SPECIAL FOCUS ON DORMANT TRADE MARKS

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In contrast to American law, it is a fundamental trait of European trade mark law that trade marks can be registered without actual use, and are only liable to revocation if no genuine use is made after the lapse of 5 years following registration. If not challenged, unused marks will typically remain in the register until the end of the registration period, and they may be renewed without difficulty. (1.34 of the Study (page 53))

Currently, when availability searches reveal potentially conflicting marks, costly inquiries need to be made into whether these marks are actually used for the goods or services for which they are registered, and these inquiries are often inconclusive, thus leaving potential risks for new applicants. (2.94 of the Study (page 86))

Therefore it rather complicated questions for the newcomers, whether quite old trade marks revealed at the search, which doubtfully are used in respective territory may pose any danger to the lately filed trade mark.

My presentation will cover the following topics:

- Dormant trade marks – what are they?
- Problem at stake
- Right to attack
- Tools for defense
- Expected changes in legislation

DORMANT TRADE MARKS

Dormant trade marks are trade marks that were unused and hence unenforceable at the time that conflicting junior marks came into existence, but were later revived and asserted to have priority.

So, dormant trade marks. What are they? Are they sleeping beauty? Or they are beasts which make you nervous and may steal everything from you at the end of the day?

PROBLEM AT STAKE

Let's imagine the following situation. After in-depth trade mark search the company A chose a trade mark for the goods which to be marketed throughout the European Union. In 2008 the company A filed an application for the Community trade mark (CTM) and several national trade mark applications in EU Member states (all together “trade marks A”).

The previously made trade mark searches revealed that there are several identical and/or confusingly similar trade marks registered for the similar goods/services at the national and EU level. But all of them are registered more than five years ago and seem not to be used for more than five year period.
Moreover noting that invalidation of such earlier unused trade marks request initiating several separate actions before OHIM, national Patent Offices or Courts of the Member states and is cost and time consuming, the company A decided not to clean up the register. Thus the company A relies on the idea that those earlier marks would not cause any serious risk to its junior trade marks A.

The trade marks of the company A were registered without any oppositions by third parties. In 2009 the company A launched the products under its registered trade mark using and promoting the trade mark A in a number of EU countries and built up certain equity for its trade mark.

Suddenly at the end of 2010 the company A received a warning letter from the company B, the owner of an earlier CTM requesting to:

- surrender all its CTM and national registrations;
- cease the use of the mark in the entire EU

So much the worse, the buildup equity of the trade mark of the company A can be threat as a competitor, the company B has revived the use of the formerly dormant trade mark revealed in the search conducted in 2008. And now a similar trade mark for similar goods is traded in the same markets.

The owner of the trade mark A became nervous and started questioning his attorney.

- Do the company B have the rights to request this?
- What about the validity of my trade marks? Will I lose all my trade mark registrations?
- Shall I cease the use of my trade marks in one or several jurisdictions?
- Could and should I have done something at the earlier stage?
- Should I bring an actions against all of previously revealed similar trade marks?
- How can I escape from all these requests and save my buildup equity of my trade mark?

The answers to the trade mark A owner’s questions will consider all possible conflict situations, namely:

- an earlier CTM versus a junior v CTM
- an earlier CTM versus a junior national mark
- an earlier National mark versus a junior CTM
- an earlier National mark versus a junior national mark

**RIGHTS TO ATTACK**

Legislative framework for use requirements in European Community consists of the provisions of (1) the Trade mark Directive as implemented in the national law of the Member States


and
(2) Council Regulation on the Community trade mark


Community legislation on trade marks establishes an “obligation” for the owner of a registered trade mark to use that mark in a genuine manner. The obligation of use is not applicable immediately after registration of the earlier mark. Instead, the owner of a registered mark has so-called “grace period” of five years during which it is not necessary to demonstrate the use of the mark in order to rely upon it – including in opposition proceedings before the Office. After this grace period, the owner may be required to demonstrate the use of the earlier mark on the relevant goods and services. Before this period elapses, the mere formal registration gives the mark its full protection.

