



A QUESTION OF FORM OR SUBSTANCE?

When a trade mark registration is challenged for non-use, both UK law and the Community Trade Mark Regulation require that the proprietor must show "genuine" use in the relevant period, or give proper reasons for non-use. The question of what is considered "genuine" in this context has given the UK Registry, the UK Courts and the ECJ plenty to think about in the past few years. One of the long-running cases on this point (involving the trade mark LABORATOIRE DE LA MER) has been heard successively at the UK Trade Mark Registry, in the UK High Court, on referral to the ECJ, then again in the UK High Court and finally in the UK Court of Appeal.

The latest Court of Appeal decision issued on 29 July 2005, and is welcome since it establishes, finally, some clear guidelines for both registered proprietors and parties considering applications for revocation [Reported at [2005] EWCA Civ 978 – Laboratoires Goemar SA and La Mer Technology Inc.]

The case centred on an application to revoke Goemar's registration for the trade mark LABORATOIRE DE LA MER in the UK; this covered "perfumes and cosmetics containing marine products" in class 3. The applicant for revocation, La Mer Technology, Inc., had registered a number of UK marks using "DE LA MER" and presumably wished to extend its monopoly.

Goemar specialise in production of cosmetic and beauty products containing seaweed extracts and are based in St. Malo, France. In order to sell their

goods in the UK, they appointed an unconnected company, Health Scope Direct Limited, based in Scotland as their UK representative. Between November 1996 and May 1997, they supplied the UK distributor with goods having a total sales value of £800, comprising five separate deliveries. By October 1997, Health Scope Direct had ceased trading and was struck off the Register of Companies. There was no evidence in the case that any of the trade marked goods had ever been sold by Health Scope to end consumers, nor indeed advertised or published as available for purchase.

Despite this, at the initial Hearing before the Registrar of Trade Marks, the application for revocation was dismissed on the ground that the use evidenced by the five sales was real (i.e. not token) and enough to amount to genuine use of the registered mark in the relevant non-use period. An appeal by La Mer led the High Court to refer a number of questions for interpretation to the ECJ under Article 234 of the EEC Treaty. In January 2004 the ECJ gave its decision on the reference by the High Court in a reasoned Order under its rules and procedures rather than a full judgement.

The ECJ held that the answers to the questions raised could be clearly deduced from its earlier judgement in the case of Ansul B.V. vs Ajax – another case concerning genuine use concerning the trade mark MINIMAX [see D. Young Trade Mark Group Newsletter article – March 2003]. They referred the matter back to the UK Courts for reconsideration on that basis.

Mr Justice Jacob, who had been the original High Court Judge, initially indicated that if the case had been left for him to decide he would have seen it as a case of genuine use and would have dismissed the appeal by La Mer. As it was, by the time of the re-Hearing, Jacob J had been elevated to the Court of Appeal so the re-Hearing in the High Court following the ECJ Order was before another judge, Blackburne J.

He concluded that there had been no genuine use of the mark by Goemar in the United Kingdom during the relevant five

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year period. In short, he held that "genuine use" is required to come to the attention of end users and consumers. The act of importation by an independent importer did not in itself amount to genuine use, which the Judge thought should be "sufficient to preserve or create a market share for the goods" in the United Kingdom. This implied that a quantitative assessment of the extent of use was a highly relevant factor.

Goemar appealed (again) to the Court of Appeal who reconsidered the guidelines from the ECJ in the MINIMAX case and the reasoned Order from the ECJ following the High Court referral in this case. The lead judgment, by Lord Justice Mummery, distilled two principal guidelines from the ECJ decisions, as follows:

- i) Genuine use means actual use of the mark and is not merely token use, serving solely to preserve the rights conferred by the mark.
- ii) MINIMAX also confirmed that use of a mark in some cases may be sufficient to establish genuine use even if that use is not quantitatively significant.

This analysis was to prove influential in terms of the Court of Appeal's final judgement in the present case.

The main points of contention before the Court of Appeal were whether consumers or end users were required to have contact with the mark and if Blackburne J was correct in his assertion that the creation of a market share was important. The MINIMAX case had distinguished between use of a mark in order to create or preserve a market outlet as distinct from use for the purpose of maintaining the rights in the mark. Goemar's submission before the Court of Appeal was that sales to Health Scope Direct had been designed to create such an outlet.

The Court of Appeal held that the effect of Blackburne J's decision was to erect a quantitative and qualitative test for market use and creating market share which was not set by the ECJ in its rulings. In this case, the use was real, though modest, and did not cease to be real and genuine because the extinction of the importer as a single customer prevented the planned onward sales to consumers and end users. The Judges held that although use of the mark LABORATOIRE DE LA MER could be said to be close to exiguous (sparse or slender) they did not believe that it could be characterised as de minimis. The Court felt that on the evidence seen there was nothing to suggest that use of the mark, slight as it was, amounted to token use.

