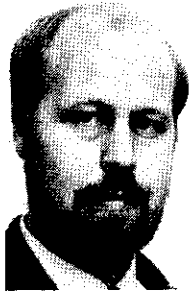


# EEC Trademark — Why and How?

*An industrial appraisal of proposed community system, which would be very expensive and require resources needed elsewhere*

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Many LES members who are interested in trademarks have seen the pre-draft of the regulation relating to the EEC trademark. This pre-draft raises a lot of questions which are not all settled. Many aspects and consequences of the proposed community system are still unknown and unexplored.



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For the time being, perhaps only one aspect is quite certain, namely that the proposed system would be very expensive. The cost *directly* connected with the creation and operation of the system itself would certainly be high as well as the cost *indirectly* brought about. The cost would include supervision of existing trademarks, elaboration of applications and oppositions and declarations and pleadings to the trademark authority, payment of fees, expenses related to conciliation meetings and court proceedings, possible loss of good will, and introduction of new trademarks when existing trademarks have been defeated in conflicts. Together the total cost in the many years from the start of the community trademark system would seize a perceptible part of the available resources of the enterprises.

Our resources are not unlimited. On the contrary, they are very limited compared with our aspiration. To realize one project is to take away resources which are necessary to realize other projects.

As far as the European Economic Community is concerned we have a lot of needs, plans and programs. First of all, we want to maintain the results which the community has reached so far, to maintain a common agricultural policy, and to avoid protectionism or distortion of competition between the member States. We attach importance to the community problems of fisheries, transport, energy, environment, employment and social policy, the regional policy, and the common external relations. We want further development toward a common capital market, and we need a clari-

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fication to some of the significant problems connected with the EEC competition policy. We need much more work to be done relating to removal of technical barriers to trade, a job which should reveal and counteract the technical norms and local standards which in fact — although not formally — function as hidden barriers to trade.

I have mentioned only some of the needs, plans and programs which are important to us and to the European Community. Indeed, they all form the true background to evaluation of the community trademark proposal. We have neither strength, time nor money to realize all those projects in our lifetime. We *must* select.

This is the background to the following questions: Will the creation of a community trademark imply significant advantages to us? If so, will the advantages justify the resources which will have to be invested; and which other projects should be downgraded in order to create the community trademark?

Hundreds of times it has been said that the community trademark will promote the freedom of movement for goods between Member States. This is true, but it is a truth without much significance, and therefore mainly theoretical. In most cases of numerical or economic importance — especially in all cases of parallel import — the national trademarks can no longer be used to prevent the free movement of goods between Member States, owing to the decisions of the European Court of Justice. An owner of identical national trademarks in various Member States can no longer use his trademarks to divide the common market. Still, however, situations can occur where a trademark unintentionally and accidentally is identical or confusingly similar to a national trademark in another Member State. In such unintentional and accidental conflicts it is necessary that the trademarks can still be used to prevent import. I admit that the number of such conflicts can be gradually decreased throughout the years by means of the community trademark system. The value of this, however, seems more theoretical than realistic.

## Not Wanted

Trademark conflicts are undisguised and obvious to everyone. We should realize from our daily work if trademark conflicts create really serious barriers to the free movement of goods between Member States. We realize, however, that the camouflaged and hidden barriers to trade, such as the technical norms which I mentioned before, or national rules which say that the goods must be marked and described in the national language, are much more hampering and dangerous.

What is the benefit of the Community trademark to the free movement of goods when such hidden barriers to trade still exist?

The commission has said that many enterprises need the community trademark, but it is simply not true. The commission should carry out an opinion poll among enterprises in the Member States as the commission has done in so many other fields. If so, it will appear that very few enterprises seriously want the community trademark. It is a well known fact that more than 80% of the 1.5 million trademarks in the Member States are exclusively registered in one Member State, namely the country of origin of the enterprise. This fact alone should convince the commission that by far the most trademark owners need national trademarks and national trademarks *only*.

