

FOCUS

COMMUNITY TRADE MARKS

The risks of registering

When seeking to register trade marks in multiple EU member states, businesses have the option of registering several national marks or one Community trade mark (CTM). The advantages of registering a CTM are clear. A CTM confers protection across all 27 member states, only needs to be registered once, entails reduced filing fees and management, and automatically benefits from any enlargement of the EU.

However, if the validity of the CTM is successfully challenged in any one member state, businesses risk the CTM being declared invalid for all member states. This risk is heightened by the increasing number of member states and, although there is a process for converting CTMs into national marks, this can be time-consuming and expensive.

The High Court recently held that two CTMs had not been put to genuine use in the Community (*The Sofa Workshop Limited v Sofaworks Limited* [2015] EWHC 1773 (IPEC)). Therefore, under Article 51(1)(a) of the CTM Regulation (207/2009/EC) (the Regulation) (Article 51), the CTMs were liable to be revoked for non-use (see box “Genuine use in the Community”). The decision highlights the potential risk of registering a CTM if a business is not actively targeting customers across the EU, as it may be left with no registered trade mark protection.

High court decision

The Sofa Workshop Limited (Sofa Workshop) and Sofaworks Limited (Sofaworks) each sell sofas and other furniture. Sofaworks changed its name from CSL to Sofaworks in December 2013. Sofa Workshop had two registered CTMs: the word mark SOFA WORKSHOP, registered with effect from 11 February 2005 in respect of classes 18, 20, 24 and 35; and the same word mark registered with effect from 1 August 1996 in respect of classes 20 and 24 (the CTMs).

Genuine use in the Community

Article 51 of the Community Trade Mark (CTM) Regulation (207/2009/EC) (Article 51) contains four grounds for the revocation of a CTM. Under Article 51(1)(a), a CTM can be revoked if, within a continuous period of five years following the completion of the registration procedure, the CTM has not been put to genuine use in the Community in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use.

Once an application for revocation on the grounds of non-use has been filed, the burden of proof rests on the CTM owner to provide evidence of genuine use or, alternatively, that there are proper reasons for non-use.

Sofa Workshop alleged infringement of the CTMs under Article 9(1)(b) of the Regulation, that is, that there was a likelihood of confusion on the part of the public, and also passing off. Sofaworks counterclaimed for revocation of the CTMs for non-use under Article 51 and for a declaration that the CTMs were invalid, having been registered contrary to both Article 7(1)(b) of the Regulation (being devoid of distinctive character) and Article 7(1)(c) of the Regulation (designating the characteristics of the goods).

Sofa Workshop succeeded in its claim for passing off. The court found that Sofaworks’ trade name was substantially similar to Sofa Workshop and constituted misrepresentation causing material damage to the established goodwill of Sofa Workshop. However, the court also held that the CTMs were both invalidly registered and liable to be revoked for non-use. Had they been otherwise, the CTMs would have been infringed by Sofaworks.

Geographical extent of use

The first issue that the court dealt with was whether the Article 51 requirement for genuine use in the Community requires use in more than one member state. The court considered *Leno Marken BV v Hagelkruis Beheer BV*, where the European Court of Justice (ECJ) considered the extent to which

its earlier rulings in relation to national marks could be applied by analogy to CTMs (C-149/11). These earlier rulings were *Ansul BV v Ajax Brandbeveliging BV*, *The Sunrider Corp v OHIM* and the order in *La Mer Technology Inc v Laboratories Goemar* (C-40/01; C-416/04; [2004] EWHC 2960 (Ch), www.practicallaw.com/3-200-3854).

The court summarised the ECJ’s findings in *Leno* as follows:

- The territorial scope of use is just one of the factors determining genuine use. Other factors include the characteristics of the market concerned, the nature of the relevant goods and services, and the frequency and regularity of use.
- Territorial borders are to be disregarded.
- In relation to territorial use, genuine use in the Community will generally require use in an area larger than a single member state. However, there is an exception to this requirement where the market for the relevant goods or services is restricted to the territory of a single member state.

The court in *The Sofa Workshop* distinguished between national trade marks and CTMs in regard to genuine use. In relation to national marks, the geographical extent of use is one

factor to be taken into account; however, in respect of CTMs, the geographical extent of use is crucial and must extend at least beyond the boundaries of one member state. The court's rationale for this was that a trade mark owner that sells its products to one customer in one town of a country may, in due course, wish to trade all across that country. However, it cannot be assumed that a trader in one member state will wish to expand its trade across the EU.

Use in a member state

The court also considered what qualifies as "use" of a mark in a particular member state. There was no dispute between the parties that Sofa Workshop had put its CTMs to genuine use on an extensive scale in the UK in the relevant five-year period. The dispute was whether there had been genuine use outside of the UK. Sofa Workshop relied on advertorial content in magazines that were distributed in 25 member states, and on one sale of its products to a hotel in Copenhagen.

The court accepted that thousands of individuals would have read the magazines. However, it held that even though the advertisements were accessible to readers in other member states, they were not targeted at them. In reaching this conclusion, it relied on and expanded on two cases in particular: *L'Oreal SA v eBay International AG* and *Euromarket Designs Inc v Peters* (C-324/09, see News brief "*L'Oreal v eBay: good news for brand owners*", www.practicallaw.com/9-507-0026; [2000] EWHC 453 (Ch)).

In *L'Oreal*, the ECJ held that, in the context of online marketing, a trade mark will be used

in a particular member state if the offer for sale of relevant goods or services bearing the trade mark is targeted at consumers in that member state, as opposed to the website being merely accessible in the member state. In *Euromarket Designs*, the High Court found that an advertisement containing the claimant's trade mark, which was placed in a magazine that had a substantial UK circulation, was solely targeted at readers in the Republic of Ireland and no products had ever been sold to the UK. Therefore, there was no use of the mark in the UK.

Even though Sofa Workshop could point to one sale in Copenhagen, the court held that there was no evidence that the individual had bought the goods in response to any marketing received in Denmark. Accordingly, the court concluded that the CTMs had not been used by Sofa Workshop in the five-year period up to the date of the counterclaim to maintain or create market share within the Community for the goods or services covered by the marks, and therefore the CTMs should be revoked for non-use.

Conversion to national mark

Where a business is faced with revocation of its CTM, it may decide to convert the CTM into a national mark in whichever jurisdictions it has been put to genuine use. The process for this is set out in Articles 112 to 114 of the Regulation. The CTM owner may request the conversion of its mark into a national trade mark to the extent that the CTM ceases to have effect as a result of a decision of a CTM court (Articles 112(1)(b) and 112(6), the Regulation). Any request for conversion must be filed within three months of the date

of the relevant court's final decision. The request for conversion must be filed with the Office for Harmonisation in the Internal Market and must specify the member states in which the application for registration of a national trade mark is required (Article 113(1), the Regulation).

The mark must have been put to genuine use in each member state for which conversion is requested (Article 112(2), the Regulation). An applicant may include appropriate declarations in any agreed order to confirm the court's findings that there has been genuine use of the CTMs in the relevant member states in the earlier five-year period, in respect of a specific list of goods and services.

Reducing the risks

While the territorial reach and the costs of registering a CTM may appear more attractive at the outset, CTMs may be more vulnerable to challenge. Therefore, where a business intends to use its trade marks in one member state, or a limited number of member states, applying for national trade marks may be the safer choice. If a CTM is the right choice for a business, it is advisable to carry out full clearance searches covering all of the member states before applying. Alternatively, a business may opt to maintain national marks in certain, key member states in addition to its CTM.

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