Whilst it confirmed that internal use would not be "genuine", the Court held that the sales by Goemar to Health Scope Direct and importation of the products

into the United Kingdom were events external to Goemar. Moreover, the Court felt that importation by a single importer can be sufficient to demonstrate that such use is genuine.

The Court of Appeal's very liberal interpretation of the ECJ judgement in the case of MINIMAX may surprise a number of people. £800 worth of sales in a six month period to a single company for a category of product (cosmetics) where most manufacturers would expect substantially higher levels of turnover during any five year period might, to some, be regarded not just as de minimis, but effectively no trade at all.

The conclusions to be drawn from LA MER are that for the registered proprietor of a trade mark who seeks to defend an application for revocation on the grounds of non-use, not only is it necessary to establish that there has been genuine use but that this must be evidenced in a form which is unequivocal and can be readily understood by the tribunal considering the case. They will always need confirmation that it does not amount to mere token use for the purposes of maintaining the registration in question. The amount of use (in terms of quantity or quality) is however unlikely to be conclusive with regard to the question of genuine use.

Moreover, following the Court of Appeal decision, the hurdle of showing genuine use for a registered proprietor would now seem to be a relatively low one, such that if actual use does exist the onus on the registered proprietor to establish this is "genuine" should be relatively easy to achieve.

REGISTRATION OF SLOGANS AT OHIM – IS IT POSSIBLE?

The criterion for determining whether or not a slogan functions as a trade mark uses the same tests as those used to assess the registrability of word marks. A slogan should not be subject to any stricter examination, in theory.

This point of principle was upheld by the ECJ in "Das Prinzip Der Bequemlichkeit" ["The Principle of Comfort"] C- 64/02 P 2004. Despite this, it would appear that where slogan marks are applied for at OHIM, they are very likely to be objected to on the basis that they are either descriptive of the goods or services and/or they are devoid of distinctive character. The latter point may result from the descriptive nature of the slogan, or may be a stand alone objection, little rationale or explanation for which is provided by the OHIM Examiner.

Current practice before OHIM still starts from the premise that slogans are registrable as trade marks. However, it now seems they must pass three tests:

- 1) They have the capacity to individualise/distinguish the goods or services of one undertaking;
- 2) They do not consist of signs or indications which directly describe the goods or services or their essential characteristics;
- 3) No other reason exists which renders the slogan devoid of distinctive character.

Slogans that consist solely of plain descriptive language, purely promotional statements, common descriptive phrases, customer service and value statements and inspirational and motivational statements, will not be registrable.

Moreover, where it is alleged by OHIM that the mark may be used by third parties in connection with their own goods and services, and that therefore the slogan does not serve to perform an identifying function, it would appear that OHIM do not have to positively establish that this is in fact the case. Further, submitting materials showing that third parties are not using the slogan will not necessarily be persuasive with OHIM, because the assessment would appear to be merely that the slogan is capable of being so used.

Recently, the Court of First Instance rejected registration of the slogan mark LIVE RICHLI in a decision issuing on the 15 September 2005 in Case T-320/03 Citicorp v. OHIM. The mark was applied for in respect of a range of financial services in Class 36. The court found that LIVE RICHLI would not be viewed by the relevant public as a trade mark. It considered that the average consumer is not very attentive, and if the sign does not immediately indicate to him the origin of the designated goods or services, but just gives him purely promotional, abstract information, he will not take the time either to enquire into the sign's various possible functions or mentally register it as a trade mark.

In this instance, the OHIM Examiner had been unable to show any third party or generic use of LIVE RICHLI, that might indicate that it was a common promotional statement. However, the Court of First Instance stated that the lack of evidence of "promotional" use of the mark by third parties did not automatically indicate that the slogan functions as an indicator of commercial origin for the goods or services in question. It was still necessary to consider the slogan in connection with the goods and services, and determine

whether or not it is capable of being used in a descriptive or promotional context.

The applicant was also able to point to registration of the mark LIVE RICHLI in non-EU countries. However, the decision reiterates that the Community trade mark regime is an autonomous system and the legality of the Board of Appeal's decisions must be assessed solely on the basis of the CTM Regulation, as interpreted by the Community judicature and not on the basis of previous practice before OHIM itself, or other countries.