One single advantage of the proposed community trademark that should be mentioned is that the use of the community trademark in *one part* of the common market will reserve a monopoly to be eventually used later on in *other parts* of the common market. So, contrary to what might be expected from the executives of the Treaty of Rome, the commission wants to create thousands upon thousands of monopolies, which will be effective also in Member States where they are not used. This advantage to the owners of community trademarks, however, does not justify the burdens which will be imposed upon national trademark owners and the heavy cost involved.

Although my federation is not the only one to decline the proposed community trademark, we realize the possibility that the commission will press on with the proposal. So, let me for a moment fall in with the idea that the community trademark should be created in spite of the cost. Then immediately the question arises: How is the financial burden to be divided? Who has to pay the bill?

No. 56 of the commission memorandum says that the EEC Trademark Office should have *financial independence*. In other words: Although the integrational aspect of the community trademark is perhaps the motivating power of the commission, obviously no part of the bill is proposed to be paid by public funds.

No. 55 of the commission memorandum says that a community trademark law must be sufficiently attractive to ensure that it will be preferred by applicants, and this means especially an *inexpensive registration procedure*, as the memorandum puts it. So, here we are told that the applicants should not pay a substantial part of the bill either.

#### Who Pays

The last possibility left is that the major part of the economic loss and burden will be imposed upon national trademark owners. This is clearly the solution which the commission has chosen.

Let us follow a fictitious national trademark owner and see what may happen to him if the proposed EEC trademark system is realized. He is the owner of a small enterprise, so let us call him Little John. His enterprise is six or seven years old and manufactures smoking pipes with the trademark "Robin Hood." The enterprise is small, as I said, but expansive. Little John himself operates only in the domestic market, but

some of the pipes are exported by one of his customers.

One day Little John is informed that an application for the registration of "Robin Hood" as a community trademark for pipes has been filed at the EEC Trademark Office. He does not know what to do and applies to a trademark agent. The taximeter has already begun to tick. Now, it is to be hoped that Little John's trademark is registered. Otherwise he is not entitled to oppose the registration of the community trademark and has *either* to tolerate foreign pipes with identical trademarks within his own territory *or* later on, to bring a trademark infringement action to national courts and hope for the best.

Let us say, however, that Little John's trademark is protected by a national registration. His trademark agent advises him to bring opposition proceedings against the EEC trademark application, although it will be expensive. Documents must be formulated, possibly in a foreign language, and the opposition fee must be paid. Very likely during the proceedings Little John must provide evidence that his trademark has been used sufficiently by him. To do so, of course, Little John needs expert advice. One day Little John is invited to attend a conciliation meeting in a city faraway and he goes with his adviser.

The case is discussed and a later meeting of the Conciliation Board is fixed. After some more meetings the Conciliation Board makes a settlement proposal which Little John feels himself blackmailed to accept. The applicant, however, rejects the proposal and the opposition proceedings go on. The examining section decides in favor of Little John, but the decision is appealed by the applicant to the appeal section of the EEC Trademark Office and Little John is invited to more meetings. The appeal section decides in favor of the applicant and Little John is advised to appeal to the court. In spite of more meetings and much trouble, however, Little John loses his case in the high court. The applicant has "Robin Hood" registered as a community trademark.

Little John's pipes are handmade and therefore more expensive than the pipes which are now sold in his own territory with the EEC trademark "Robin Hood." His sales begin to scale down.

#### New Name

Little John's adviser recommends he find a new trademark, and he chooses his own name "Little John." But this time he wants to be doubly sure. If he only registers "Little John" as a national trademark, his troubles may be repeated in later years. His adviser tells him that furthermore a new national trademark is very weak against future applications for a community trademark. So, Little John applies for a registration of his name as a community trademark. After some time he is informed that a total of 14 oppositions have been filed, but he is already using his new trademark and sees no way back. Most of the oppositions are withdrawn but two of them are very persistent and Little John once again must go through the Conciliation Board, the examining section and the appeal section. At last he loses his case in the high court and his application of the EEC trademark "Little John" is rejected.

