EEC Trademark — An Industry View

One of the foremost authorities in field of trademarks in the Common Market comments on Memorandum

BY DR. W. MAK*

I. LICENSING UNDER THE MEMORANDUM (149-154)

As *positive elements* I would mention the following points:

1. The statement (149) that it is advisable to clarify that use by related companies is also included (the term related is described as related by means other than licensing agreements).

This makes licensing agreements superfluous in intercompany relations and simplifies matters considerably for industry.

2. The statement (151) that use by the licensee or related company enures to the benefit of the trademark owner.

This in itself is a normal situation, but it is of great practical importance because of the provisions on use of the mark and therefore I appreciate its being expressly mentioned.

3. The statement (150) that there should be no deception of the public, which will require an effective quality control and control over the use of the mark by the licensor.

This is of vital importance from a consumer's point of view and should therefore indeed be stipulated in the EEC Trademark Convention in express terms.

4. The statement (153) that licenses may be granted for parts of the registered goods.

This too is not without practical importance, since otherwise there would be an undue restriction of businessmen's freedom to exploit their trademarks.

On the other hand I see a number of *controversial points:*

1. *Use of a licensing notice for the information of purchasers (151).*

It is not clear what this notice actually will be, but in any event it will for industry be a nuisance and for consumers be more misleading than reassuring. In my view, the public will be inclined to consider products carrying a licensing notice as second-rate articles and this may considerably limit not only the possibility to grant licenses, but also the free movement of goods made by licensees.

2. *Compulsory registration of licenses.*

This is not explicitly mentioned in the Memorandum, but it is to be found in Art. 24 (3) in conjunction with Art. 23 (5) of the 1964 draft, to which the Memorandum refers. Frankly speaking, I am most strongly against this, because of the unnecessary formalities and cost involved. In my opinion the only important thing is that consumers will not be deceived and if, in cases of doubt, the existence of a license can be proven by the submission of a contract

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After the European Patent (Munich Convention of October 1973), and more specially the Common Market Patent (Luxembourg Convention of December 1975), the EEC Authorities, pursuing their efforts of unification of Industrial Property Laws, are dealing with the Common Market Trademark.

A draft law was written in 1964 which was published in 1973. Another study of the problems involved was made by the Common Market Authorities with the help of three experts representing the university, the independent trademark specialist, and the Bar. This study led to the publication of a so-called "Memorandum on the Creation of a Common Market Trademark," June 1976. The Memorandum indicates features appearing in the draft law which should be changed. Such changes are necessary due to the lapse of time, to the fact that three new countries have adhered to the Common Market (Great Britain, Ireland, and Denmark), and more specially to the important Common Market Trademark cases decided by the Court of Justice in Luxembourg and the Commission in Brussels (Grundig-Consten 1964/Sirena-Eda 1971/Van Zuylen-Hag 1974/Advocaat Zwarte Kip 1974/Centrapharm-Winthrop 1974/Sirdar-Phildar 1975/EMI-CBS 1976/Terrapin-Terranova 1976).

The Common Market Authorities have now decided to issue a new draft based on the Memorandum and meetings are now regularly organized with experts from government. All interested parties are invited to comment.

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Although Dr. Mak spoke under his own responsibility, as he can be considered as one of the highest authorities in the field of trademarks in the Common Market, his contribution must be considered of great importance. — FLORENT GEVERS, LES Benelux.

or by witnesses, that must be enough and things should not be complicated by formal red tape. Moreover, no registration is provided for related companies, though no one may be aware of the relationship, which only demonstrates that it is an illusion to think that registration of licenses in the Trademark Register will completely and correctly reflect the actual position.

Summarizing, I would say that licensing as a commercial operation is completely different with trademarks and with patents, because of the difference in nature of these two rights. Franchising seems the most frequent licensing operation in the field of trademarks and here particularly one should be very critical about the practical and financial consequences of such things as licensing notices and compulsory registration.

II. THE PROBLEM OF PRIOR NATIONAL TRADEMARK RIGHTS

The Memorandum calls this the central problem (90) and rightly so.

