The rules of user requirements should therefore be strengthened and should provide as follows.

Enforcement proceedings

119. In the first place, the requirements for registration should contain a provision that only trade marks which are used or are intended to be used may be protected, which means that there must at least be an intention to use them. It is not suggested that a formal declaration of intent should be sumitted: instead, it would suffice, as already proposed,[3] to require the applicant to declare the nature of his business so that an examination could be made into whether the list of goods in the application corresponded with the range of the applicant's business activities, since it is only from these activities that an intention to use may be inferred.

120. It is particularly important to have a rule which precludes trade marks from being enforced in opposition proceedings if they do not comply with the proposed user requirements. As already explained,[1] this rule would greatly reduce the number of opposition proceedings without creating an unreasonable administrative burden. It is also supported by the majority of the statements submitted to the Commission. This rule should be drafted as simply as possible and, in so far as it is compatible with the strict application of user requirements, should not impose an excessive burden either on the EEC Trade Mark Office or on the parties.

121. A trade mark which does not comply with the proposed user requirements should be subject to cancellation but not solely as a result of actions brought before national courts.[4] These actions will be relatively rare and will contribute only marginally to the removal of unused marks from the register of EEC trade marks. Provision should be made for cancellation proceedings before the EEC Trade Mark Office, to be initiated on application by an interested party or by the Office itself if, for example, in opposition or infringement proceedings, non-user of the EEC trade mark has become evident.

122. In addition, as already mentioned,[5] a complete or partial cancellation by the EEC Trade Mark Office should automatically take effect if the trade mark owner, when seeking renewal of his registration, either submits no declaration of use or submits the proposed declaration of use only for part of the goods.

123. The principle that no rights may be derived from a trade mark which does not comply with the user requirements should also be applied to trade mark infringement proceedings. The defendant should therefore have the right to apply for the dismissal of an infringement action brough against him by raising the defence of non-user, without being required to counterclaim for a declaration of invalidity or for cancellation of the trade mark because of non-user. This possibility, which is not provided for in the 1964 Draft,[6] will contribute to a substantial simplification of infringement proceedings and has proved itself in practice in a number of Member States.

---

1 Point 98.
2 Article 110.
3 Point 82.
4 Article 128 of the 1964 Draft.
5 Point 112.
6 Article 158.

Rules on user requirements

124. The proposed user requirements should be subject to the following rules, which differ in some respects from those contained in the 1964 Draft.

125. As the statements submitted to the Commission suggest, a uniform period of five years should be adopted for the term of non-user. This is in line with international developments in the trade mark field; it simplifies the application procedure and it is appropriate to the circumstances. The term of three years provided for in the 1964 Draft is too short for those areas of business in which the introduction of new products poses special problems. Since non-user in some earlier period should not count against the trade mark owner if he has resumed use in the meantime, it should be provided that the terms of the five-year period should be calculated back to the relevant date (such as the date of application for renewal).

126. As regards the territorial criterion for user requirements, notwithstanding the provisions of the 1964 Draft,[1] use in the territory of a prescribed number of Member States should not be the determining factor. This criterion would run counter to the concept of the unity of the common market and to the fact that goods marketed by the trade mark owner can circulate freely and without limitation throughout the common market. Furthermore, the requirement that the EEC trade mark must be used in the territory of a specific number of Member States would render the acquisition and maintenance of EEC trade marks more difficult and would discriminate particularly against smaller and medium-sized firms. In addition, a rule based on particular territories of Member States would lead in individual cases to very different results in view of the Member States' respective size. For these reasons a provision would be more appropriate which required 'use in a substantial part of the common market' or a 'genuine use within the common market', and which left it to the Courts to determine in each case the extent or character of use necessary for the maintenance of trade mark rights. It should, however, suffice if the mark is used in the course of trade between Member States, though this need not be an express condition.

127. It is also essential that a 'genuine', and not merely a token use of the trade mark should be taken to comply with the user requirements. The trade mark need not necessarily be used on the goods themselves, but it must be used in relation to the goods (for example, if it is impossible to affix the trade marks to the goods in question). Individual questions must be left to the Courts, which should apply strict rather than liberal standards. This applies also to the interpretation of the exception envisaged in the Paris Convention according to which non-user may be excused for good reasons.[2]

128. If a trade mark is used only for some of the goods for which it is registered, it should be maintainable, as provided in Article 113 of the 1964 Draft only for those goods. In the case of proceedings for invalidation or cancellation, the remaining goods should be removed from the list of goods. This strict provision does not prejudice the rule that the protection of a trade mark extends to goods which are similar to the used goods. However, if use for similar goods were sufficient to maintain the registration for unused goods, the result would be an extension of the trade mark right beyond what is fair and reasonable.