The reason behind the requirement that earlier marks can be required to demonstrate that they have been put to genuine use is to restrict the number of trade marks registered and protected and, consequently, the number of conflicts between them. This interpretation is supported by the eighth recital in the preamble to Directive 89/104, which explicitly refers to that objective (judgment of 12/03/2003, T-174/01, ‘Silk Cocoon’, para. 38).

If genuine use is started or resumed after the five-years grace period, and it is done not less than three months before the end of grace period and before any revocation action has been brought, the mark is safe from revocation again for the next five-year period.

Thus in our case, at the end of 2010, when the trade mark A has been attacked the trade mark B is secure from revocation action due to non-use.

Meanwhile the question is still remains unanswered. Whether the trade mark B, which was formerly non-used, but now revived its use, may be enforced against the trade mark A and be the basis for invalidity or infringement proceedings against a junior trade mark that was published at the time when the earlier trade mark B could not have been enforced against it.

INVALIDATION OF JUNIOR COMMUNITY TRADE MARK

Article 57.2, and 57.3. of the CTMR contains clear provisions about the right to contest the validity of a junior CTM (situation 1 and 3) based on formerly non-used mark rights. The junior CTM is safe from the invalidation claim based on an earlier, formerly non-used mark (CTM or national) if this earlier trade mark could not be enforced at the time when junior CTM was published. So the applicant for invalidity must be prepared to prove compliance with so-called double use requirement.

INVALIDATION OF JUNIOR NATIONAL TRADE MARK

Article 11 of the Directive only addresses the situations when an earlier mark that does not satisfy the use requirement is invoked in proceedings against a junior mark (i.e. currently non-used trade marks). The situation when the earlier mark did not satisfy the use requirement on the date of publication of the junior mark is not addressed in the Directive.

Majority of the EU member states adopt the laws, which are in line with the Trade mark Directive, but not going beyond the compulsory rules or its advisory provisions. Thus the majority of national trade marks are not safe from the invalidation actions based on the trade marks, which are not used at the time when junior marks were filed, if the use of the earlier trade mark is resumed.
Nevertheless as the Member States have the power to adopt the laws containing provisions beyond the compulsory rules of Directive, the analysis of the national laws of some member states revealed some diversification regarding the question of enforcing of formerly non-used trade marks.

The national legislation of Germany and Benelux countries expresses provisions for dormant marks.

**Germany**

The German Trade mark Act expressly addresses the issue of dormant marks, providing rules relating to both validity and use of the junior mark. According to Sections 51.4 and 55.3 of the German Trade mark Act the owner of a trade mark that was not enforceable at the date of publication of the registration of a junior German trade mark cannot rely on the formerly dormant mark to have the junior mark declared invalid. (V.von Bomhard “Dormant Trade marks in the EU - Swords of Damocles?”, 2006)

**Benelux**

The Uniform Benelux Trade marks Act contains the similar provisions as the German Trade mark Act. Article 14 c.2 of the Uniform Benelux Trade mark Act states that the owner of earlier trade marks cannot invoke it against the validity or use of a junior mark that was filed at a time when the earlier mark could not have been revoked due to non-use. (V.von Bomhard “Dormant Trade marks in the EU - Swords of Damocles?”, 2006)

**INFRINGEMENT PROCEEDINGS.**

No articles in the CTMR specifically protect junior Community trade marks from infringement actions based on earlier, formerly non-used, marks.

Article 11.3. of the Trade mark Directive (permit but) does not require Member States to allow a plea of non-use as defense in infringement proceedings. It stipulates that where a counter-claim for revocation is made, any Member State may provide that a trade mark may not be successfully invoked in infringement proceedings if it is established as a result of a plea that the trade mark could be revoked pursuant to Article 12 (1) (grounds for revocation).

The Trade mark Directive does not contain special provisions when infringement action is based on a formerly dormant trade mark. Majority of EU member state have implemented this rule in their national laws and their laws are silent about the enforcement of formerly non-used trade marks.

However likewise in invalidation action the junior national trade marks of Germany and Benelux countries may feel safe from the infringement actions based on formerly non-used trade marks.

