Opinion on the proposal for a first Council Directive to approximate the laws of the Member States relating to trade marks and the proposal for a Council Regulation on Community trade marks

The text referred to the Committee has been published in Official Journal of the European Communities No C 351 of 31 December 1980, pages 1 and 5.

A. LEGAL BASIS FOR THE OPINION

On 5 December 1980 the Council referred the abovementioned proposal to the Economic and Social Committee in accordance with Article 100 and 235 of the Treaty establishing the European Economic Community.

B. OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee prepared its opinion on the above matter at its 190th plenary session held in Brussels on 23 and 24 September 1981.

The full text of the opinion is as follows:

THE ECONOMIC AND SOCIAL COMMITTEE,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 100 and 235 thereof,

Having regard to the request made by the Council of the European Communities on 5 December 1980 for an opinion on the following documents: proposal for a first Council Directive to approximate the laws of the Member States relating to trade marks and the proposal for a Council Regulation on Community trade marks,

Having regard to the decision taken by the Committee's Bureau on 9 December 1980 instructing the Section for Industry, Commerce, Crafts and Services to draw up an opinion and report on this matter,

Having regard to the report submitted by the Rapporteur, Mr Broicher,

Having regard to the opinion adopted by the Section for Industry, Commerce, Crafts and Services at its 76th meeting held on 2 September 1981,

Having regard to the discussions at its 190th plenary session held on 23 and 24 September 1981 (meeting of 23 September),

Whereas the establishment of a Community-wide market requires the unimpeded movement of goods and services and the creation of a Community trade mark law will be very useful for this;

Whereas a trade mark system must be set up in the Community which allows companies to obtain, under a single procedure, Community trade marks enjoying uniform protection and valid throughout the Community;

Whereas the harmonization of national trade mark law and the introduction of a Community trade mark must not prejudice the interests of the proprietors of national marks;

Whereas, besides the self-evident approximation of the trade mark laws of the Member States, a Regulation pursuant to Article 235 of the EEC Treaty is the most appropriate way of achieving the Treaty objective of an unimpeded trade in marked goods,

HAS ADOPTED THE FOLLOWING OPINION

by 75 votes to eight with 22 abstentions:

1. General comments

1. The Economic and Social Committee welcomes the Commission's intention of creating, in stages, trading conditions for marked goods in the Community similar to those of a national market. The aim of the proposed Directive is to align those components of national trade mark law which are particularly relevant to free trade between the Member States. In Chapter 2 the Committee proposes some amendments to this Directive.
The Regulation submitted concurrently is intended to create a Community trade mark law - without repealing national law - which will allow companies to register Community trade marks at a Community trade marks office.

2. The Committee shares the view that the alignment of national laws pursuant to Article 100 of the EEC Treaty will go only a small part of the way to creating a Community-wide market for marked goods. The conditions are therefore fulfilled for additional action by the Community in the form of a Regulation under Article 235 of the EEC Treaty. The powers derived from Article 235 include the power to set up a trade marks office, which will be a Community body, and to provide appropriate uniform legal protection for the parties concerned. The Regulation proposed by the Commission avoids the creation of a new international institution and thus the difficulties which experience has shown to be involved in the ratification of international treaties between many States. The choice of Article 235 as the legal basis is therefore fully endorsed by the ESC.

3. In view of the importance of Community trade marks for the attainment of conditions consistent with an internal market, the Committee considers it essential that the substantive rules, procedure and costs attaching to the rights in these Community marks be such that they are 'accepted' by commerce and industry, i.e. that companies are prepared in large measure to register Community instead of national marks. To fulfil this condition the Committee believes - as set out in Chapter 3 of this opinion - that the draft Regulation requires revision at several points.

2. Specific comments on the proposed Directive

1. The Committee has considerable misgivings about the proposed exclusion (third recital, page 9, last paragraph) of the application of other national provisions, such as rules against unfair competition. It must be possible to act against a trade mark proprietor who infringes competition laws and to apply the penalties of national law to trade mark pirates. If the Commission merely wishes to stop other national laws being used to get round the alignment Directive, then it should say so clearly.

