

## Ownership and enforcement of Community Trade Marks for businesses not based in the European Union

Few trade mark practitioners would argue against the proposition that the most significant development in the protection and enforcement of trade marks within the European Union (EU) during the last twenty years was the creation of the pan European Union trademark right, the Community trade mark (CTM).

One of the most advantageous characteristics of the CTM is its enforceability throughout all 28 Member States of the European Union. It is therefore not surprising that the CTM system has, from its inception, attracted a significant number of non-EU applicants. According to the European Union Trade Marks and Designs Office (OHIM) Annual Report for 2012, three of the top ten applicant countries for the filing of Community trade marks before OHIM were from outside of the European Union; applicants from the USA, Japan and Switzerland being the most prolific filers.

Many non-EU based applicants will not actually have a domicile or an establishment within the European Union. This means they may well encounter challenges in enforcing their CTMs in a manner that would not otherwise be faced by EU based CTM owners. These challenges are however not insurmountable. With careful thought and planning, non-EU CTMs owners can enforce their rights just as effectively as EU based owners.

### Enforcement provisions under Community trade mark regulation: Where do I litigate?

The rules concerning infringement and validity of CTMs are set out in Articles 94 to 111 of Council Regulation (EC) No.207/2009 on the Community trade mark (CTMR), the legislative instrument upon which the CTM is based.

Article 94 CTMR stipulates that, unless otherwise specified, jurisdiction of proceedings relating to CTMs shall be determined by European Council Regulation No 44/2001 (Brussels Regulation). The Brussels Regulation essentially determines the

jurisdiction and enforcement of judgements throughout the European Union in civil and commercial matters.

Significantly however, the CTMR stipulates that the normal rule under the Brussels Regulation that non-nationals domiciled in an EU Member State are sued in, and according to, the rules in that Member State, does not apply in the case of CTMs; the rules of the CTMR apply instead. Notwithstanding, provided at least one party is domiciled in an EU Member State, the parties to a dispute concerning a CTM can decide amongst themselves that the court of another Member State shall have exclusive jurisdiction to determine the dispute concerning the CTM in question.

Notably, if a defendant enters an appearance before a Community trade mark court in an EU Member State which is different to that determined by the provisions of the CTMR, that court shall have jurisdiction. This means that if a defendant in a CTM infringement proceeding enters an appearance in the court where the plaintiff sues, the defendant will be regarded as having accepted the jurisdiction of that court; the exception being where the defendant enters an appearance to contest jurisdiction or where another court has exclusive jurisdiction under other provisions of the Brussels Regulation. An illustration of this would be if the plaintiff also sues the defendant for Passing off (a Common law tort applicable to only the United Kingdom and Ireland) as well as CTM infringement before an English court, then the English court will have jurisdiction to determine the CTM infringement claim if the defendant enters an appearance to contest the Passing off claim.

Article 94(2)(c) CTMR provides that the rules under the Brussels Regulation which are applicable to persons domiciled in an EU Member State shall also apply to persons who have an establishment, but not a domicile in that Member State. By way of illustration, this means that the rules of the Brussels Regulation will apply to a US corporation that has an establishment in an EU Member State, even it is not domiciled (see below for definition of 'domicile') in that State. The

#### Niall Tierney

Tierney IP  
17 Castle Street  
Dalkey  
Co Dublin  
Ireland  
T: +353 (0)87 380 7627  
E: niall@tierneyip.com



actual concept of 'establishment' itself is significant and is dealt with in further detail below.

### Community trade mark courts: jurisdiction of disputes

Article 95 CTMR requires each Member State of the European Union to designate courts and tribunals of first and second instance to effectively determine disputes concerning the infringement of CTMs. These special courts are effectively known as 'Community trade mark courts' and under Article 96 have exclusive jurisdiction to determine *inter-alia*:

- All infringement actions relating to CTMs;
- If permitted under the national law of the relevant EU Member State, actions in respect of threatened infringement relating to CTMs;
- Actions for declarations of non-infringement, if permitted under the national law of the relevant EU Member State;
- Counterclaims for revocation or for a declaration of invalidity of the CTM.

### Article 97 – the 'Cascade Rule'

The default position for the jurisdiction of actions and claims referred to under Article 96 CTMR is outlined in Article 97 CTMR and provides that proceedings referred to in Article 96 CTMR shall be brought in the courts of the Member State where the defendant is domiciled or, if he is not domiciled in any of the Member States, the courts in which he has an establishment.

(Continued on page 2)

(Continued from page 1)

If a defendant is neither domiciled nor has an establishment in any of the EU Member States, Article 97(2) CTMR stipulates that proceedings shall then be brought in the Member State in which the plaintiff is domiciled or, if he is not domiciled in any of the Member States, the courts in which he has an establishment.

