DEFINING GENUINE USE REQUIREMENTS OF COMMUNITY TRADE MARKS IN LIGHT OF AN EXPANDING EUROPEAN UNION

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INTRODUCTION

Since its inception, one of the primary goals of the establishment of the European Union (“EU”) has been to create a single internal market, providing for the free movement of goods, services, people, and capital, and to ultimately allow Europe to compete with the growing economic powers of the world. Undoubtedly, trademark law has an integral role in the development of such a system. The Community trademark system was introduced four decades after the European Economic Community was first established and was created with the aim of improving the functioning of the internal market as a single market.¹

Under the current interpretation of the Community Trademark Regulation (“the Regulation”), genuine use in one EU member state is sufficient to demonstrate genuine use of a Community trademark and warrants trademark protection throughout the EU.² When the Regulation first became operational in 1996, the EU consisted of a mere twelve Member States; however, since that time, it has expanded significantly to its current size of twenty-seven Member States.³ In light of the European Union’s continued expansion, the existing framework of the Community trademark must be adjusted to cater to a significantly larger internal market. While use in a very limited portion of the Community is not necessarily sufficient to warrant protection throughout the EU, a requirement of use in all twenty-seven member states would be far too restrictive and would conflict with the purpose and intentions of the internal market system.

This article examines the need for a shift in the EU’s current framework of its Community trademark system, specifically the applicable genuine use requirements. Section I provides an overview of the current trademark system within the European Union, specifically focusing on the Community trademark system and how such a system contributes to the goals of the European Union.

Section II introduces the current dilemma regarding how to interpret the relevant legislation that defines the genuine use requirements of a Community trademark. The recent case law forming the center of this controversy is introduced, and the various approaches to the debate are discussed.

Section III describes the trademark system in the United States and presents a comparison between the American system and the European system, specifically focusing on use requirements.

Section IV concludes by discussing the need to redefine the use requirements of Community trademarks in light of an expanding European Union. It is suggested that, rather than using a quantitative approach based on national borders to define genuine use requirements, a market-penetration approach, based on the tests utilized in the United States, should be applied to the internal market as a whole.

¹ TOBAIS COHEN JEHORAM, CONSTANT VAN NISPEN & TONY HUYDECOPER, EUROPEAN TRADEMARK LAW: COMMUNITY TRADEMARK LAW AND HARMONIZED NATIONAL TRADEMARK LAW 468 (2010).
I. THE TRADEMARK SYSTEM WITHIN THE EUROPEAN UNION

A. The Community Trade Mark

The Community trademark ("CTM") provides an alternative to national trademark systems and grants registrants exclusive rights throughout the entire EU. A CTM is a trademark for goods or services, and it may consist of any signs capable of being represented graphically - particularly words, names, designs, letters, numbers, the shape of goods or their packaging - provided such signs are capable of distinguishing the goods or services of one undertaking from those of others. Generally speaking, the core purposes of the trademark system are to avoid consumer confusion, guarantee the quality standard expected by consumers, set up a clean market and safeguard fair competition, and to protect investments and their return by advertising, marketing, and communication.

CTMs have a unitary character and, thereby, have an equal effect throughout the EU. Accordingly, the CTM allows applicants to use a single procedural system to obtain uniform protection and exclusive rights throughout the entire territory of the EU. Similarly, such rights may not be subsequently surrendered, revoked, invalidated, or prohibited, except for the entire Community.

Before the CTM system was introduced in the 1990s, Member States of the EU relied solely on national trademark systems for protection of marks. The CTM system was not intended to replace the national trademark systems; rather, the two protection systems were designed to coexist. The CTM system is a completely separate instrument that operates independently from national laws. In fact, the national systems still have a critical role and may be relied upon as an alternative to the CTM. For instance, if a trademark owner only seeks to use his product or services in one Member State, registration at the Community level would not be warranted, and a national registration in that particular State would suffice. According to some, “[a] Community trade mark may be attractive only for those undertakings which are positioning their strategy in the new technological and marketing environment and which want to match the new business with the enlarged and unified single market of the Community.” Essentially, trademark users have the choice of applying for the protection they feel suitting.

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4 Jehoram, Nispen & Huydecoper, supra note 1, at 467.
9 Jehoram, Nispen & Huydecoper, supra note 1, at 470.
10 The Community Trademark Regulation first came into force on March 15, 1994 and became operational on April 1, 1996. Van der Kooij, supra note 8, at 1.
11 Statement of the HPO on the Geographical Scope of the Genuine Use Requirement Relating to the Community Trade Mark.
12 Sandri, supra note 6, at 412.
13 Jehoram, Nispen & Huydecoper, supra note 1, at 469.
14 Sandri, supra note 6, at 415.
One unique feature of CTM law is the concept of seniority. The owner of a national trademark may surrender that mark in lieu of a CTM without sacrificing the rights of the earlier national trademark. After the CTM is registered, the national trademark must be cancelled or surrendered. Seniority applies so long as the marks are identical and are applied to the same goods or services by the same party.