2. The Committee would like Article 2 (3) reviewed to see whether there is any justification for using an exceptional case (sealing off by means of different marks) as a reason for a general ban (ban on different marks), or whether it would not be better to delete this provision. If it was wished to avoid complete deletion, Article 2 (3) could be replaced by a provision, referring to the EEC Treaty, to the effect that objectively unjustified mark differentiation may not be used to seal off national markets.

2.1. The Committee also believes that different marks must not be improperly used for the purpose of cutting off national markets. The Committee feels however that the legal procedures for the prevention of such abuse contained in Articles 30 ff. and 85 ff. of the EEC Treaty are adequate. On the other hand, there are all kinds of legitimate marketing arguments for using different marks, including the need to take account of language differences and established trade mark practices.

2.2. The legal consequences of the acquisition of a mark (following a take-over for example) which is already in use in another Member State are also unclear. The proposed arrangements involve the risk of losing the mark rights which are to be taken over or of relinquishing one's own mark if the firms involved in the take-over are engaged in the same sector, as is generally the case. The Committee regards such legal consequences as unacceptable.

2.3. There is finally the risk of deceiving the consumer if well-known marks which firms were forced to relinquish were subsequently acquired and used by their competitors.

3. The Committee proposes deleting Article 2 (4). There are fundamental objections to the invalidation of national marks which were registered before the entry into force of the Directive and which fail to meet the criteria of the Directive, even though they complied at their time of registration with current national law. In the Section's view such a rule would be tantamount to expropriation without compensation, and there are no overriding grounds for this.

4. The wording of Article 3 is imprecise in certain respects and gives rise to misgivings.

4.1. A danger of confusion is not required for the use of an identical mark to be prohibited. The wording should be made clearer here.

4.2. As far as similar signs are concerned, it is in the interests of all economic operators to focus on the likelihood of confusion in the course of trade. The Committee therefore proposes that the word serious be deleted.
The Directive should not create the impression that there are cases where the likelihood of confusion is immaterial. Economic operators who have no specialist knowledge, and particularly consumers, are entitled to be protected against any likelihood of confusion. The same applies to the word 'serious' in Articles 8 and 9. The wording of the preamble (page 10, fourth paragraph) would also have to be adjusted.

5. In line with Article 8 (1) (b) of the Regulation, Article 3 should specify that signs resembling well-known marks may not be used for dissimilar goods either.

6. The Committee recommends expressly citing the following two cases in Article 6 (2) (a) as examples of 'legitimate grounds' for opposing importation:

(a) where the marked goods to be imported into the Community differ in quality from goods which are marketed in the Community under the same mark;

(b) where the non-member country bans the import of comparable goods from the Community.

7. As regards Article 7, the Committee would refer to its comments on Article 21 of the draft Regulation (licensing).

8. For Article 10 the Committee feels it more appropriate that rights should lapse only in the Member State(s) where a later mark has been used with the acquiescence of the proprietor.

9. With regard to Article 13, the Committee feels that the significant time and cost involved in producing a declaration of use might well be disproportionate to the purpose of the provision, namely to force proprietors to examine the use made of their trade marks and voluntarily jettison unused marks (or at least reduce the list of goods) on expiry of the period of protection.

3. Specific comments on the proposed Regulation

1. With regard to Articles 7 and 8 of the Regulation, the Committee would refer to its comments on Article 3 of the Directive. The Committee would also refer to Article 6 of the Paris Convention on Industrial Property which empowers trade mark proprietors to request that trade marks registered by their representative without their permission be transferred to them (the proprietors).

The Committee proposes that this provision be incorporated in the legislation on Community trade marks.

1.1. In the Committee's view it should be stated expressly that the proprietor of a national or Community mark for which an application has been filed may oppose the registration of a later Community trade mark. This is indeed clear from the explanatory memorandum to Article 7 of the Regulation but, to ensure certainty in legal relations, it should be included in the text of the Regulation.