If neither the defendant nor the plaintiff is domiciled nor has an establishment in any of the EU Member States, the proceedings must be brought in the Member State where OHIM has its domicile, i.e. Spain.

### The meaning of 'domicile'

The CTMR does not define 'domicile'. Therefore, it is necessary to look to Articles 59-60 of the Brussels Regulation. Article 59 of the Brussels Regulation stipulates that the court seized of a matter shall determine 'domicile' on the basis of its own national law. Further guidance is provided in Article 60 which stipulates that *inter-alia* a company or other legal person is domiciled at the place where it has:-

- statutory seat, or
- central administration, or
- principal place of business.

Insofar as the United Kingdom and Ireland are concerned, 'statutory seat' means a company's Registered Office or, where there is no registered office, the place of incorporation or, where there is no place of incorporation anywhere, the place under the law of which the formation took place.

### The meaning of 'establishment'

In cases where neither the plaintiff nor the defendant are domiciled in an EU Member State, the principle of 'establishment' plays a key role in determining jurisdiction for CTM infringement proceedings.

The CTMR does not define 'establishment', but there is a commonly held view that the meaning of 'establishment' should be left to national law to decide. As the CTM is based on a regulation of the European Union, I suggest 'establishment' is a term of European Union law and it is not for Member States to determine its meaning. This approach has already been adopted in the context of European Union Directives and Regulations.

In a case involving EU insolvency law, *Rockfon A/S v Specialarbejderforbundet, Case C-449/93*, the European Court of Justice ("ECJ"), as it then was, ruled that "establishment" is a term of [European Union] Community law which cannot be defined by reference to the laws of the Member States. It must be interpreted in an autonomous and uniform manner throughout the Member States.

Having regard to the ruling in *Rockfon*, it is necessary to look to the Brussels Regulation and related case law for guidance on the meaning of 'establishment' for the purposes of Article 97 CTMR. Article 5(5) of the Brussels Regulation provides that:

*A person domiciled in a Member State may, in another Member State, be sued as regards a dispute arising out of the operations of a branch, agency or other establishment, in the courts for the place in which the branch, agency or other establishment is situated.*

The meaning of 'establishment' in the context of Article 5(5) of the Brussels Convention (the predecessor of the Brussels Regulation) was considered by the ECJ in *Établissements Somafer SA v Saar-Ferngas AG, Case 33/78* where the Court ruled that:

*The concept of branch, agency or other establishment implies a place of business which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, does not have to deal directly with such parent body but may transact business at the place of business constituting the extension.*

In the later case of *SAR Schotte GmbH, Hermer v Parfums Rothschild SARL, Case 218/86*, the ECJ confirmed the approach in *Somafer/Saar Ferngas* by stating at paragraph 15 of its ruling:-

*In such a case, third parties doing business with the establishment acting as an extension of another company must be able to rely on the appearance thus created and regard that establishment as an establishment of the other company even if, from the point of view of company law, the two companies are independent of each other.*

By applying the above rulings, I suggest that

the concept of 'establishment' under Article 97 CTMR is intended to include EU based subsidiaries of a parent company located outside of the European Union.

Notably, the concept of 'independent legal personality' was irrelevant when determining whether a subsidiary was an establishment for the purposes of the Brussels Convention. The same must also be the case for the purposes of determining "establishment" under the CTMR.

On the basis of the *SAR Schotte* ruling, it would also appear that, for a finding of 'establishment' under Article 97, a parent must be based outside the European Union and the subsidiary within the European Union. It would therefore seem that if the parent is based within the European Union and the CTM owning subsidiary is outside of the European Union, a finding that the parent is an 'establishment' under Article 97 CTMR is unlikely. By way of illustration, a Liechtenstein CTM owning subsidiary of an EU based parent seeking to rely on the provisions of Article 97 may well not be able to claim that its European parent is an "establishment" within the meaning of the Article. I discuss below how this hurdle may nonetheless be circumvented.

### Applicable law in CTM disputes

Insofar as applicable law in a dispute concerning a CTM is concerned, the CTMR is clear. The court seized of the matter must apply the provisions of the CTMR in determining whether infringement has taken place or not. However the CTMR leaves it free to the relevant Community trade mark court to apply its own rules of procedure.

### Pan European sanctions

Article 102 CTMR stipulates that if a Community trade mark court finds that the defendant has infringed or threatened to infringe, the court shall, unless there are special provisions for not doing so, issue an order prohibiting the defendant from proceeding with acts which infringe or would infringe the Community trade mark.

Also, even if the Community trade mark court of another Member State has jurisdiction, a plaintiff is entitled to apply to the courts of another Member State for such provisional, including protective measures, as may be available under the national law of that Member State.