Bearing in mind that the mark LIVE RICHLI was also registered in several "common-law" countries including the Commonwealth of Australia and the United States of America, it would appear that the threshold at which slogan marks are deemed distinctive, is set significantly higher at OHIM, than before the Trade Mark Registries of other countries, even those where English is the official language.

The refusal to take account of precedent slogan marks would seem to be a common theme, and has been stated by the Board of Appeal in a number of decisions. For example, the mark FUELING BRAND POWER (Case R62/2005-1), applied for in connection with a range of services in Classes 35, 41 and 42 has also been deemed unregistrable. In that case, OHIM were only able to provide examples of third party use of the words "FUELING" and "BRAND POWER", separately. Further the mark was registered in Canada, and no distinctiveness objection had been raised in the United States (where the mark was still pending).

The above case law suggests that slogan marks which are in themselves arbitrary when applied to the goods and services for which registration is sought, are still likely to be deemed unregistrable, unless they possess an additional element of imaginativity or creativity. OHIM seem to consider such slogans as automatically devoid of distinctive character on the basis of their highly subjective assessment of the public's perception of them.

If this is so, then registrable slogans require a highly distinctive character, over and above what would normally be required by a word mark, in order to achieve registration. This is clearly in direct conflict with the ECJ's statements in the key decision relating to "The Principle of Comfort". Notwithstanding, in the absence of evidence showing that the mark has in fact acquired a distinctive character because the public have been educated to view it as a trade mark, candidate marks which are slogans are likely to continue to encounter difficulty at OHIM.



COMMUNITY TRADE MARK - IMPORTANT AMENDMENTS TO OPPOSITION PROCEDURE

Commission Regulation (EC) No. 1041/2005 is now in force. It has amended the Implementing Regulation which sets out the rules and procedure under which the Community Trade Mark system operates. Some of its main changes relate to the CTM Opposition procedure.

Although the basic features and procedural steps of the CTM Opposition procedure remain unaltered a number of important changes/clarifications have been made, as follows:



The Opposition Division now sends a copy of the Notice of Opposition to the applicant before it has completed its admissibility checks on the Opposition. No procedural deadlines are set at this point and so there is always a possibility that the Opposition will be deemed inadmissible on technical/procedural points. However, early transmission of the Notice of Opposition should give applicants advance notice of possible grounds of opposition.

Once the Notice of Opposition has been checked and found to be admissible the Office will write again to the parties and set the procedural deadlines.



The formal procedural stages remain as before i.e. two month "cooling off" period (for possible settlement discussions) followed by two month period for opponent's evidence/arguments and thereafter two months for applicants' response. These deadlines may be extended (see below).



An important change to note is that the "cooling off" period is now limited to a maximum duration of 24 months. Requests for extensions beyond that will be refused. The Office is already refusing requests to extend the "cooling off" period where the period is already beyond 24 months or the request would take the period beyond 24 months.

In some cases the Opposition Division will agree (as an alternative) to a joint request by the parties for a suspension of the proceedings in circumstances where the "cooling off" period is beyond the 24 months limit. However, it remains to be seen whether this practice will continue or whether suspension requests will become more difficult in future.



Stricter time limits now apply generally in opposition matters and the new rules make it clear that the Office will disregard all facts and evidence filed after expiry of the time limit involved. Some oppositions are therefore likely to be rejected at an early stage if supporting documents are not filed within the set time frame.



It is important to note that if the applicant intends to require that the opponent "prove use" of the mark(s) upon which the Opposition is based, that request must now be made within the term set for the applicant to file its response. This differs from previous practice where the Office would entertain such a request so long as it was made at some time during the opposition proceedings, sometimes even after the formal procedural stages had run their course.



It should also be noted the time limits for filing translations (where documents are filed in a language other than the language of the proceedings) have been reinforced. An Opposition which is not filed in the first or second language of the application must be translated into the correct language within one month of the opposition deadline and this deadline will not be extended. Moreover, documents filed in the course of proceedings which are not in the language of the Opposition e.g. supporting copies of registration certificates, must be translated and filed within the time limits applicable for filing of the originals.

Overall, the basic features and procedural steps of the CTM Opposition procedure remain unaltered. However, parties and their advisers are now working in a stricter environment so far as time limits are concerned - and in particular these changes are likely to impact upon the large number of CTM Opposition cases in relation to which there has been no progress from some time due to ongoing joint requests by the parties for "cooling off" extensions.

Even if both parties are prepared to agree on a suspension of the case while settlement negotiations continue, in some cases OHIM may not accept this as a viable reason for suspension, thus forcing the parties into the formal opposition stages.



KNOW YOUR RIGHTS!