129. Use by a firm commercially related to the trade mark owner, under a licensing agreement or in any other way, for example, by means of a subsidiary company, should be treated as use by the trade mark owner. The provision of the 1964 Draft,[3] which mentions only the licensee, needs to be amended accordingly.

User requirements and national trade mark rights

130. In view of the fact that, under the proposed system, the registration of EEC trade marks may be opposed on the basis of prior national trade marks, it should be provided that

[1] Article 110 (1).
[2] Article 110 (3) of the 1964 Draft.
[3] Article 110.

not only EEC trade marks, but also opposing national trade marks should comply with the substantive user requirements. While there are rules governing user requirements in respect of national trade marks in all Member States (with the exception of Denmark), these do not altogether correspond to the proposed rules on user requirements for EEC trade marks. So if the right to bring opposition proceedings were to be made dependent on the differing and sometimes looser provisions of national user requirements, the undesirable consequence would be that firms could acquire national registration in countries with loose user requirements in order to be able to proceed on the basis of these registrations against applications for EEC trade marks. For this reason it will be preferable to provide for a provision under which the right to oppose the registration of an EEC trade mark will depend on the opposing trade mark being used in accordance with the substantive rules contained in the Community trade mark law. The inclusion of this rule will not, however, obviate the need for subsequent harmonization of national trade mark rights.

Other grounds for the loss of trade mark rights

131. In addition to non-user, the 1964 Draft provides for additional cases where trade mark rights may be lost subsequent to the registration period. Among these are the lapse of the trade mark in cases of surrender by the owner[1] or non-renewal of the trade mark,[2] the loss of the EEC trade mark by reason of its becoming a generic term[3] or by reason of its acquiring a deceptive character subsequent to the date of its registration,[4] the invalidity of the EEC trade mark because of absolute grounds of refusal[5] or because of the existence of prior trade marks or other prior rights.[6] The 1964 Draft makes a distinction between the lapse, the loss and the invalidity of a trade mark, and establishes different legal consequences for each of these cases. However, the need for such a distinction should be re-examined with the object of finding a simpler solution, at the very least as far as the terminology is concerned.

132. The individual grounds for the loss of trade mark rights also need to be re-examined. In particular, this re-examination should extend to the problems posed by Articles 111 and 112—for example, the reference in the former article to 'the action of the proprietor in one of the contracting States'.

Cancellation and invalidity proceedings

133. With regard to the proceedings in which the loss or invalidity of a trade mark may be asserted, the provisions of the 1964 Draft, which assign the jurisdiction for determining the loss or invalidity in the first instance to the national Courts and in the appeal stage to the Invalidity Board of the EEC Trade Mark Office,[7] need to be reconsidered. Leaving aside the objections to giving jurisdiction to an administrative authority to determine appeals from judgments of courts of general jurisdiction, the combination of national and Community procedures in the same action does not appear to be reasonable. A much better solution would be to keep the jurisdiction of national courts quite separate from that of the EEC Trade Mark Office. The latter should have exclusive jurisdiction to rule on the lapse or invalidity of an EEC trade mark with effect *erga omnes* and throughout the common market and—what would in practice be the most serious consequence in law—to order its removal from the register. It is a matter for further consideration whether, in addition to the jurisdiction of the EEC Trade Mark Office, national Courts should have a parallel jurisdiction to decide, within the framework of a trade mark infringement action and with *inter partes* effect, on the legal force of the EEC trade mark. A proposal along these lines might be particularly appropriate in relation to trade mark litigation, where various questions of civil law and commercial and competition law might be involved in addition to questions of trade mark law.

1 Article 108 (1) (a) of the 1964 Draft.
2 Article 108 (1) (b).
3 Article 111.
4 Article 112.
5 Article 115.
6 Article 116.
7 Articles 128, 132 and 54.

134. In both cases, the European Court of Justice must be given jurisdiction to decide on the proper interpretation of the Community trade mark law, either by way of an appeal against decisions of the EEC Trade Mark Office, or by way of a preliminary ruling following a reference by a national Court. This will ensure the necessary uniformity in the application of the law.

