

European Community Trademarks A New Opportunity for U.S. Companies?

United States companies seeking to market their products in Europe soon discover that obtaining a trademark for use with a product can be a complicated and expensive process. Unlike the U.S. where a single federal registration is effective in fifty states, obtaining trademark protection for a mark in the fifteen European Union (“EU”) countries¹ requires conducting fifteen searches, filing fifteen trademark applications, and maintaining fifteen registrations. The expense associated with obtaining so many registrations often deters a company from obtaining needed trademark protection. To avoid the expense, companies often elect to obtain registrations in 3-5 EU countries where the major markets exist and hope for good fortune to avoid counterfeiting or pirating of the mark and product in the minor markets. Until now, no plausible convenient and inexpensive alternative existed.

Beginning January 1, 1996, U.S. companies will have the option of filing an application for a European Community Trademark (“ECTM”) registration. Applications filed between January 1, 1996, and April 1, 1996, will have an effective filing date of April 1, 1996. Applications must be filed in the Office for Harmonization of the Internal Markets (“OHIM”) in Alicante, Spain. Applications can be filed by (1) nationals of EU countries, (2) nationals of countries that are members of the Paris Convention, (3) nationals of countries that afford nationals on EU countries reciprocal trademark protection, and (4) persons or companies domiciled or having a seat or commercial establishment within the EU or a country that is a party to the Paris Convention.² U.S. citizens and companies are eligible to file an application and obtain an ECTM registration because the U.S. is a member of the Paris Convention.

ECTM applications may be filed directly at the OHIM in Spain or at the national trademark office in applicant’s domicile country. If filed in the domicile country, the trademark office will forward the application to the OHIM within two weeks after filing.³ The trademark office may charge additional administrative fees for processing the application. Applications may be filed by the applicant or the applicant’s legal representative. However, corporate applicants cannot prosecute the application. Only those registered with the OHIM or those qualified to practice trademark law in an EU country can prosecute the application. Registration with the OHIM is limited to those qualified to prosecute trademark applications in an EU country, presumably including trademark agents.⁴

Although fees have not been conclusively determined, filing fees and registration fees are estimated to be \$2,000 to \$2,500 for an individual mark in up to three classes. This includes all fees associated with filing and registering the mark and any fees required by individual countries for searches associated with registering the mark, probably about \$40 per country. This is about two and one-half times the \$1,000 currently estimated for a single mark application in an individual EC country. This estimate does not include the costs for any trademark search and the costs for attorney fees associated with preparing, filing, and prosecution an application. Including those costs, the total cost should be about \$4,000 to \$5,000.

ECTM applications can be filed in any of the eleven official EU languages, Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, and Swedish. However, OHIM official languages are limited to English, French, German, Italian, and Spanish. When the application is filed in a non-OHIM official language, the applicant must indicate a second OHIM official language for future use when prosecuting the application.⁵ Third party oppositions and other proceedings must be filed in one of the OHIM official languages. If the third party chooses the same language as the OHIM language chosen by the applicant, further proceedings are conducted in that language. If the choices are different, the party will be required to produce, at its own expense, a translation into the application language or into the second language chosen by the applicant.

The ECTM application must contain (1) an identification of the applicant, (2) a list of goods or services for which registration is desired, (3) a drawing or representation of the trademark to be registered, (4) declaration claiming priority from a previous application, if applicable, and (5) the appropriate fee.⁶ Priority can be claimed based upon an application filed in a Paris Convention country within six months before the ECTM application filing date.

Similarly, a special type of priority referred to as “seniority” can be claimed based upon the existence of a trademark registration in an EU country. To claim seniority, the ECTM to be registered must be identical to the national EU trademark and the goods and services must be identical to or more limited than those to in the EU registration.⁷ This is, in effect, a method for expanding trademark rights in one or more EU countries into all EU countries as an ECTM.

The OHIM will examine the application for formalities of registrability, technical compliance with OHIM rules, and conflict with existing ECTM registrations. The OHIM will not search and

review existing EU country registrations. Registration will not be denied based upon existing ECTM registrations. The OHIM will notify the applicant of similar marks and give the applicant an opportunity to amend or withdraw the application or to comment on the cited similar registrations. The OHIM will subsequently publish the application for opposition.⁸ Assuming no successful opposition, a registration will issue covering all fifteen EC countries.

An ECTM registration is good for a period of ten years and can be renewed for like periods.⁹ The ECTM registration can be surrendered, revoked or declared invalid under appropriate circumstances.¹⁰

The loser in third party proceedings such as oppositions, cancellations, and the like must pay the costs for the winner, including attorney fees.¹¹ This rule favors filing ECTM applications for coined marks.¹² Filing for a mark similar to a competitor's mark may result in an opposition that requires applicant to pay the competitor's costs. Similarly, opposing other's application without a thorough review and strong opinion that confusion between the marks is likely may be costly. If the opposition is unsuccessful, the opposing party may have to pay the applicant's costs.