THE IMPORTANCE OF TRADE MARK AUDITS AND EFFECTIVE DUE DILIGENCE IN TRADE MARK ASPECTS OF CORPORATE TRANSACTIONS

In these days of intense competition, it is easy for the Management team – who have increasing demands on their time – to overlook the protection and maintenance of some key business assets: their brands.

A periodic audit of the trade marks owned and used by your business will give you the information required to ensure you maximise the benefit you obtain from your trade mark budget.

Maintaining registrations for marks that are no longer of interest may be a waste of resources – and a trademark audit could lead to substantial cost reductions in this area. However, it is much more of an issue to find that the rights you thought you had do not extend to your current activities... particularly when you wish to enforce those rights against a third party.

The recommended timing and frequency of a trade mark audit will depend on the nature of the business. Clients with multiple ranges, frequent new product launches and/or expanding international interests, would be advised to have more regular “check-ups” than those dedicated to a single activity in a particular country. Where the trade marks are key to the overall value of the company and feature on the balance sheet an audit will be needed every year.

In conducting a trade mark audit, clear communication is vital to identify your current activities and future plans. With this information we can provide you with a meaningful report highlighting any perceived gaps and excesses in protection, together with a proposal for a strategy going forward.

If you are contemplating a corporate transaction, a thorough understanding of the trade mark assets you own is likely to result in a significant boost to the value of the business. This assists in preparing a direct valuation of the full portfolio, but also allows the seller to have early knowledge of any potential weaknesses – permitting them to put forward representations and warranties drafted so as to limit their exposure and giving them time to remedy or improve situations which might otherwise become deal breakers.

This brings us neatly to what happens when you are on the other side of the table. As the purchaser or financier you will want to ensure that the trade marks you are buying have been allocated the right value in the context of the deal; and that clear and good title to the trade marks in question has been confirmed so that a charge could be recorded against the assets, if needed.

It is important to tailor the due diligence exercise to the deal in question and to keep the effort expended in proportion to the benefit to be derived from the trade marks. Again, communication is key in order to ensure that resources are properly targeted.

Time is well spent, before due diligence is started, looking at your reasons for buying and, in particular, at how you perceive the acquisition to be of additional value or benefit to your business as well as your future plans for the assets on offer. This will ensure that we look at what is most relevant to your transaction.

Traditionally, trade mark due diligence consisted primarily of inquiries into the existence and ownership of rights. We have noticed a significant change in trade mark

due diligence requirements in recent years – where buyers are taking greater account of IP in making strategic decisions and greater emphasis is placed on the value of the trade marks in the context of the acquisition.

Another recent trend has been a decrease in the level and scope of warranties vendors are prepared to provide. This, combined with the increased strategic focus mentioned above, has resulted in a demand for more sophisticated due diligence; the emphasis should be on prioritising the key rights and assessing them in a more commercial context.

The outcome of this type of analysis will avoid the buyer or seller finding that their negotiating position has been compromised due to lack of knowledge, or an oversight, affecting the trade mark position.

If the deal involves a transfer or license of the assets, it is also important to ensure that the follow up is handled efficiently and that the recordal of the transaction is effected as quickly as possible. This will avoid the possibility of jeopardising the validity of the rights and enable them to continue being enforced without delay or detriment to the remedies available.

With global assignment programs we can give you a good indication of the time scales and costs involved in recording the transfers and have developed a streamlined approach so that the administrative burden to our clients is kept to a minimum.

[For more information on trade mark audits or to discuss how we can help on the IP aspects of a corporate transaction please contact us on +44 \(0\)20 7269 8550.](#)



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STOP PRESS: LAUNCH OF THE .EU DOMAIN NAME - "SUNRISE" DATES



General registration for the .eu domain name will start on 7 April 2006. However, trade mark owners can pre-register domain names corresponding to trade mark rights during the "sunrise period" which will begin on 7 December 2005.

To be eligible to make an application during the "sunrise period", applicants must be an undertaking having a registered office, central administration or principal place of business in the European Union, or be otherwise established within the EU. Natural persons applying must be resident within the European Union.

Eligible "sunrise" applicants may register the .eu domain name which corresponds with or contains their – registered national trade marks and registered community

trade marks. The application should be made either directly by the trade mark holder or the licensee of the trade mark.

During a second phase of the "sunrise period" which will start on 7 February 2006 .eu domain names can be registered which correspond to company names, business identifiers, distinctive titles of protected literary and artistic works or unregistered trade marks and trade names. Thereafter, general registration will open on 7 April 2006 and domain names will be allocated on a purely first come, first served basis.

[Any clients who wish to register a .eu domain name corresponding to their trade mark rights during the "sunrise" period should therefore contact us as soon as possible.](#)

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