Incontestability

135. An essential part of the 1964 Draft concerns the provisions dealing with the incontestability of the EEC trade mark, contained in Articles 120 to 126. These rules are based on the assumption that it is in the interest of legal certainty that, after a certain period of time, a registered trade mark may no longer be impugned or may be impugned only under certain conditions. They are intended particularly to take into account the interest of trade mark owners planning to introduce a new trade mark on the market.

136. Most of the organizations which have submitted their views to the Commission agree that the concept of legal certainty is of great importance. This concept has already been reflected in a number of proposals contained in the Memoradum, and in particular the proposal that new applicants should be given information which is as comprehensive as possible about the existence of prior trade mark rights by means of a search to be carried out by the EEC Trade Mark Office. Similarly, the proposal to adopt a broad definition of the concept of trade mark which embraces all distinctive signs, and to create an incentive, by limiting opposition proceedings to registered marks, to convert designations previously protected on the basis of mere use into registered EEC trade marks, advances the concept of legal certainty in trade mark law.

137. It is for the same basic reason that the principle of incontestability should be maintained. The provisions of the 1964 Draft, which were intended to create a 'positive right to use' for the owner of an EEC trade mark by including all prior rights without limitation and establishing a complicated system for their assertion, would make the acquisition of European trade marks difficult and burdensome and would not sufficiently take into account the legitimate interests of the owners of prior rights. Therefore, certain changes are now proposed.

138. The first change stems from the views expressed by the majority of interested bodies, namely that it should be possible to assert in opposition proceedings only registered EEC and national trade marks but not other trade mark rights.[1] It follows from this proposal that the EEC trade mark may not become incontestable as against these rights at the time of registration, because the owner of these rights had no change to assert them against the EEC trade mark registration. The same must also be true of prior registered trade marks which should not be given a less favourable treatment than rights in unregistered signs. Furthermore, the need for incontestability against registered trade marks, which an applicant can determine by a search, is not very great.

139. On the other hand, there are no objections to providing that a registered EEC trade mark may become incontestable when certain conditions occur which would make it appear inequitable that the owner of prior rights should be able to prevent the use of the EEC trade mark. The later EEC trade mark should enjoy incontestability if it has been in uninterrupted use for a certain period of time (say 3 years).

140. The requirement that the later trade mark should have been previously used in the course of trade is essential to ensure a reasonable balance between the just interests of the owners of prior rights and the interests of the owners of newly notified EEC trade marks. In many cases, the owner of a prior right will be able to determine the existence of a real commercial conflict only when the later trade mark has been used for some time. It is only then that he has reliable knowledge about the goods for which it is used, and the manner of that use. Granting the owner of a later trade mark a better legal position than he would enjoy under the principle of priority which generally governs trade mark law, appears

[1] Points 78 and 79.

to be justified only after the later trade mark has in fact been used. The condition of prior use also accords with the principle recognized in the legal systems of many Member States, that a belated assertion of legal rights by the owner of a prior trade mark will prejudice his position only if he has allowed the owner of the later trade mark to acquire a position which merits protection as a result of extensive and long-standing use. In the interest of legal certainty a rule could be introduced that after the expiry of the three-year period [1] no application for cancellation or damages can be entertained in respect of the later EEC trade mark if the owner of the prior rights has by his behaviour indicated that he did not intend to proceed against the registered EEC trade mark. This can be assumed, in particular, where he has opposed it without success and has failed to enforce his prior rights against the use of the later EEC trade mark within a reasonable period of time.

141. There are no fundamental objections to the provisions of the 1964 Draft regarding the legal consequences of incontestability, in particular the right of owners of prior rights to continue their use, or to the necessary exceptions from the principle of incontestability. Nevertheless, the provisions should be thoroughly re-examined in the course of future discussions, bearing in mind especially the need to simplify the rules.

Assignment and licensing of trade marks

Assignment

142. The 1964 Draft [2] rightly provides that trade marks should be freely assignable. The possibility of assigning a mark independently of the complete or partial transfer of a business meets a commercial need and is recognized in the trade mark law of a growing number of countries.

