SQUIRE PATTON BOGGS

December 2015

Five Minutes On...
European Trade Marks

Trade marks often constitute one of the most important assets of a company. The protection and productive use of trade marks provide a competitive edge to businesses and are often keys to success. In the globalized economy, the skillful use of trade marks can create an external brand for a company's products or services and also provide value in the boardroom by adding leverage in M&A transactions. Managing trade marks in the EU can bring challenges and opportunities, given differences between European and national trade mark rules.

Trade mark rights are neither global nor even always European in scope.

The use of a name, logo or other distinctive sign to designate a company or a business unit, or any products or services that a company commercializes, constitutes legally relevant trade name or trade mark use. Such use, however, can easily violate the prior name or trade mark rights of others. Managers are sometimes unaware that trade mark rights or company names are not global in scope. A company name, already in use in another jurisdiction, is not "your" name in that jurisdiction, but the name of the other company. The other company can have prior rights that you have inadvertently infringed. Such "infringing" name use, although not intended, can result in liability. When entering new markets, it is vital to clear the use of a name in the relevant jurisdiction. It is just as important to run availability searches for a trade mark or for a product name preceding the launch of a new product. The following steps will help avoid infringement claims and costly seizure and destruction of the products.

Step-by-step to Trademark Protection

1 Before advertising or launching a product, any company doing cross-border business in the EU should clear the use of names and marks it intends to use and then, assuming availability, consider filing for trade mark registration. There is no EU-wide trade mark based on use and some countries do not protect marks based on mere use, regardless of the extent of use.

By registering a trade mark, the holder of the registration obtains exclusive rights over the use of that mark in connection with the goods or services for which it is registered in the designated territory or region. The natural choice of trade mark protection for companies which do business in more than one EU country is a Community Trade Mark (CTM) registration. The CTM will cover the products to be commercialized in the EU and give the owner protection for all EU Member States via one single unitary right. Therefore, the CTM is referred to as an all-or-nothing deal. It will either cover the territory of the entire European Union or if there are obstacles to registration in only one Member State, the application will be refused.

Recently, the EU Council and the European Parliament have approved the EU trade mark reform. The implementation of the reform will be in the form of new legislation revising the existing Trade Marks Directive (2008/95/EC) and the Community Trade Marks Regulation (207/2009/EC). Brand owners will benefit from these reforms in a number of ways, including a reduction of official fees. The CTM will be renamed to become European Union Trade Mark (EUTM).

If EU-wide trademark protection is not available due to prior rights in another EU

2 jurisdiction, national filings in the countries in which the mark is available may be an acceptable alternative. A national trade mark registration will provide protection; however, only in the country of registration. At the same time, a national registration will prevent the holder of a prior national registration in another EU Member State from obtaining a CTM.

The Madrid System may be used to extend the scope of protection of trade marks registered in the home jurisdiction of their owners

3 worldwide. It is the only global system for trade mark protection, designed to function as a one-stop solution for registering marks in 113 territories worldwide. Unlike the CTM, which has a unitary character, the international registration is a bundle of centrally administered national marks which can differ in multiple ways on a country-by-country basis, including in their scope of protection and legal status. Because a single international application and a centralized registration will cover multiple countries, the Madrid System can save time and money. It also offers an easy way for portfolio management through centralized renewal. The Madrid System is used by a third of all applicants throughout the world seeking protection for their marks outside of their home jurisdiction.

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Use it or lose it. A trade mark registration older than five years can be challenged by any third party on the basis of non-use during the five preceding years. Even if the trade mark has been used within the first five years for some of the goods or services covered by a CTM or national registration, it can be partially cancelled due to inaction. Therefore, the scope of protection offered by your trade mark portfolio might not be as broad because of partial or total non-use of some registrations.

Police against the trade mark's misuse. Companies that do not undertake steps to enforce their core brands risk the brand becoming a common name for a good or service. If a known and tolerated infringement has lasted for five years or longer, the use of the mark by the infringing party can no longer be legally prohibited. Even the use of a registered trade mark by an affiliate or subsidiary without a license agreement will be deemed as infringement and can adversely impact the strength and goodwill of a brand. This weakening of the trade mark is harmful not only when the trade mark owner seeks to enforce its rights against another infringing party, but also from a business standpoint.

Think about the tax consequences. The use of a trade mark by an affiliate or subsidiary of the registered owner is also relevant for tax purposes, in particular, under the ever stricter transfer pricing rules. Such use is either authorized via a license agreement, including the payment of a license fee, or unauthorized and "free of charge". In the latter case, the use "free of charge" of a third-party's intellectual property entails a transfer-pricing risk when such trade marks are used without license by the owner's affiliated companies.

In recent years, corporate attention to trade marks and other intangible assets has become ever more significant in all developed jurisdictions. To help protect these valuable assets, corporate counsel have become *de facto* members of an organisation's business and marketing teams. It is counsel's responsibility to protect the trade marks and, together with the marketing and business teams, help implement strategies to enhance the company's brand identity.

Marking Your Territory	
Give notice. Companies can give notice that your trade mark is registered in the territory in which it is commercialized by using the ® symbol. It is also advisable to indicate the number of the registration. The use of the ® symbol, while not required by EU trade mark law, may prevent inadvertent infringements of third parties and help in the event of an enforcement action. However, use of the symbol in territories in which the mark is not registered is considered deceiving. Such improper use can have, as a consequence, unfair competition claims by competitors and other penalties, which vary from country to country.	Originating from US trade mark law, the TM symbol puts third parties on notice that the owner is claiming trade mark rights but does not yet have a trade mark registration. Considering that trade mark rights in the EU are based on registration in the vast majority of cases, the usefulness of the TM symbol in the EU is questionable. From a legal perspective, the TM symbol informs the public in the EU that the mark is not registered. The use of this symbol may then become counterproductive if the mark is registered, but the product literature is not updated to reflect the change. Companies that do not have the time or the resources to secure the proper use of the ® and TM symbols in the EU may choose not to use either of these symbols.

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