Section 22. of the German Trade mark act stipulates that the proprietor of a trade mark shall not be entitled to prohibit the use of a registered trade mark with younger seniority for the goods or services for which it has been registered if an application for cancellation of the registration of the trade mark with younger seniority has been rejected or would have to be refused because the registration of the trade mark with older seniority could have been cancelled because of revocation or because of absolute obstacles to protection on the date of the publication of the registration of the trade mark with younger seniority (section 51 subs. 4).
The idea behind this is that a trade mark that was safe from invalidation should also be safe from infringement claims.

However, it is important to emphasize that, as far as infringement proceedings are concerned, it only applies to earlier German trade marks. Section 125b of the German Trade mark act, which sets out which provisions of the German Trade mark act apply also to CTM, does refer to Section 55.3 of German trade mark act (the equivalent of Article 56.2, 3 CTMR) thereby excluding a declaration of validity of a junior German mark on account of formerly dormant CTM. (V.von Bomhard “Dormant Trade marks in the EU - Swords of Damocles?”, 2006)

Benelux

The same article is applicable in infringement cases as in invalidation cases (Article 14 c.2 of the Uniform Benelux Trade mark Act). Thus owners of the formerly dormant trade mark have no rights to request caesura of use of junior national trade marks of Benelux. It is significant that both German and Benelux national laws protect only their national trade marks from infringement actions based on formerly non-used trade mark.

DEFENSE OF JUNIOR TRADE MARK

The logical concern of a junior trade mark is whether there are any ways how to protect the trade mark registrations from invalidation actions, as well as willingness to continue the use of its trade marks.

TOOLS FOR DEFENSE

Proprietors of later marks as well as alleged infringers may raise further defenses, such as earlier rights, nonuse and acquiescence.

(1) As regards CTMs, the defense of “earlier right” of the alleged infringer is provided for in Article 99 (3) CTMR, where the condition is that the allegedly infringed CTM is subject to invalidation on account of an earlier right of the defendant.

As regards national trade mark, the defense if “earlier rights” of the alleged infringer is provided for in Article 6 (2) of the Trade mark Directive.

(2) As regards CTMs, the defense of non-use is available in invalidation proceedings (Articles 42 CTMR), and in infringement proceedings (Article 99 (3) CTMR). As regards national trade marks, the defense of non-use is mandatory defense only to invalidation proceedings (Article 11 (1) TMD) and as optional provisions in infringement proceedings (Article 11 (3) TMD).

(3) Acquiescence as defense to an invalidity and infringement actions is provided for in Article 54 CTMR and Article 9 (1) TMD.

ACQUIESCENCE

Both the Trade mark Directive (Article 9(1)) and the Community Trade mark Regulation (Article 54) contain similar rules for acquiescence.
Where the proprietor of an earlier CTM or national trade mark has acquiesced for a period of five successive years in the use of the CTM or national trade mark, while being aware of the use, the CTM or national trade mark is not liable to be declared invalid. The onus is on the proprietor of the contested CTM to show that:

- The CTM has been in use in the Community during a period of at least five successive years
- The proprietor of the earlier mark has been aware of this or could reasonably be presumed to be aware and
- The proprietor of the earlier mark has taken no action to prevent the use.

All three conditions must be fulfilled.

An example of when the proprietor could reasonably be presumed to be aware of the use of the contested CTM is where both proprietors have exhibited goods or services under the respective marks at the same event.

BAD FAITH

Neither the CTMR nor the TMD contain the definition of bad faith. There is also no case law by the ECJ or the General Court on the question whether the absence of the intent to use or any other circumstance surrounding the use requirement could in general amount to “bad faith”. However, the ECJ has held in Case C-529/07 – Lindt&Sprüngli AG/Hauswirth that an application may be in bad faith “when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market” (para 44).

OHIM Guidelines provide that re-filing an unused mark and thus seeking to obtain a new “grace period” constitutes bad faith.