1.2. The Committee proposed that well-known marks be protected if they are recognized as such in a fairly large part of the Community. The requirement laid down in Article 8 (1) (b), i.e. that they be of wide repute throughout the Community, seems too strict since as a rule it is practically impossible to prove compliance with this condition.

2. With regard to Article 11, the Section would begin by referring to its comments on Article 6 of the Directive.

It is proposed that the second clause of Article 11 (2) (c) be deleted:

It merely repeats the Court of Justice decision on the marketing of medicinal products. As the Economic and Social Committee has already argued, the purpose of a Directive or Regulation cannot be to uphold a specific Court of Justice decision. A provision dealing with a specific case on a particular market has no place in general trade marks law.

Abuses designed to partition off a market illegally are banned under the EEC Treaty rules on free trade and Community rules on competition and, as the Court of Justice ruling shows, can be prevented.

3. The fact that Article 12 refers only to national civil law means that Community marks will not be protected by criminal law and that their protection will therefore be weaker in some Member States than for national marks. This should be reconsidered in view of the need to make the Community mark an attractive proposition.

4. The Committee considers that Article 21 needs amplifying considerably.

4.1. Where the licence is confined to a specific area, manufacture of a marked product by the licensee outside
the licence area is an infringement of trade mark laws and must therefore fall within paragraph (2), provided the ban does not conflict with the general competition rules of the EEC Treaty. At the very least, the words 'in particular' should be added after 'unless'.

4.2. The mark proprietor cannot be compelled to ensure that the licensee manufactures goods of the same quality. In many cases national laws and different production and consumption factors necessitate differences in the product.

As licensor the manufacturer can therefore only be obliged to ensure that the production under licence complies with his instructions concerning the quality of the goods.

4.3. The Committee recommends that paragraph (4) of Article 21 be deleted. The number and diversity of the licences would lead to substantial administrative costs, without there being any adequate grounds for such expenditure.

5. Regarding Article 25, the Committee feels that filing should not be dependent upon receipt of the minimum fees by the Office. It would be better if the Office could set a deadline and the consequences of default operate only after this had expired. The present rule could be unfair on the applicant on account of the difficulties involved in calculating the fees and transferring the money.

6. Regarding Article 37, the Committee would refer to its comments on Article 13 of the Directive.

7. To ensure certainty in legal relations, Article 40 should be amended to the effect that revocation shall be effective from the moment the decision is taken.

8. It is urged that the parties also be allowed to participate in the procedure described in Article 55, or at least be allowed to submit statements.

9. Regarding Article 68, the Committee proposes that monthly publication of the Bulletin be specified.

10. The Committee urges that Article 69 be worded in such a way as to ensure the adoption of the international classification of the Nice Agreement.

11. In connection with Article 74 the Committee wonders whether, for the legal protection of the proprietor of a Community mark, it is enough that Article 47 (1) and Article 79 only provide for the possibility of staying proceedings (action may be stayed) before the Office or a national court and that under Article 46 (4) and Article 78 (2) the crucial decision of the Office or national court as to the validity or invalidity of a mark will be the one which happens to be taken first. Consideration could therefore be given to allowing precedence to the decision of the Office. A mandatory stay of proceedings by the national court would, however, often mean a substantial, barely tolerable, delay in the proceedings.

The issue of different decisions of national courts in infringement proceedings or counter-claims for the revocation of trade marks (Article 74 (2)) is only covered by the draft Regulation in so far as a ruling against a mark applies throughout the Community. Under this proposal it should of course be irrelevant whether other national courts have ruled against a mark.

Since the Commission has regrettably decided to dispense with a Community court of appeal, consideration could therefore be given to making any decision in an action pursuant to paragraph (2), brought before the Court of the Member State in which the infringement was committed, applicable only in the territory of the Member State. In such a case this court would anyway only be competent to deal with infringements committed in that Member State.

12. The Committee assumes that there will be a reference in Article 76 to national provisions concerning temporary measures for legal protection (e.g. interlocutary injunction).