B. Establishing the Free Movement of Goods and Services

The CTM system was introduced as an attempt to improve the functioning of the EU’s internal market, the ultimate challenge being a unified single market in Europe. One of the main considerations of the EU, particularly regarding national trademark laws, “has been to avoid disparities in the Member States which might preclude the free movement of goods and services so as to distort competition within the Common Market.” The CTM system functions as a statement to external trade and industry that the EU’s internal market is operated as and must be respected as a singular market.

The intent behind the Regulation was “to promote throughout the Community a harmonious development of economic activities and continuous and balanced expansion by completing an internal market that functions properly and offers conditions similar to those obtained in a national market. In order to create such a single market, among other things, legal conditions must be created that enable undertakings to adapt their activities to the scale of the Community.” Because the Regulation has the same binding force throughout the EU, it is able to ensure complete unity of law among the Member States, an achievement that is not possible simply through the harmonization of national trademark laws.

C. Advantages of the Community Trade Mark System

Beyond the overriding societal advantages of contributing to the goal of a single internal market and harmonization within the EU, the CTM provides several practical advantages. Primarily, the CTM offers ideal protection for trademark owners seeking to offer products and services in some or all of the EU Member States. Such trademark owners can take advantage of a broad geographical protection while enjoying a simple and economical procedure. Specifically, CTM owners may benefit from a single registration, a much lower administrative burden and lower registration costs than they would if filing several separate national applications.

15 Jehoram, Nispens & Huydecoper, supra note 1, at 482.
16 Id., at 483.
18 Jehoram, Nispens & Huydecoper, supra note 1, at 468.
19 Sandri, supra note 6, at 423.
20 Sandri, supra note 6, at 411.
21 Jehoram, Nispens & Huydecoper, supra note 1, at 469.
22 Van der Kooi, supra note 8, at 1.
23 Sandri, supra note 6, at 423.
24 Jehoram, Nispens & Huydecoper, supra note 1, at 469.
25 Jehoram, Nispens & Huydecoper, supra note 1, at 469.
The CTM system also prevents conflicting outcomes regarding the validity of a trademark. Under the Community system, if existing circumstances would prevent protection in just one Member State, that consequence holds for the other twenty-six Member States. For example, “[i]f a sign is deemed to be confusing in part of the EU . . . this is sufficient to have [an] opposition succeed.” This feature is important because, while the Member States form a Union in legal terms, it is not necessarily so in fact, and States may disagree regarding validity and other issues that may come up in trademark law.

II. GENUINE USE REQUIREMENTS

Under Article 15 of the Regulation, a proprietor must “put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered” in order to acquire protection of a CTM. Under the current interpretation of the legislation, use of a trademark in one EU Member State is sufficient to demonstrate genuine use of a CTM and warrants trademark protection throughout the EU. For over a decade, this interpretation remained uncontested. However, in January 2010, the Benelux Office for Intellectual Property (BOIP) challenged that interpretation of the Regulations, holding that use of a CTM in a single Member State of the EU is insufficient to constitute genuine use in the Community. One month later, the Hungarian Patent Office (HPO) concurred and issued a similar decision. The real issue essentially dividing parties lies in the interpretation of the phrase “in the Community,” used in Article 15. For the first time since the Regulation came into force, the EU must determine which interpretation to apply going forward, in light of the Union’s continued expansion.

A. The Benelux and Hungarian Approach

On January 15, 2010, the BOIP issued its decision in Leno Merken BV v. Hagelkruis Beheer BV (“Onel”), ruling that use of a CTM in a single Member State of the EU is insufficient to constitute genuine use in the Community. The defendant, Hagelkruis Beheer BV, registered the trademark OMEL as a Benelux service mark in July 2009. While the defendant aimed to offer its services in Norway and Sweden, the Benelux application was filed in order to serve as a basis for filing an international application. The registration was opposed by Leno Merken BV, a trademark firm from the Netherlands, on the basis that there was a likelihood of confusion with

26 Id.
27 Id. at 488.
29 See OHIM, Genuine Use, 13 (2010).
30 15 januari 2010, No. 2004448 (Leno Merken BV/Hagelkruis Beheer BV) (Neth.).
31 Feb. 11, 2010, No. M0900377 (Hung.).
32 On February 1, 2011, the Court of Appeals of the Hague posed various questions regarding this issue to the Court of Justice in Luxembourg; however, the Court has yet to make a final determination on the issue. Paul Steinhauser, Court of Appeals Refers Final Questions to ECJ in ONEL Case, WORLD TRADEMARK REVIEW, Feb. 18, 2011.
33 15 januari 2010, No. 2004448 (Leno Merken BV/Hagelkruis Beheer BV) (Neth.).
34 Id.
35 Id.
its earlier Community trademark ONEL, which was applied to similar services.\textsuperscript{36} The defendant conceded that the marks were similar, that the services concerned were identical and that if the marks were to be used side-by-side, confusion may result.\textsuperscript{37} However, the defendant went on to stress that this was irrelevant, as the marks would not be used side-by-side.\textsuperscript{38} The defendant was not planning to use the OMEL mark in the Benelux, and the ONEL mark had solely been used in the Netherlands.\textsuperscript{39} Furthermore, the defendant claimed that use of the mark ONEL in only one Member State was insufficient to warrant protection as a CTM; therefore, the opposition should be refused.\textsuperscript{40}