The new procedure will have advantages and disadvantages for U.S. companies. An applicant can reduce the costs associated with obtaining and maintaining multiple trademark registrations by filing one application and obtaining one registration good in fifteen EC countries. Instead of dealing with the administrative burden of fifteen applications and registrations, the applicant need only manage one application and registration. Similarly, for marks already registered in some EC countries, applicant can, over time, allow individual EC registrations to go abandoned and effectively become part of the ECTM registration. The extra costs for filing an ECTM application for a mark already registered will eventually be recovered by abandoning individual country registrations and saving administrative costs. This procedure will reduce renewal fees and administrative costs by reducing the size of the trademark portfolio. Also, applicant can renew the registration by showing use in only one EU country. This ability to protect the mark in all EU countries eliminates the need to maintain defensive registrations in countries where the mark is not used and reduces applicant's fear that third parties will challenge applicant's defensive registration for non-use and cancel the registration. This serves as a means of protecting the mark in EU countries where market expansion is contemplated.

In contrast, a registration in any EC country for a mark deemed similar to the mark in the ECTM application will prevent an ECTM registration.¹³ At least initially, it may be difficult to register marks over what will in effect be a search in fifteen countries. Applicant will have the option to convert the application to individual EC applications in countries where registration seems likely without loss of priority or seniority filing dates. Applicant will, in essence, have lost the costs associated with filing the ECTM application. For this reason, it is recommended that ECTM applications are best suited for “coined” marks. Once a registration is obtained, assignments of the mark must include all fifteen countries. Applicant will not be permitted to divide the registration into individual EC countries. The trademark owner can, however, grant exclusive or non-exclusive licenses to use the mark in individual countries.¹⁴ Problems should only arise when the business is divided and sold piecemeal in individual EC countries. Similarly, if the ECTM registration goes abandoned or is revoked for any reason, the registration is abandoned or revoked in all fifteen countries. Applicant may have the option of reinstating any individual EC country registrations that were abandoned in favor of the ECTM registration but the fees and procedures are uncertain.

The ECTM registration process provides U.S. companies with an attractive alternative to the current multiple trademark registration process. ECTM registrations will be less costly to obtain and maintain. Applicants should, however, approach the ECTM process cautiously since it is untried and unproved. Choosing between registrations in individual EC countries and an ECTM registration should involve consideration of the possible advantages and disadvantages. Applicant should consider using the new system for registering “coined” marks and expanding territorial protection for valuable or famous marks registered in individual EU countries.

¹ The fifteen EC countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

² Council Regulation (EC) no. 40/94, Article 5.

³ Council Regulation (EC) no. 40/94, Article 25.

⁴ Council Regulation (EC) no. 40/94, Article 88 and Article 89.

⁵ Council Regulation (EC) no. 40/94, Article 115.

⁶ Council Regulation (EC) no. 40/94, Article 26,

⁷ Council Regulation (EC) no. 40/94, Article 34 and Article 35.

⁸ Council Regulation (EC) no. 40/94, Article 42.

⁹ Council Regulation (EC) no. 40/94, Article 46 and Article 47.

¹⁰ Council Regulation (EC) no. 40/94, Article 49, Article 50, and Article 51.

¹¹ Council Regulation (EC) no. 40/94, Article 81.

¹² **Coined trademarks** are words, symbols or other devices which have not previously appeared in the dictionary and do not, therefore, convey any information about a product or its characteristics and functions. From a legal position, these are the most desirable marks. They are generally the easiest to register and protect and are often given a broad range of protection against infringement by others. Examples of such marks include KODAK for film, XEROX for photocopiers, and EXXON for gasoline.

Arbitrary trademarks are words, symbols or other devices having an existing meaning and are often common dictionary words. However, they are used on products that are not related to the word. They convey no information about the product or its characteristics and functions. Examples of such marks include APPLE for computers and CAMEL for cigarettes.

Suggestive trademarks are words, symbols or other devices that are not of themselves descriptive of the product or its characteristics and function, but are somewhat suggestive of qualities of the product or the product. A suggestive mark gives an impression from which the consumer can then somehow make a mental association with the quality of the product. These marks are often preferred by marketing personnel because they are deemed to enhance the products appeal to the consumer. Examples of such marks include STEER-OID for an animal growth promoter and ULTRATAGGER for a handtool for installing ear tags.

Descriptive trademarks are words, symbols or other devices that are merely descriptive of the products or of its qualities, characteristics or components. The term "descriptive trademark" is a misnomer since so called descriptive trademarks ordinarily cannot function as a trademark and will be refused registration. Examples of such marks include FLEA-KILLER for an insecticide for killing fleas and KAR-KLEAN for a detergent for washing cars.

¹³ Council Regulation (EC) no. 40/94, Article 8(2)(ii).

¹⁴ Council Regulation (EC) no. 40/94, Article 22 (A Community trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Community. A license may be exclusive or non-exclusive.)