13. The Committee considers Article 81 particularly important for whether the Community trade mark is accepted by trade and industry.

13.1. The basic ban on double protection must apply only to identical marks and identical products and services. By extending it to similar marks the present rule ensures that firms which have several similar marks for a product will lose rights if they register a Community mark. This would certainly dissuade many such firms from registering Community marks.

13.2. It must be ensured that the suspended national mark is maintained as the basic mark for international registration in accordance with the Madrid Agreement on
trade marks or — in so far as necessary — as the precondition for the acquisition of a national mark in non-member countries.

13.3. Clarification is still needed as to how licensing agreements or writs of execution relating to a suspended national mark are to be dealt with.

14. The Committee considers that in Article 82 it will be necessary, in line with the explanatory memorandum, to substitute the words *scope of protection* for the word *use*. Otherwise the impression could be created that the Regulation is trying to prevent actions under competition law and passing-off actions under English law being brought against the unfair use of the Community mark.

15. Regarding Article 103, the Committee acknowledges that the use of only *one* official language could help to boost the Office's efficiency and significantly reduce its costs. In this case however, it would have to be ensured that all applications in the national language for the purpose of establishing rights or complying with legal deadlines are regarded as valid from the date of receipt. A translation into the language of the Office could then be submitted within a period stipulated by the Office.

Done at Brussels, 23 September 1981.

*The Chairman
of the
Economic and Social Committee*

Tomas ROSEINGRAVE

ANNEX
to the opinion of the Economic and Social Committee

Rejected amendments

The following amendments, tabled in accordance with the Rules of Procedure, were rejected during the debate:

Page 22

Replace the last four recitals of the preamble by the following:

'Whereas there will continue to be a great need for national trade marks in the Member States, regardless of whether a Community trade mark scheme is introduced;

Whereas the various rulings delivered by the Court of Justice of the European Communities determining the legal status of national trade marks make it unnecessary, under the EEC Treaty, to undermine such trade marks further;

Whereas some measure of approximation between the trade mark laws of the Member States and the introduction of a Community trade mark scheme can be considered desirable, provided that national trade marks do not suffer;

Whereas the most appropriate and expedient instrument for introducing a Community trade mark scheme is a Convention since the EEC Treaty does not provide sufficient foundation for either the form or substance of the provisions proposed by the Commission.'

Reason

See reasons indicated for the proposed amendments to pages 22 and 23.

Result of the vote

For: 2, against: majority, abstentions: 6.
Replace points 1, 2 and 3 by the following:

1. The Section agrees with the Commission that a Community trade mark scheme cannot be substituted for national trade marks without causing disproportionate difficulty and expense. Firstly, most firms — and especially small and medium-sized businesses — need to protect their trade marks in only one Member State and would find it very hard to cope if such protection were only available on a Community, as opposed to regional or national, basis. Further, for linguistic reasons, it is often not expedient to market a product under the same trade mark in all language zones of the Community.

2. As the Court of Justice has laid down principles for the application of trade mark laws and delivered judgments regarding the implementation of such legislation in relation to the competition rules embodied in the EEC Treaty, the Section takes the view that retention of national trade marks would only entail the trade restrictions which are absolutely necessary for such protection to operate satisfactorily. The EEC Treaty specifically authorizes such restrictions on trade despite the fact that they sometimes result in products having to be marketed under different trade marks depending on the Member State. This does not prevent the actual products moving freely within the Community.