143. However, it is an essential condition of free assignability that the use of an assigned trade mark should not lead to deception of the public. In the interest of effective protection of consumers against the deceptive use of a trade mark, it is necessary to go further that the 1964 Draft and to make the validity of the assignment expressly dependent on the condition that the use of the assigned trade mark by its new owner is not likely to deceive the public about the essential qualities of the goods.

144. The invalidity of an assignment which gives rise to deception does provide an adequate and necessary sanction. The right to bring an action for an injunction and damages in cases of deceptive use, provided for in national competition laws, offers only a partial remedy. On the other hand, the loss of the EEC trade mark provided for in the 1964 Draft [3] appears to be too harsh a sanction. Leaving exceptional cases aside, a rule providing for the invalidity of the assignment but leaving the existence of the trade mark right itself unaffected would make due allowance for both the interests of the parties to the contract and the interests of the public.

145. There is no need to introduce in addition an express provision directed against undesirable practices of trafficking in trade marks. The systematic filing of trade marks, for the purposes of trade mark trafficking (usually by way of assignment), where there is no intention that the trade marks should be used, would be prevented partly at the registration stage—the declaration of business activities, referred to in Point 119, should help in this respect—and partly by separate measures in the fields of unfair competition law and the like.

146. The recognition of the right to assign trade marks does not necessarily mean that a trade mark is an asset which is completely independent from a firm and its goodwill; the function of the trade mark is, after all, to show that goods originate from a certain firm. If a firm passes wholly or partly to a new owner it is to be presumed that the trade marks used on its goods are also transferred. For the avoidance of any doubt in the matter, it will be advisable to include this presumption in the text of the Community trade mark law.

---

1 Point 139.
2 Article 23.
3 Article 112.

147. Under Article 23(3) of the 1964 Draft, the assignment or transfer is to be recorded in the EEC trade mark register, though the recording is not a condition for the validity of the assignment as between the parties. However, in principle the assignee should be able to rely on the assignment as against the EEC Trade Mark Office or against third parties only if it has been recorded. In recording the assignment, the EEC Trade Mark Office should have the power, without being obliged to undertake a comprehensive examination of the validity of the assignment, to refuse to record an assignment if it is obvious that the use of the assigned mark will lead to deception of the public.

148. Finally, it seems right, as proposed in Article 23 of the 1964 Draft, to state expressly that a trade mark may be assigned not only for all, but also for part, of the goods covered by the registration. Assignments must, however, extend throughout the common market.

Licensing

149. In view of the commercial importance of trade mark licences and the use of trade marks by related companies, the provisions of Article 24 of the Draft should be expanded. These provisions are limited to the case of a licence, without it being defined more exactly, so that it is not clear whether they relate only to the case of a contractual agreement giving a third party the right to use a trade mark (which is a licence, properly so called) or in addition to cases of the joint use of the trade mark by a number of companies which are related to one another by means other than licensing contracts. It will therefore be advisable to clarify these provisions by stating that cases of trade mark use by related companies are also included.

150. There is in addition a case for an express provision governing the conditions under which a trade mark may be legitimately used by another company, pursuant to a licensing agreement or otherwise. It would be sufficient, however, as in the case of assignments, to make the validity of the licence dependent on the absence of deception of the public about the essential qualities of the goods. As a rule, this will require the licensor to exercise an effective control over the quality of the goods and the manner in which the trade mark is used by the licensee.

151. It is considered that a provision requiring the use of a licensing notice is necessary to inform purchasers of the true origin of the goods sold under licence or of the owner of the licensed trade mark.

152. Given the usefulness of trade mark licensing, it will be advisable to prescirbe comprehensively and in detail in the provisions on trade mark licensing the effects of a validly granted licence: particularly, by stating that a valid licence leaves the distinctiveness of the licensed trade mark and its scope of protection unaffected and that the use by the licensee or the related company enures to the benefit of the trade mark owner.

153. As in the case of assignments, a provision should be included, as in Article 24 of the 1964 Draft, to the effect that licences may be granted also for parts of the registered goods. Partial licensing is called for in many cases on grounds of rationalization and specialization. Cases in which closely related goods are liable to give rise to mistakes about their origin may be dealt with by applying the general principle that licensing must not lead to deception of the public.

154. Lastly—and this differs from the case of assignments—it should also be possible to grant licenses for less than the whole territory of the common market. Under Article 24(2) of the 1964 Draft, which should remain substantially in its present form, a territorial limitation does not affect trade mark rights. This means that both the licensee's goods and the trade mark owner's goods are in all cases subject to the rules on the free circulation of goods. Recognition of the territorial limitation of licences does not mean, however, that clauses in licensing agreements are outside the scope of the EEC Treaty.