(2.88., 2.89 of the Study (page 84))

WHEN TO ACT

- Act before filing

As mentioned above the owner of the junior CTM and owner of the junior national trade marks of Germany and Benelux countries may feel secure from invalidation actions. But only the junior national trade mark of Germany and Benelux countries may feel secure from infringement actions. The owners of the other new trade marks should be very attentive when such dormant trade marks are revealed it the conducted searches. The best advice would be to revoke the unused trade marks in good time, while such non-use persists.

- Act after filing

The other option is to act when conflict is already raised. The owner of the formerly dormant mark might be considered to be acting in bad faith when “reviving” the purely formal right by putting it to use and then invoking it against the junior trade mark. However, relying on bad faith arguments is rather dangerous, because collecting and compiling of evidence of the unfair intention is not an easy task. Moreover, rather small amount of case law does not allow to surely foresee success in the litigation.
As regards the concerns of the company A about the decrease of the buildup equity of its trade marks, because the similar trade mark for similar goods is traded in the same markets, there is no other treatment than the invalidation of the earlier trade mark rights.

However, Section 21 subs.2 of the German Trade mark Act stipulates that in cases when the proprietor of a trade mark requests to prohibit the use of a registered trade mark with younger seniority, the proprietor of the registered trade mark with younger seniority may not prohibit the use of the trade mark or of the commercial designation with older seniority.

BRIGHT FUTURE

The problems arising due to enforcement of formerly non-used trade marks was mentioned in the Max Planck Institute Study on the Overall Functioning of the European Trade Mark System and some suggestions were given. Thus it makes us believe that in the nearest future some amendments might be included in the new package of EU legislation, which is expected to be delivered in September this year.

Issues and proposed solutions

(1) Earlier rights

As regards earlier rights, it is proposed to provide in Article 9 CTMR and Article 5 TMD that claims for infringement are not available against proprietors of earlier rights. This corresponds to the general principle of priority governing IP law. The same principle is expressed in Article 16 (1) 3rd sentence of the TRIPS Agreement. The defense based on the earlier right of the defendant, as currently provided for in Article 99 (3) CTMR, is in line with this principle.

(2) Non-use, intervening rights

As regards non-use, the proprietors of later CTMs are “safe” from refusal or invalidation on the basis of earlier CTMs and national trade marks when these trade marks have not been used, as provided for in Articles 42 and 57 CTMR.

The proprietors of later national trade marks need to be given the same “safety” in the Directive. While non-use is already defense to cancellation (Article 11 (1) TMD), the defense of non-use should also be mandatory in opposition proceedings. This requires Article 11 (2) TMD to become a mandatory provision.

Alleged infringers, including proprietors of later trade marks (whether Community or national trade marks) are provided only with the defense of non-use under Article 99 (3) CTMR, which requires that the allegedly infringed CTM is subject to revocation at the time the infringement action is brought.

No provision is made for protecting proprietors of “intervening rights”, i.e. of later trade marks, which cannot be declared invalid pursuant to Article 57 CTMR. It appears necessary to protect these proprietors not only from invalidation but also from being found liable for infringement, regardless of whether the infringement action is brought on the basis of an earlier CTM or national mark. Therefore, the defense of an “intervening right” as well as the defense of non-use to an infringement action should be provided for both in the CTMR and in the TMD.
DECLARATION OF USE

The Study also considered the introduction of a declaration of use, which would clearly be effective in reducing the number of registered trade marks which are not actually used. However, no reliable statistics is available showing the number of trade marks, which remain unused after the initial five-year grace period.

Furthermore, such a declaration, which currently is required only in very few countries, and in none of the Member States of the European Union, would increase the burden on trade mark proprietors as well as on the trade mark offices.

The introduction of such use declaration should remain an “ultima ratio” option if the number of unused trade marks remaining in the registers would create serious problems.

CONCLUSIONS

As far as the European Trade mark registers do not follow up whether trade marks presented in the respectful register are used or not. This task lays on the neck of interested persons. While some may advise to the newcomers to rely on a happy occasion that conflicts will not arise; however, it would be the best advice to clean up the register from unused trade marks, while it is possible.

Of course, revocation actions may be costly and time consuming; meanwhile they are certainly less expensive and risky than subsequent invalidation and infringement actions against one's junior trade mark.