3. Since national trade marks will remain important, the protection provided by national systems must not be reduced. In this connection, the Section fears that the proposed Regulation, if implemented as it stands, would impinge on national protection in a number of ways. For instance;

— Only earlier, registered or "well-known" national trade marks can be invoked for the purpose of opposing registration (Article 7, paragraph 2);

— National trade marks can only give grounds for refusing registration where there is a 'serious likelihood' of confusion (Article 7, paragraph 1);

— The proprietor of a national trade mark must keep himself informed by reading the Community Trade Mark Bulletin and must protect his national trade mark by entering opposition to registration of the Community trade mark on his own initiative (Article 7, paragraph 4, and Article 34);

— The mandatory opposition fee is not refunded even when the matter is decided in his favour (Article 34, paragraph 2);

— The opposing party normally has to pay his own costs even when the matter is decided in his favour (Article 64);

— A judgment by the Community Trade Mark Office rejecting an opposition application is binding on the national courts in any further case concerning infringement of the Community trade mark (Article 78, paragraph 2);

— The stipulation that an application for declaration of invalidity shall be rejected in the event of acquiescence in the use of a Community trade mark for a period of over three years presumably also applies in the case of acquiescence in its use in other Member States (Article 44, paragraph 1);

— Earlier national trade marks which are not restricted to a particular locality cannot be actively protected by bringing a claim for revocation before the national courts; application for declaration of invalidity must be made to the Community authorities (as can be inferred from Articles 45 and 80).

However, despite the above comments, the Section feels that it may be useful to introduce a Community trade mark scheme enabling firms to complete a single procedure for registering trade marks enjoying uniform protection and with legal effect throughout the Community, provided that national trade mark protection continues to operate without being undermined. A legal facility of this kind can assist firms with activities necessitating Community scale trade mark protection.

A Community trade mark could save these firms some of the costs they would otherwise have incurred in connection with registering and enforcing their trade marks. Further, the establishment of a common scheme could promote Community integration since firms which succeed in registering Community trade marks and market their products under these names in all or part of the common market, for this
reason alone will be keen supporters. The Section also shares the view that introduction of a Community trade mark should be accompanied by approximation of national trade mark rules.

4. The proposed Regulation provides for the delegation of extensive powers to the Community Trade Mark office, including powers that the EEC Treaty assigns to the Commission and the Court of Justice. At the same time, as mentioned above, the Section considers the restrictions on trade inherent in national trade mark rights to be specifically authorized by the EEC Treaty. Accordingly, Article 235 of the Treaty does not seem to provide sufficient foundation for a Regulation introducing a Community trade mark scheme. In the Section's view, the most reliable and appropriate instrument for this purpose is a Convention, among other reasons because of the serious repercussions for the firms concerned in the event of a Community trade mark Regulation being declared invalid after operating for some time.

Reasons

on point 1

By no means all small and medium-sized businesses can, or wish to, operate on an international scale. Yet these very businesses are an important part of Community industry. Many of them only need to ensure regional or national trade mark protection but they must be able to count on such protection being effective.

The restrictions which national trade marks previously imposed on free movement of goods within the Community have, in most cases of any magnitude or economic importance, been ended as a result of the Court of Justice's rulings. This is particularly true of 'parallel-imports'. A firm which is the proprietor of identical trade marks in different EEC countries can no longer use them for the purpose of carving up the common market. This also applies where several businesses own identical trade marks with common origins. Any further encroachments on protection of national trade marks in this sphere would be an infringement of Article 36 of the Treaty, which authorizes certain restrictions on trade by trade marks ('protection of industrial and commercial property') where such restrictions are a sine qua non for the effective operation of national trade mark protection.

Even large businesses (and many small and medium-sized export firms) often need to market a single product under different trade marks in the various Member States and therefore find that national trade mark protection is to their advantage (provided that it is effective). In many cases, a trade mark which is a commercial hit in one country may, for language reasons, make no impact on other markets. Where, for instance, a firm has found four effective names, each aimed at a different Member State, for one of its products, it will be required, in the event of national trade mark systems being scrapped or undermined, to register four different Community trade marks for the same product, even if none of these marks is to be used in more than one country. Either this will prove very expensive for the firm concerned or it will be forced to choose one trade mark to encompass the entire Community, even if this trade mark is not a top or even second rate sales success but only 'third best'.

According to estimates, over 80 % of the 1.8 million trade marks registered in the Community are currently registered in only one Member State, i.e. fewer than 20 % of their proprietors have felt the need to register the same trade mark in two or more Member States. This figure gives some idea of the practical implications of the matter.

on point 2

Should national trade marks be done away with — as is clearly the Commission's long-term objective (see the fourth recital of the proposed Regulation) — all these businesses would have to obtain a Community trade mark in order to obtain any protection whatsoever, despite the far greater risk of objections to registration of a trade mark spanning the entire common market than they would face in the case of a purely national trade mark. This would involve many small and medium-sized businesses in difficulty and expense out of all proportion to their needs, viz. to use the trade mark in one Member State only. In
addition, businesses in other Member States would lodge objections against such Community trade marks so as to protect their own rights, thereby incurring unnecessary costs.

The Commission proposal therefore has no firm foundation in the Treaty rules on free movement of goods. Even in cases where restrictions on trade are unavoidable for the effective operation of national trade mark protection, it cannot reasonably be claimed that they are a major impediment to free movement of goods. This applies to cases where, for instance, two trade marks operating in different Member States are not common in origin but can temporarily and unintentionally give rise to confusion, with the result that neither product may be imported into the other country. Even in such cases, goods can circulate freely within the Community though under another mark.

on point 3

The registration and public acceptance of Community trade marks can benefit export firms in various ways, and in particular large multinational concerns (including those who base their headquarters outside the Community) with a substantial number of trade marks. However, it is only fair that those who benefit should also be required to pay the bulk of the costs involved, whereas the Commission proposal undermines national trade marks since their proprietors will have to go to a great deal of trouble and expense (see above) if they wish to retain an exclusive right to their trade mark in their home area.

on point 4

It has happened before that a common trade mark scheme, in operation for some time, has been declared invalid by the courts purely on the grounds that its form did not comply with common basic law.

In 1870 the US Congress passed the first Federal trade mark law ('An Act to revise, consolidate and amend the statutes relating to patents and copyrights'). Then in 1879, in a number of trade mark cases, the US Supreme Court ruled that this Act did not comply with constitutional law. At one fell swoop over 8,000 registered trade marks were cancelled.

Congress then had to find a satisfactory constitutional basis for a Federal trade mark law; this law was passed in 1881 and upheld by the Supreme Court.

Community firms can be spared the disastrous repercussions experienced by the US firms concerned in 1879 if a Community trade mark scheme is adopted in the form of an 'appendix' to the EEC Treaty, i.e. as a Convention.

Result of the vote

For: 4, against: majority, abstentions: 10.

Point 2 (page 23)

Delete.

Reasons

The provisions laid down in Article 2 (3) of the Draft Directive regarding the use of different marks, i.e. a ban on the use of different marks for the same products in different Member States, unless there are legitimate grounds for such use, is fully in line with the objective of a common market.
The use of Article 30 (free trade) and Article 85 ff. (competition) of the EEC Treaty to prevent abuse is not an adequate way of ensuring that the common market operates, as it is meant to do, in the consumer’s interest too.

If the harmonization of trade marks law means that the same product, from the same manufacturer, can be sold on the same common market under different marks, the consumer will be confused. It will also encourage the charging of different prices for the same product.

The waiver also contained in Article 2 (3) is an adequate solution for any problems arising from the adoption of a ban on mark differentiation. This also applies in the case of language differences, which have to be allowed for.

Result of the vote

For: 21, against: 52, abstentions: 20.

Point 6 (page 24)

Replace by the following:

‘As regards Article 6, the Section takes the view that the rule on the exhaustion of the right to a trade mark (Article 6 (1)) should be confined to products which have been marketed for the first time in the common market. Consequently Article 6 (2) (a) should be deleted.’

Reasons

The principle of the international exhaustion of the right to a mark is not universally recognized. To enshrine it in an EEC instrument would damage Community undertakings vis-a-vis their international competitors.

The Commission in the explanatory memorandum states that it is irrelevant where the marked product is marketed for the first time. This is incorrect.

At the most, the Community should negotiate this type of point with third countries when multilateral agreements are drawn up.

Result of the vote

For: 17, against: 34, abstentions: 40.