Enforcement of EEC trade mark rights in infringement actions

155. According to the 1964 Draft, the national courts of Member States have jurisdiction in actions for infringements of an EEC trade mark.[1] Unless the provisions of the Community trade mark law are applicable, the courts apply the substantive provisions of national trade mark law relating to the infringement of national trade marks.[2] The procedure will also be governed in cases of doubt by the rules of procedure applicable under national trade mark law to actions for infringement of national trade marks.[3] The provisions of the 1964 Draft should in general be retained; but they should be adapted, as in Article 69 of the Convention for the European Patent for the Common Market, to the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters.[4]

156. Ideally, exclusive jurisdiction should be given to courts at Community level in proceedings relating to infringements of EEC trade marks. However, the conditions for adopting this proposal do not yet exist. The matter will have to be reviewed when a solution has been found in the field of patent law, in accordance with the resolution[5] adopted at the Luxembourg Conference on the Community patent which makes infringement proceedings subject exclusively, or to a much larger extent than before, to the jurisdiction of special courts. This review should, however, take account of the way in which the circumstances and the interests to be protected differ from those in the case of patent law, and in particular of the close links between trade mark law and Member States' civil, commercial and competition law.

157. Consideration should also be given to whether a claim that an EEC trade mark is invalid as a defence in infringement proceedings should be permitted: this is not the case under the 1964 Draft. This proposal, which would result in the infringement proceedings being dismissed where the defendant proved that the plaintiff's trade mark should be declared to be invalid or to have lapsed, for example, as result of non-user, has, as stated above,[6] proved successful under the legal systems of a number of Member States because it contributes substantially to simplifying proceedings. As regards the rules governing invalidity and cancellation proceedings already discussed,[7] under which a national court may if necessary have jurisdiction to decide on the validity of an EEC trade mark, there are no overriding objections to allowing the defence that a trade mark is invalid. The defendant will, in so far as it is possible to transfer the jurisdiction (referred to in Point 133) to national courts, be able to bring a counterclaim in accordance with the general principles of national procedural law where the invalidity of an EEC trade mark is ascertained. Recognition and enforcement are governed, as in the case of judgments relating to infringements, in accordance with the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (referred to in Point 155).

158. In so far as the rules of the proposed Community trade mark law are applied in infringement proceedings—which will be the case particularly when it has to be established whether there is an infringing act and what the scope of protection of the EEC trade mark should be—consistency in the application of the law will be ensured by preliminary rulings of the European Court of Justice.

Transitional provisions

159. The question has been considered whether the conversion of national trade marks into EEC trade marks could be advanced and accelerated by a provision specifying a transitional period, within which the conversion would have to be completed. A transitional regulation would appear to be necessary if, as in the case of the uniform Benelux trade mark law, the national trade mark laws of the Member State were to be completely replaced by a Community trade mark law. How-

1 Article 156.
2 Article 18 of the 1964 Draft.
3 Article 157 of the 1964 Draft.
4 OJ L 299 of 31.12.1972.
5 OJ L 17 of 26.1.1976.
6 Point 123.
7 Point 133.

ever, if national trade mark laws continue to exist alongside the Community trade mark law, it will be sufficient to provide strong incentives for the desired conversion of national trade marks into EEC trade marks: these incentives consist of the advantages which the Community trade mark system has overall as compared with the national trade mark systems. Thus it is left to the owners of national trade marks to register them as EEC trade marks, if there is a commercial argument in favour of doing so. It is only in these cases that there is a practical need to resolve conflicts which may arise between identical or confusingly similar trade marks of different owners. As the common market becomes more integrated, so these conflicts will increasingly be resolved in accordance with the proposed Community trade mark law. It would be better to leave them to be dealt with by the EEC Trade Mark Office and the Courts than to create a situation whereby owners of national marks were compelled by transitional rules prescribing a time limit either to file their marks as EEC trade marks within a given number of years or to lose their rights altogether. Since the EEC Trade Mark Office, like any new authority, will have special difficulties to overcome during the period immediately after its establisment, it would be better not to burden it in the initial phase with the very large number of applications for registration which a transitional regulation of the kind described might be likely to cause.