One easily realizes that this is the most difficult problem of all if one bears in mind that:

a) In view of its function to distinguish and identify (11) products, a trademark necessarily is an exclusive right, which implies that the same or substantially the same mark cannot be used by more than one party for the same goods or services in the same territory.

b) There are now 1 1/2 million registered trademarks (27) in the 7 trademark registers within the EEC, quite a few of which must be identical or almost identical and in fully unrelated hands.

c) The EEC trademark is intended to be unitary (61), i.e. for the whole territory of the EEC only. If it would allow "holes" in its protection for such countries where conflicting prior national trademarks exist, this would simplify things to a large extent, but unfortunately this solution has been rejected.

d) All civilized countries apply the principle of respect for prior rights, i.e. no one can acquire rights in a trademark conflicting with an already existing mark against the will of the owner of the elder mark.

It seems highly probable that, certainly at the outset, many oppositions against applications for EEC trademarks will be granted because of too close similarity with existing national marks. In fact, the only category without problems will be the trademarks owned already now by one party and its related companies in all member states and which are converted into EEC marks. This conversion will certainly reduce the number of remaining national trademarks and definitely would be encouraged if the priority rights in these national marks would not only be maintained, but their priority dates also kept and annotated in the EEC Trademark Register.

It cannot be denied that identical national marks which are in different hands for various member states, may be an obstacle for the free circulation of goods, which is one of the primary objects of the EEC. Quite understandably the European Commission gave much attention to the problems connected with prior national rights (90-101). The Commission's proposals deserve our careful attention, so let us now have a look at them and see how far they appear acceptable for industry.

a) *It is proposed that opposition will be possible on the basis of registered or applied for EEC or national marks only (plus notorious marks). Other rights, like common law rights, rights in company names or copyrights can therefore only be asserted in invalidity proceedings (94).*

This seems an acceptable proposal: it limits the number of oppositions and shortens the registration procedure without unduly restricting anyone's prior rights. One remark: Madrid or TRT international registrations should not be forgotten when the basis on which to file an opposition against an EEC trademark application is being discussed.

b) *It is furthermore proposed that opposition will be possible on the basis of used trademarks only (98).*

This too seems an acceptable solution: it would not be fair that a mere paper national mark could block the registration and use of an EEC mark. Two remarks here: Madrid + TRT international registrations should not be forgotten here either and furthermore one should not exclude unused marks during the five year period referred to in 125.

c) *The Conciliation Board — (This definitely is no "arbitration board" as the Dutch translation wrongly says, but indeed a "conciliation board"). This is a proposed body having the task to give assistance in resolving conflicts with prior national trademarks (99).*

Reference is made to the present practice, where in many cases conflicts are resolved by amicable and voluntary agreements between the parties. This is done mainly on the basis of:

1) Limitation of the lists of goods, or;

2) Agreements on the form in which the marks are used, or

3) Territorial arrangements (these no longer seem possible since PHILDAR/SIRDAR), or

4) Outright sale of the prior mark to the applicant of the new EEC mark.

Is the Conciliation Board an acceptable proposal? I would say yes, *provided that* this leads to a voluntary agreement which the parties make of their own free will and not under the threat that the proposal of the Conciliation Board will eventually be imposed upon the parties by the examining section of the EEC Trademark Office. A further proviso has already mainly been taken care of i.e. that the Board should consist of (not comprise as the text now says) trademark practitioners (105).

d) *Special powers for the examining section after an interim period (10-15 years) to reject the opposition and to lay down terms of usage with binding effect (100).**

In order to avoid that there will ever be a misunderstanding, let me say already now that my reaction to this proposal is a definite no! This straightforward reaction may look emotional, but in fact it is based on what I consider to be solid arguments:

1) A trademark is an exclusive right and any imposed coexistence with a confusingly similar third-party trade-

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ment is vitally important.

In closing, I would like to express our deepest appreciation to the United States for valuable technical assistance which has greatly contributed to today's economic development of Japan. I sincerely hope that our success has also been a success of United States licensors in international marketing and that licensing association between the United States and Japan would be maintained and would further develop in the future.