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## Licensing in Asia-Pacific Market

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### 7. To avoid restrictive business practices.

The normal rate of royalty approved is two percent of net sales. A slight deviation from this normal rate is allowable depending upon the merits of each case. In addition, the government does not encourage lump-sum payments.

Licensing agreements for local manufacture or marketing must be recorded by the Ministry of Trade and Industry. A licensee may sue in his own name against "infringement of his rights." The government does not allow export territorial restrictions.

In summary, it has been my experience that the growing Asia-Pacific market area offers tremendous business potential.

Japan has been the leader in market growth along a path that many Asian countries are following. In 10-15 years businessmen entering the Asian markets now will be harvesting worthwhile rewards.

The key is planning, followed by aggressive action.

## EEC Trademark — Why and How

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During the years our friend has spent a fortune on those trademark cases and now he has no longer any trademark at all. The sale of his pipes has considerably decreased mainly because the consumers have been confused. Now Little John tries to sell his pipes without any name or trademark at all, but the sale decreases even more. He puts small red silk ties to the pipes and advertises "the pipe with the red tie." But some of his competitors imitate his idea.

One day Little John goes bankrupt and his factory is sold by order of the court. He takes up residence in the woods and makes brilliant bows and arrows from the branches of the trees. His former sales manager serves as a spy in Brussels, and when officials of the EEC commission pass through the wood in their distinguished black cars they are stopped by Little John and his men and are only released on payment of big ransoms. Now, who is going to pay?

## Trademark Linking in Mexico

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3. A Mexican or foreign company manufacturing or producing in Mexico articles or products which bear foreign origin trademarks or Mexican-origin trademarks owned by foreigners or by Mexican subsidiaries of foreign companies, that are the object of a trademark license agreement filed for recordal at the

National Registry of Transfer of Technology after February 10, 1976, fall within the provision of third paragraph of Article 128. It prescribes a one year term counted as from the date the trademark license agreement is recorded at the National Registry of Transfer and Technology.

4. The fourth and last specific case covers those Mexican or foreign companies manufacturing or producing in Mexico articles or products which bear foreign origin trademarks or Mexican-origin trademarks owned by foreigners or by Mexican subsidiaries of foreign companies, and which trademarks are being used under a tacit or informal trademark license agreement which obviously has not been recorded at the National Registry of Transfer of Technology.

This case, also falls within the provisions of the third paragraph of Article 128, which prescribes a one year term counted as from the date the respective trademark was first used.

In all of the preceding specific cases, either the Law of Inventions and Trademarks or its Regulations establish the granting by the Ministry of Patrimony and Industrial Development, of extensions of terms for a period of one year at the most, provided that the requestor can justify the granting of such extension.

## Changing World for Trademarks

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Group B countries cataloged a number of problems presented by these proposals, including the impact that they would have on relations with nondeveloping countries in view of "Most Favored Nation Clauses" in Friendship, Commerce and Navigation Treaties, the lack of any requirement of "need," and the problems that such proposals would present in the ratification process. A new proposal which was suggested at the last meeting will be discussed at a future meeting. It provides that a developing country may charge its nationals up to 50% less than the nationals of other countries for the granting and maintaining of patent and trademark rights. While this proposal is clothed in the form of a proposal for preferential treatment, it is a clear derogation of the principal of national treatment.

Among the other issues which will be considered, the question of independence of patents and the wish expressed by LDCs to improve the information they now receive regarding the treatment and fate of applications upon which priority is based will be discussed on the basis of a paper prepared by WIPO. The paper outlines four different solutions to the problem, none of which would require change in existing Article 4 of the convention which establishes the principal of independence of patents. Each of the four solutions addressed in the paper would leave sole responsibility in the hands of the authorities of the LDCs for determining the patentability of inventions in their own country.