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System Competition – Unitary Rights in Fragmented Markets?

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Coexistence

- The European trade mark and design systems are built on the following principles
 - unitary rights are granted on the Community level, and
 - those rights coexist with rights granted under national law
- The situation is different for patent and copyright law, but that might change...



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Coexistence, or Competition with Cannibalistic Tendencies?

- What was meant as peaceful coexistence might result in 'cannibalism' – one (type of) system might be consumed by the other, stronger one
- National industrial design protection – an obvious candidate for such developments?
- Are national trade mark systems doomed to go down the same route? (And if so, would it be any harm?)
- Is this a decision to be left entirely to the 'market' (the users?)



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Policy Issues to be Considered

- **The Community trade mark system was created with a view to create a truly unified market in the EU**
 - Q: But what if the market nevertheless remains fragmented?
- **If national trade mark registries are drained of new applications which are instead directed to OHIM, this will lead to clogging the registry in Alicante and hamper the coming into existing of other new (national) marks**
 - Q: But when is a registry actually 'clogged'?



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Comparative (Dis-)Advantages of the Systems, Seen From a User's Perspective



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	CTM	National trade mark
Fees: appl. (reg.) /prol.	1050 (900 if electr.)/1500	Cheaper; exact amount varies
Absolute grounds for refusal	No legal differences (but practice may vary)	-----
Relative grounds for refusal	No legal differences. OHIM searches its own files (+ certain national registries [optional]) but no ex-officio exam.	Frequently: Search in national Registries (+ OHIM's); ex-officio examination in some countries
Monitoring	Relatively costly (depends on intensity)	Cheaper; fewer conflicts occur
Maintenance of rights (use requirement)	Genuine use "in the Community"	Genuine use in the country concerned

Two Key Issues

- (The comparative level of) fees and genuine use have become the key issues in the debate about system competition
 - Whereas OHIM wants to lower its fees, Member States refuse their consent (and demand re-distribution of surplus intake)
 - Whereas in a Joint Statement of 1993, it was declared that use in only one country qualifies as ‘genuine use’ in the Community, voices from the national patent offices (as well as certain circles of users) argue that the Statement must be revised



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Fees

- **The level of fees is a decisive factor for registering at OHIM or only nationally.**
- **Registering at OHIM is cheaper (on average) than registering in 4+ MS separately**
- **For renewals, the ratio is even more unfavorable for OHIM**
- **In the future, 50% of the income from renewals will be re-distributed to national offices**
- **‘Political trolling’, or adjustment of comparative advantages in an otherwise distorted market?**



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Genuine Use, I: The Problem

- Whether use of a CTM is 'genuine' depends on whether it is more than just 'token use'.
- If the assessment is made in the light of proportionality, it makes sense to hold that use which is sufficient to maintain a national market on its own market should not be sufficient *per se* to maintain the same mark in 24 other territories where it has not been used at all
- However, to argue that a CTM must be used in 'more than one MS' would contradict the unitary character of the right (and it would not help)



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Genuine Use, II: Solution?

- Agreement seems to be forming that genuine use should not be measured according to territorial aspects
- Instead, courts and authorities should look for flexible case-by-case solutions
- In addition, the analysis should be carried out in the light of overarching principles such as proportionality and, where appropriate, equity
- Based on the latter, the system might be complemented by a provision allowing to acquire national rights in a country where no use was made of a CTM for a prolonged period.



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Other Issues

- The problems concerning genuine use result from the fact that legal notions in the CTMR make sense primarily in the framework of truly unified market (which that of the EU is – arguably – not).
- This also concerns the understanding and application of notions such as a mark ‘having a reputation in the Community’ and ‘distinctiveness acquired in the Community’ (particularly for non-word marks).
- To some extent – though less obviously – those issues also play a role for system competition



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Any General Tendencies?

- To some extent, the solution of these and other issues is connected with the policy issues addressed above, and remains therefore in the political sphere
- Even if general priority should be given to the unitarity of CTMs (in spite of the as yet – de facto – imperfect unification of the internal market), this might be counterbalanced by accepting fragmentation on a ‘lower level’
- Another question will be to what extent the system is left to ‘organize itself’, and what will result from that



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2B Continued....

**But for today,
thank you for your attention!**



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