SUMMARY OF CONCLUSIONS

of: meeting of the Working Party on Intellectual Property (Trade Mark)

held: in Brussels on 3 and 4 May 1983

Subject: Proposal for a Council Regulation on a Community trade mark

The Working Party on Intellectual Property (Trade mark) held its ninth meeting on 3 and 4 May 1983. It gave a first reading to Articles 11 and 39 to 53 of the Commission proposal and began a reading of Article 54.

Delegations will find below:

- on the left-hand pages: the text of the Articles as they stand after the Working Party's discussions. Amendments in relation to the Commission proposal are underlined;

- on the right-hand pages: a summary of delegations' comments and reservations on the Commission proposal.
Article 11

Limits of the rights conferred
by a Community trade mark

(1) A Community trade mark does not entitle the proprietor
to prohibit its use in relation to goods which have been put
on the market in the common market under that trade mark by
the proprietor or with his consent.
Article 11

1. Limits

(a) All the delegations agreed on limits of the rights conferred by the Community trade mark where goods were put on the market within the Community, which was, moreover, well established by the case law of the Court of Justice.

(b) A large majority of delegations opposed international limits, however. Limits in the event of goods put on the market in a third country could be set only if reciprocity were guaranteed or if the proprietor had abused his trade mark rights.

(c) The German delegation, on the contrary, supported the Commission proposal that the limits should be international. In its view, international limits were an aspect of consumer protection policy in the Community since parallel imports stimulated competition as regards prices. In addition, they were a factor for competition since they made it possible for undertakings to choose the cheapest supplier. Since in both cases this involved interests specific to the Community and even to each Member State, the argument of reciprocity was not convincing.

(d) Since this position was not supported by the other delegations, the Working Party provisionally adopted a provision on limits within the Community on the understanding that it would not prevent courts from applying a broader principle according to each individual case, if there were a reciprocity agreement or if the proprietor had misused his trade mark rights.
Article 11 (continued)

(2) Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.
(e) The question was raised as to whether, under these circumstances, a provision confined to laying down the limits within the Community would still be necessary in view of the case law of the Court of Justice in this respect.

(f) The Commission representative and the German delegation reserved their positions on the solution contained in the text opposite.

2. Exception to the limits within the Community
(paragraph 2)

On the assumption that an Article 11 would be adopted which would merely lay down the principle of limits within the Community, the Working Party examined the question of what exceptions to this principle should be laid down.

The German delegation proposed not providing for a limitative list of exceptions as proposed by the Commission, but rather a general clause ruling out limits where there were legitimate reasons for the proprietor to oppose further commercialization of the goods. The changes to the goods after they had been put on the market ((b) of the Commission proposal) could be mentioned as an example, which would leave open the possibility for other reasons for exceptions to be recognized by case law in the future. All the delegations were in favour of deleting (c) in the Commission proposal since they were opposed to the codification of the case law of the Court of Justice in this respect (¹). A large majority of delegations agreed to the wording opposite,

¹) After the meeting, the Secretariat received the following communication from the Luxembourg delegation: the delegation considered that the first sentence of (c) would perhaps be acceptable if supplemented as follows:

"(c) where the goods are repackaged by a third party without the consent of the proprietor of the trade mark."
Section 2
Grounds for and consequences of revocation

Article 39
Grounds for revocation

(1) The rights of the proprietor of a Community trade mark shall be declared to be revoked on application to the Office or on the basis of a counterclaim in infringement proceedings.
while the Commission representative expressed doubts, since in his view such a general clause would not provide the necessary legal security.

Article 39
1. Declaration of revocation (paragraph 1)

(a) Several delegations wondered whether, for systematic reasons, counterclaims in revocation proceedings should not also be mentioned alongside the application to the Office, since Article 39 covered grounds for revocation in general.

(b) The Working Party agreed to word the introductory sentence to this Article to indicate clearly that revocation did not take place automatically. It therefore stipulated that it should be the subject of a declaration of revocation by the Office or by a court.