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mark takes away this exclusivity and consequently erodes the trademark right as such.

2) If two trademarks are considered as confusingly similar, this will be so for all times and not just for a 10-15-year period. Applying a different criterion after a certain period means corruption of trademark law and is bound to lead to confusion of the public.

If voluntary solutions cannot be found, it must be accepted that the prior rights must continue to be respected and that therefore certain EEC trademarks cannot be registered. This may be unpleasant for the applicant, but I firmly believe that there is no legal justification for undermining an established prior right just to please one of its owner's competitors, who is interested in the same mark for a larger territory.

Is this a disaster from the free-movement-of-goods point of view? I venture to say no for the following reasons:

a) Many national trademarks are not renewed after their original or second term, so the number of obstacles will to a large extent automatically disappear.

b) The EEC formally and legally constitutes one entity, but in quite some cases one considers the whole of Western Europe or even the whole Western world as one market. If one finds an unsurmountable anticipation in one or more commercially important countries, in practice one mostly decides to choose a different and less objectionable trademark anyway. The free movement of goods not being affected by a "free" trademark, I fail to see why it should be enforced in the event of a mark meeting with prior rights.

If I said so decidely no to this particular proposal, this certainly does not mean that I am negative on the European Trademark per se. Even more than in the past I am now convinced that a Common Market Trademark is a necessity and I gladly say in public that the Memorandum contains many constructive and positive elements, no doubt thanks to the valuable contributions and the hard work by Bryan Harris and the other three wise men.* On the other hand I see it as our common duty to fight for full protection of our existing national rights in the future, and if I say "our" I certainly do not mean big or multinational companies only, but the medium-sized and small ones as well, and "our" includes definitely also trademark agents and barristers who act for their clients' trademark rights.

My closing is an appeal to you to jointly work on a good EEC trademark convention which necessarily must be based on the principle that used prior trademarks may never be taken away from their owners, be it formally or virtually without their consent.

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Technology Exchange in Brazil

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least equally great as patents. It is particularly important, therefore, to consider the intent and impact of Act 15 upon the exchange of unpatented secret information with Brazil.

The adoption, in Act 15, of the "sell, don't rent" philosophy as applied to unpatented information understandably is upsetting to prospective licensors. A licensor naturally becomes wary when faced with a requirement by INPI to delete, from his carefully constructed "know-how license," all references to "license," "proprietary rights," "licensed subject matter," "confidential information" etc. However, experienced licensors will readily recognize and admit that know-how, once transferred and adopted by a licensee, is, for practical purposes, irretrievable and thus, effectively, "sold." More important by far than the label applied to the transfer documentation are the legal and practical means available to the transferor to protect his present and future interests in the technology transferred to a particular recipient. Such protection normally is achieved in two basic ways, i.e., prohibition of disclosure by the recipient to others and by restriction to certain specified "licensed" use by the recipient himself. Limitations on both such protective devices are generally recognized and practiced. Thus, usually a "reasonable" nondisclosure period is applied. This period may be based upon the expected normal "lifetime" of the secret information, recognizing that it likely will become either technically obsolete or will fall into the public domain without fault of the recipient. In either event, protection is based upon a theory of the possessor's property right in information not generally available to the public or upon a contract theory of enforceability of the licensee's promise to refrain from certain acts. The laws of many countries have evolved many well-known limitations on the right of the owner of proprietary information, patented or unpatented, to impose use restrictions upon a transferee. Generally, though, such limitations do not conflict with the relevant basic premise of protectability of such information or rights, so long as those rights and the licensee's undertakings are valid in the context of applicable local law, and are not unfairly used or imposed, in derogation of an overriding public interest.

A great part of the expressed concern over the impact of Act 15 on agreements for the transfer of unpatented technology lies in the provision, in Article 5.4, that the term of any such agreement is:

> "... the term considered to be necessary to enable the recipient to master the technology by means of its actual absorption, its adequate use, and the attainment of concrete results derived from its incorporation ..."

and, in further limitation, for: