

# Trademark litigation in Europe and the Community trademark

By Pierre-André Dubois of Kirkland & Ellis International LLP

This article first appeared in:  
*'Brands in the Boardroom* Key branding issues for senior executives'  
A supplement to *Intellectual Asset Management* magazine  
[www.iam-magazine.com](http://www.iam-magazine.com)

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## Trademark litigation in Europe and the Community trademark

*Pan-European trademark enforcement has been made easier over the last decade with the advent of the Community trademark (CTM).*

*Pierre-André Dubois of Kirkland & Ellis International LLP in London explains how*

The Community trademark (CTM) was established by Council Regulation 40/94/EEC of 20th December 1993 on the Community Trademark (the Regulation). While only a small number of cases have been heard by European courts, the CTM system offers an effective, robust trademark enforcement tool. This article will examine some of the legal and strategic factors that should be considered when using the CTM to enforce trademark rights.

### Effect of the CTM

The Regulation has direct effect in all EU member states and provides the substantive law that is to be applied in proceedings for infringement and invalidity of CTMs.

Article 9 of the Regulation defines the nature of the rights granted to the proprietor of a CTM as follows:

"A Community trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- a. any sign which is identical with the Community trademark in relation to goods or services which are identical with those for which the Community trademark is registered;
- b. any sign where, because of its identity with or similarity to the Community trademark and the identity or similarity of the goods or services covered by the Community trademark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trademark;
- c. any sign which is identical with or similar to the Community trademark in relation to

goods or services which are not similar to those for which the Community trademark is registered, where the latter has a reputation in the Community and where use of that sign without a due cause takes unfair advantage of, or it is detrimental to, the distinctive character or the repute of the Community trademark."

The exclusive rights conferred by Article 9 of the Regulation are limited by the exceptions set forth in Article 12 of the Regulation. The proprietor of a CTM may not prevent a third party from using in the course of trade (provided such use is in accordance with honest practices in industry or commercial matters):

1. his own name or address;
2. indications that are descriptive; or
3. the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

As the Regulation has direct effect into the laws of all member states, the nature of the substantive rights of the proprietor of a CTM should be the same across all member states, no matter how the national law of any particular member state defines infringement. This is a fundamental premise of the CTM system and should (at least in principle) ensure uniformity in the enforcement of CTMs.

### Jurisdiction

The Regulation sets out a framework of analysis allowing one to decide which member state court has jurisdiction to hear a CTM case. Each member state is to designate a court which will have competence with respect to CTM matters (what is known as a

Community Trademark Court), in the absence of which, the member state courts which would have jurisdiction in the case of proceedings relating to national marks registered in that member state will have jurisdiction. The correct selection of the most appropriate court (if more than one can have jurisdiction) is important in pan-European trademark litigation, as this will ensure that European-wide remedies can be granted.

Jurisdiction can be based on one of two sets of rules: the domicile or establishment of the parties (the domicile rule); or the location of the infringing activities (the location rule). Under the domicile rule, infringement proceedings are to be brought in the courts of the member state in which the defendant is domiciled or, if the defendant is not domiciled in any of the member states, before the courts of the member state in which the defendant has an establishment. If the defendant is neither domiciled nor has an establishment in any of the member states, proceedings are to be brought in the courts of the member state in which the claimant is domiciled or, in the absence of such a domicile, in the courts of the member state in which the defendant has an establishment. If neither the defendant nor the claimant are so domiciled or have such an establishment, proceedings are to be brought in the Spanish courts. Spain being the country where the Office for Harmonisation in the Internal Market (OHIM) has its seat.

Under the location rule, it is also possible to bring proceedings for infringement in the courts of the member state(s) in which the acts of infringement have been committed or threatened.

The extent of relief that may be granted by a court will vary depending on which basis jurisdiction is asserted. If jurisdiction is defined on the basis of the domicile rule, a court will have the ability to grant pan-European relief to prevent infringement in any member state. If, however, jurisdiction is based on the location rule, then the court will have jurisdiction to grant relief only with respect to acts committed or threatened within the territory of the member state in which that court is situated. An exception to the domicile and location rules exists with respect to provisional relief and is discussed below.

Proceedings for infringement of a CTM do not necessarily exclude proceedings based on national rights. The owner of national rights and a CTM may bring proceedings on the basis of both its national rights and CTM. Provided that the national rights and the CTM are relied upon in one single set of proceedings, there will be no issue of multiplicity of actions.

However, if proceedings involving the same cause of action between the same parties are brought in the courts of different member states (one set on the basis of a CTM and the other set on the basis of the equivalent national trademark), then under Article 105 of the Regulation, the court, other than the court first seized with the proceedings, will have to decline jurisdiction in favour of that court where the trademarks concerned are identical and valid for identical goods or services. Further, a court hearing an action for infringement on the basis of a CTM shall reject the action if a final judgment on the merits has been given on the same cause of action and between the same parties on the basis of an identical national trademark for identical goods or services. A court hearing an action for infringement on the basis of a national trademark shall reject the action if a final judgment on the merits has been given on the same cause of action between the same parties on the basis of an identical CTM valid for identical goods or services.

There has only been one reported case on the interpretation of Article 105 of the Regulation. Based on this decision of the English Court of Appeal (*Prudential Assurance Co Ltd v Prudential Insurance Company of America*), Article 105 will be given a narrow interpretation and the courts will be looking at complete identity of the marks before concluding that proceedings are to be suspended. Further, Article 105 will only apply when proceedings are pending (or have been decided) before the courts of two member states as opposed to the courts and the trademark registry of another member state.

## Substantive law

The Regulation will govern all issues relating to the infringement and the validity of a CTM and a court must apply first, before any national law, the provisions of the Regulation. If the Regulation is silent on an issue, the court will apply its national laws. National laws will remain the guiding laws when it comes to defining the precise remedies that can be granted.

One of the fundamental issues when considering what substantive law applies is the concept of confusion used to define the rights of the CTM owner under Article 9(a) of the Regulation. There have been only a few cases decided so far but these have recognised that the provisions of Article 9 correspond to the provisions of Article 5 of the First Council Directive 89/104/EEC of 21st December 1988 to approximate the laws of the member states relating to trademarks (the Harmonisation Directive). A substantive body of case law has been developed by the

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European Court of Justice under the Harmonisation Directive and Community Trademark Courts should therefore apply this case law. In *LTJ Diffusion SA v Sadas Vertbaudet SA*, the European Court of Justice held that under the Harmonisation Directive, the test of confusion was as follows:

1. the criteria of the identity of the sign and the trademark must be interpreted strictly;
2. there will be identity between the sign and the trademark where the former reproduces, without any modification or addition, all the elements constituting the latter;
3. the perception of identity must be assessed globally with respect to an average consumer who is deemed to be reasonably well informed, reasonably observant and circumspect, but with an imperfect recollection.

Articles 9(1)(b) and 9(1)(c) of the Regulation have their equivalents in Articles 5(b) and 5(c) of the Harmonisation Directive and the European Court of Justice has provided important guidance on the interpretation of these provisions in its decisions in *Sabel BV v Puma AG* and *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc*. Those cases held that for a trademark to fulfil its essential function, it had to offer a guarantee that all the goods or services bearing it originated under the control of a single entity which was responsible for their quality. Accordingly, the risk that the public might believe that the goods or services came from the same entity constitutes a likelihood of confusion. Applying these decisions, the High Court of England found in *Pfizer Ltd v Eurofood Link (UK) Ltd* that the trademark VIAGRENE infringed the CTM for VIAGRA.

National trademark laws continue to play an important role when considering the exceptions under Article 12 of the Regulation as there has been no real guidance as of yet from the European Court of Justice. In two decisions where a defence based on Article 12 of the Regulation has been raised – one before the English courts (*IBM v Web-Sphere Ltd*), the other before the Swedish courts

(*System 3R International AB v Erowa AG*) – each court looked at its national case law to define what amounted to the bona fide use of one's own name and what constituted a descriptive use.

## Remedies

If a court finds that a CTM has been infringed and it has jurisdiction under the domicile rule, the court will be able to grant a pan-European injunction. The precise scope of any injunctive relief will, however, be defined by the national laws of the court seized with the action and, to the extent that a certain amount of forum shopping may be available to a trademark owner, a review of the remedies possible in the preferred jurisdiction should be conducted before instituting proceedings. A court will be able to award damages for infringement of a CTM on a pan-European basis, albeit the Regulation does not explain how such compensation will be calculated. Awards of damages will be based on national laws. To the extent that the infringement of a CTM has taken place in a number of member states, it is open for debate whether only the substantive law applicable before the court of the member state hearing the action should apply or whether that court should apply, on a country-by-country basis, the laws of each of the member states where infringing activities have occurred.

The availability of pan-European relief is a clear advantage of litigation with the CTM. With national trademark rights, no European court has ever granted the equivalent of a pan-European injunction (as seen in some patent cases) and it is doubtful that a court could in any event do so in view of some of the jurisdictional restrictions in the Brussels Convention.

Provisional injunctive relief with respect to the infringement of a CTM is available provided that the court hearing the application has the required powers under its national laws. As the nature of provisional relief that can be available varies from member state to member state, in the event that provisional relief is key to a claimant, this may impact the

## Selection of competent court for a CTM action

Issue to consider	How to choose?
Obtain pan-European relief	Apply the domicile rule
Obtain provisional relief	Selection should be based on which court is likely to grant the type of provisional relief needed
Location of infringing activities is key to relief sought in a particular member state	Apply the location rule
Existence of problematic prior national rights	Choose a court where those national rights cannot be used to attack the CTM

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selection of the court before which proceedings will be filed. As an exception to the general rules on jurisdiction, an application for provisional relief may be made before any national court if the laws of the relevant member state provide for these measures, even if under the Regulation such court would not have jurisdiction to entertain the case at trial.

### **Invalidity and national rights**

A Community Trademark Court will hear proceedings for revocation of a CTM when filed as a counterclaim to an action for infringement. Direct revocation proceedings must be filed with OHIM. Revocation may be sought on the grounds set forth by the Regulation, the most important one being the existence of a prior national right. A prior existing right will include any mark registered or applied in any member state before the filing of a CTM as well as unregistered marks used prior to the filing of the CTM. Attacks on CTMs based on unregistered marks are complex as if the reputation attaching to the unregistered mark is of “mere local significance”, the CTM will not be invalid but will co-exist with the unregistered rights. In the only case yet decided on the issue, the English High Court (*Compass Publishing BV v Compass Logistics Ltd*) held that a mark will be of mere local significance if the geographical spread of its reputation is restricted to substantially less than the whole of the European Union. This issue will be of particular importance in an expanding European Union as there is likely to be a myriad of rights for CTM owners to suddenly consider.

The existence of possibly problematic prior national rights should be carefully reviewed when considering proceedings for the infringement of a CTM if the owner of the CTM also has the benefit of equivalent national rights. Depending on the precise facts, the owner of both a CTM and a national right might be better foregoing an attempt at securing European-wide remedies through a CTM and obtaining a more limited national remedy if the CTM is vulnerable to challenge based on a prior adverse national right that cannot be otherwise used against the owner's national right.

# Biographies



**Kirkland & Ellis International LLP**

Tower 42, 25 Old Broad Street  
London EC2N 1HQ, UK

Tel: +44 (0)20 7816 8700

Fax: +44 (0)20 7816 8800

Associated offices:

Chicago, New York, Washington DC,  
San Francisco, Los Angeles

[www.kirkland.com](http://www.kirkland.com)

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**Pierre-André Dubois**

Partner, London

[pdubois@kirkland.com](mailto:pdubois@kirkland.com)

*Pierre-André Dubois is a partner with the firm and is in charge of its UK Intellectual Property Group. He obtained his LL.B. (Common and Civil Law) (First Class Honours) from University of Montreal in 1984. He is qualified as a solicitor in England and Wales as well as a barrister and solicitor in Canada. He is a Fellow of the Canadian Intellectual Property Institute and was for many years the Chairman of the Trade Mark Agents Qualification Board. His practice covers all aspects of intellectual property and information technology law. In the area of trademark law, he represents clients on litigation matters before the English courts, in opposition proceedings before the UK Patent Office and OHIM, and provides counselling on brand protection and licensing matters. He acts for large Fortune 250 companies as well as smaller UK and US based enterprises and start ups, operating in the IT, biotechnology, life sciences, financial services and consumer goods industries.*