(c) The United Kingdom delegation suggested a wording which leave the Office and the courts some margin of discretion concerning whether the rights of the proprietor should necessarily be declared to be revoked where one of the grounds for revocation referred to in Article 39 was established.

The Working Party did not agree to this approach and adopted the solution set out on the facing page, which makes it clear that the rights of the proprietor must be declared to be revoked if the conditions in Article 39 paragraph 1 are fulfilled. In any event, the flexibility sought by the United Kingdom delegation could be found in the margin of discretion of the competent authorities in interpreting the concepts in this Article.
Article 39 (continued)

(a) First alternative:
if the trade mark, within the five years preceding the filing of the application or counterclaim, has not been put to genuine use in the common market in connection with the goods or services in respect of which it is registered, unless there exist legitimate reasons for non-use, or if within that period such a use has been started or resumed in bad faith;

Second alternative:
if the trade mark, within an uninterrupted period of five years, has not been put to genuine use in the common market in connection with the goods or services in respect of which it is registered, unless there exist legitimate reasons for non-use; however, no person may claim that the proprietor's rights in a Community trade mark should be revoked where, during the interval between expiry of the five-year period and filing of the application or counterclaim, use of the trade mark has been started or resumed in good faith;

(b) if, in consequence of acts or inactivity of the proprietor, the trade mark has become the common name in the trade for a product or service in respect of which it is registered;
2. Non-use within an uninterrupted period of five years
   (paragraph 1(a))

   (a) Two tendencies emerged within the Working Party:

   - the first, which corresponds to the first alternative
text opposite, was to have recourse to a provision based
on the provision concerning opposition (Article 35
paragraph 2), i.e. in which the five-year period is
calculated retroactively from the application for
revocation;

   - the second was based on establishment of the existence
of an uninterrupted period of five years in the past during
which the trade mark was not used.

Recourse to one or other alternative has implications for the
effects of revocation since, under the first alternative, the
effect of revocation could never be retroactive for more than
five years from the application for revocation. Under the
other alternative, the effect of revocation could go back
further into the past.

   (b) Regardless of the alternative adopted, it was agreed that
revocation could take place only if there had been no genuine
use for five years. To avoid any ambiguity in this respect
regarding the second alternative, the Working Party adopted
the terms "within an uninterrupted period of five years".

   (c) The Working Party agreed that good or bad faith concerning
use could be judged at the start of resumption of such use,
leaving the Office and the courts to deal with the problem
of "mala fides superveniens".

3. Degenerescence of the trade mark (paragraph 1(b))

   The Working Party agreed to stipulate in this provision that
the rights of the proprietor are declared to be revoked if, in
consequence of acts of inactivity on his part, the trade mark has
become the common name in the trade for a product.

    .../...
Article 39 (continued)

c) if, in consequence of the use made of it in respect of the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

(2) Where the grounds for revocation of rights exist in respect of part only of the goods or services for which the Community trade mark is registered, the rights of the proprietor shall be revoked in respect only of that part of the goods or services.
4. Misleading the public in consequence of use
(paragraph 1(c))

The Commission representative explained that whereas
Article 6 paragraph 2(b) contained a ground for refusing
registration, Article 39 paragraph 1(c) concerned cases where
special circumstances might arise after registration as a
result of which, for the use made of it, the trade mark
would be considered as liable to mislead. In this connection,
the case was mentioned where, after registration of the trade
mark, the law on unfair competition was amended and the case
of developments in commercial practices.

Since these were cases in which the trade mark had already
been used, several delegations preferred stipulating that the
trade mark must have misled the public. Other delegations
preferred the Commission text ("is liable to mislead") which
ensured some parallelism with Article 6.

Article 40

1. Usefulness of the provision concerning the consequences of
revocation

The Danish delegation proposed deleting Article 40 as well
as Article 43 concerning the consequences of revocation and of
invalidity as being superfluous, since these were the consequences
of the applicable national law.

The Working Party did not adopt this suggestion, taking the
view that the consequences of revocation as well as those of
invalidity should be resolved uniformly so as to avoid differing
consequences according to the national law applicable and the
risk of forum shopping via Article 78.
Article 40
Consequences of revocation

(1) Deleted.

(2) The Community trade mark shall, as from the date of the decision revoking the rights of the proprietor, be deemed no longer to have the effects provided for in this Regulation, to the extent that the rights of the proprietor have been revoked. At the request of one of the parties it may be provided in the decision that the decision has effect from an earlier date at which any of the grounds for revocation existed.

(3) Subject to the national provisions relating either to claims for compensation for damage caused by negligence or lack of good faith on the part of the proprietor of the trade mark, or to unjust enrichment, the retroactive effect of revocation shall not affect:

(a) any decision on infringement which has acquired the authority of a final decision and been enforced prior to the revocation decision;

(b) any contract concluded prior to the revocation decision, insofar as it has been performed before that decision; however, repayment to an extent justified by the circumstances, of sums paid under the relevant contract, may be claimed on grounds of equity.
2. Declaration of revocation (paragraph 1)

Article 40 paragraph 1 of the Commission proposal was deleted as a result of the amendment of the introductory sentence in Article 39.

3. Date on which revocation takes effect (paragraphs 2 and 3)

(a) Most delegations had misgivings about stipulating in general that revocation took effect from the time when any of the grounds for revocation existed. On a proposal from the United Kingdom delegation, the Working Party agreed to stipulate as a general rule that revocation took effect on the date of the decision (ex nunc effect) but that, at the request of one of the parties, it could be provided in the decision that the decision had effect from an earlier date at which any of the grounds for revocation existed.

It was pointed out that it was difficult to reconcile the first alternative for Article 39 paragraph 1(a) (see page 8) with such a system if the intention was that the retroactive effect of the decision could go back beyond the five years of non-use preceding the application for revocation.

(b) In order to clarify the text, the Working Party agreed to replace the words "within the tenor of the decision revoking it" by "as from the date of the decision revoking the rights of the proprietor".

(c) the Working Party agreed to align the wording of paragraph 3 on Article 35 paragraph 2 of the Luxembourg Convention and thus to refer to "national provisions" instead of "provisions contained in the laws of the Member States" in order to cover cases in which the law of a third State might apply.
Section 3
Grounds for and consequences of invalidity

Article 41

Absolute grounds of invalidity

(1) A Community trade mark which is registered in breach of the provisions of Article 6 shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings.

(2) Where the Community trade mark is registered in breach of the provision of Article 6 paragraph 1, it may nevertheless not be declared invalid if, in consequence of the use which has been made of it, it has become distinctive after registration, in relation to the goods or services for which it is registered.

(3) Where the ground of invalidity exists in respect of part only of the goods or services for which the Community trade mark is registered, the trade mark shall be declared invalid as regards only that part of the goods or services.
Article 41

1. Declaration of invalidity (paragraph 1)

Paragraph 1 has been amended in line with the new text of Article 39 paragraph 1.

2. Distinctive nature acquired as a result of use after registration (paragraph 2)

(a) It was agreed within the Working Party to stipulate that the distinctive nature must have been acquired in consequence of the use made of the trade mark after its registration.

(b) The Working Party agreed that paragraph 2 would not prevent an application for invalidity of the Community trade mark based on other earlier national rights, but that it only ruled out the possibility of the trade mark being declared invalid because of a lack of distinctive nature.

For the reference to Article 6 paragraph 1(a) see 8323/82 PI 12, Annex I, p. 3.
Article 42
Relative grounds of invalidity

(1) A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings: 7

(a) where an earlier right referred to in Article 7 exists in opposition to it and the conditions set out in paragraph 3 or 4 of that Article obtain, except where the earlier right subsists only in a particular locality;