The provisions of Article 102 were considered in *DHL Express France SAS, formerly DHL International SA v Chronopost SA, Case C-235/09* where the European Court of Justice ruled that the scope of the prohibition against further infringement or threatened infringement of a Community trade mark, issued by a Community trade mark court whose jurisdiction is based on Articles 97(1) to (4) CTMR, extends, as a rule, to the entire area of the European Union. The Court further ruled that that a coercive measure, ordered by a Community trade mark court by application of its national law in order to ensure compliance with a prohibition against further infringement or threatened infringement which it has issued, has effect in Member States to which the territorial scope of such a prohibition extends other than the Member State of that court, under the conditions laid down in Chapter III of the Brussels Regulation.

The effect of the *DHL/Chronopost* ruling is that a Community trade mark court seized of infringement proceedings in one Member State can grant pan European Union injunctions to prevent further infringement in other Member States. This applies in all cases where the jurisdiction of the Community trade mark court is based on the domicile of the parties under Articles 97(1) to 97(5) CTMR.

A limitation of the *DHL/Chronopost* ruling is that a pan European injunction is only appropriate if the plaintiff can show that use of the offending sign will affect the functions of the plaintiff's trade mark. If, because of linguistic differences, the defendant's sign would not be considered visually, phonetically or conceptually similar to the plaintiff's CTM in a Member State not seized of the infringement proceedings, then it would be difficult to see how a pan European Union injunction could be justified. Notably, a plaintiff needs to satisfy the court of the Member State seized of the dispute that acts of infringement of the CTM have taken place in other EU Member States in order to have a reasonable chance of securing a pan EU protective relief.

Under Article 97(5), with the exception of an action for declaration of non-infringement of a CTM, infringement proceedings can be brought in the courts of the Member State where the acts or threatened acts of

infringement have occurred in that Member State. However, the court seized of proceedings only has jurisdiction in respect of acts occurring within its jurisdiction. By way of illustration, this would mean that a non-EU based plaintiff wishing to bring proceedings against a non-EU based defendant that infringed or threatened to infringe the plaintiff's CTM in the United Kingdom could bring proceedings before the designated Community trade mark court in the United Kingdom, but only in respect of infringement or threatened infringement in the United Kingdom. This is significant because it has a bearing on whether it would be possible for the plaintiff in such a situation to secure a pan EU relief contemplated by Article 102.

### **Solutions for an effective enforcement strategy**

While the CTMR jurisdiction rules for non EU based CTM owners may seem challenging, the following tips can mitigate the more cumbersome aspects of the rules.

While not diminishing factors such as tax and ease of incorporation, basing all your CTMs in a company domiciled in a European Union Member State can make it easier to litigate in a more favourable jurisdiction. In cases where a defendant has neither EU domicile nor an establishment, a CTM EU based plaintiff can at least rely on the provisions of Article 97.

It is suggested that the following should be considered in deciding where to locate your CTM holding company:

- A CTM owning subsidiary should be based in a jurisdiction that has a similar legal system to that where the parent is based;
- The availability and efficiency of an IP friendly legal system;
- The availability of IP friendly provisional and protective measures. For example, some countries such as France do not allow for Declarations of Non-Infringement.
- Tax: Some European Union Member States offer very significant tax advantages to companies that own and manage IP rights. Notable examples are Ireland, Luxembourg and the Netherlands.
- Is the country where CTMs will ultimately be held a member of the Madrid Protocol system? If not, any infringement proceedings brought by

a non EU based owner of a Madrid registration based on CTM may be challenged on the basis of non-entitlement under the filing rules of the Protocol. CTM owners cannot base a Madrid Protocol registration on a CTM if such owners are not domiciled nor have an establishment with the European Union.

- For CTM owning companies based outside the European Union, it is suggested that they grant their EU based parent licensees the right to pursue all infringement proceedings. This will ensure that at least the provisions of Article 97 can be invoked.
- CTM holding companies that are neither domiciled nor have an establishment within the European Union should always try and agree jurisdiction if the defendant is EU domiciled.

### **Summary**

The rules governing enforcement of CTMs for non-EU based CTM owners may seem complex and difficult to comprehend. However, with careful planning and by seeking strategic advice, the most challenging of the jurisdictional issues and rules governing enforcement of CTMs can be overcome. With 20 years experience and an in-depth understanding of the CTM, Tierney IP is best placed to advise non EU based CTM owners on how best to own and enforce their valuable rights.

**Niall Tierney is dual qualified English and Irish lawyer and has over 20 years experience of Soft IP law gained in-house and private practice in Ireland, Switzerland and the United Kingdom.**

**Niall has extensive experience of advising and acting for clients of all sizes, across a spectrum of sectors from food and fashion to information technology, pharmaceuticals and media.**

**Niall is the owner and manager of TierneyIP, a Soft IP consultancy practice based in Dublin, Ireland.**

This article is purely academic in its scope and does not purport to offer legal advice and should not be treated as doing so.