While both parties admit that the complainant did make genuine use of the mark in the Netherlands, they disagree as to whether such use was sufficient to maintain rights as a CTM. The complainant relied upon the Joint Statements by the Council and the Commission of the European Communities, which state, “the Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.”\textsuperscript{41} However, the BOIP maintained that the Joint Statements are not legally binding and were overruled by the European Court of Justice.\textsuperscript{42} Furthermore, the BOIP asserted that such a definition of the genuine use for a CTM appeared to be in contradiction with other laws and implied an obstacle to freedom of movement of goods and services within the internal market.\textsuperscript{43}

The BOIP ultimately found for the defendant and refused the opposition, holding that “[i]n order to successfully base a trademark claim on a European trademark, [a] trademark should be used in more than one country alone. Use in the Netherlands was considered to be insufficient.”\textsuperscript{44} In its decision, the BOIP reasoned that, in a “territory (currently) covering more than four million square kilometers and a (current) population of almost 500 million people, use in one member state only may essentially boil down to local use only.”\textsuperscript{45} It concluded that a monopoly that extends far out of the territory where the mark is being used is undeniably contrary to one of the basic principles of the Rome Treaty, namely the free circulation of goods in the EU.\textsuperscript{46} Such a monopoly creates an obstacle for the free movement of goods as well as the freedom to provide services within the internal market.

While the BOIP’s controversial decision was one of the first to challenge the interpretation of the unchanging definition of genuine use requirements, it has been joined in its view by other national registries within the European Union. On February 11, 2010, the Hungarian Patent Office (HPO) similarly rejected a trademark opposition on the grounds that the complainant only provided proof of genuine use of the invoked Community trademark in one Member State. The decision revolved around a Hungarian company’s application to register the

\textsuperscript{36} Id.
\textsuperscript{37} Id.
\textsuperscript{38} Id.
\textsuperscript{39} 15 januari 2010, No. 2004448 (Leno Merken BV/Hagelkruis Beheer BV) (Neth.).
\textsuperscript{40} Id.
\textsuperscript{41} Id.
\textsuperscript{42} Id. (citing C-292/89, Antionissen, E.C.R. (1991)).
\textsuperscript{43} 15 januari 2010, No. 2004448 (Leno Merken BV/Hagelkruis Beheer BV) (Neth.).
\textsuperscript{44} Id.
\textsuperscript{45} Id.
\textsuperscript{46} Id.
mark C CITY HOTEL in Hungary. A UK company opposed the application on the basis of likelihood of confusion with its CITY INN marks; however, the opponent’s use of the mark was limited to use in conjunction with his six hotels that were all operated within the UK. Applying the same line of reasoning as the BOIP, the HPO held that local use in a single Member State “could not be considered to bear significance in the internal market of the European Union.” In interpreting Article 15 of the Regulation, the HPO determined that the phrase “in the Community” should be read as the broadest term possible and held that it refers to the entire Community, not merely a part of it. The HPO further explained, “[i]t is not justified that an applicant wishing to obtain trademark protection only in Hungary should lose the opportunity for doing so because another party is using a similar mark in one single member state of the European Union.”

Under this perspective, the current use requirements pose a threat to both the national and community trademark systems and to the overall functioning of the EU’s internal market. Prospective trademark owners may be encouraged to apply for Community trademarks, even when their prospective market is only within one Member State. Consequently, a mark only used in a small fragment of the EU would be able to block “economic activities of undertakings operating in another territory within the rest of the Member States.”

This approach also suggests that the current interpretation could be damaging to small and medium enterprises (“SMEs”). SMEs may no longer have the option of protection under national trademark system, regardless of the fact that users would only need protection in the territory of one Member State. Requiring only national use, rather than use in a substantial portion of the EU, will result in narrowed options for enterprises when assessing their trademark needs, “sidetracking them to apply for Community trade marks even when their prospective market is not wider than a single Member State.”

Providing CTM protection for marks only used within one Member State also presents possible issues with register cluttering. Allowing “CTMs to be retained (after 5 years) where use has been confined, say, to a single Member State, and to allow CTMs to remain unchallengeable on non-user grounds, for as long as 5 years, leads to the existence of too many registrations, and thus more conflicts that arise between them.”

B. The OHIM and INTA Approach

At odds with the controversial decisions issued by the BOIP and the HPO are the longstanding opinions of the Office for Harmonization in the Internal Market (“OHIM”), which is responsible for the administration of the CTM system, and the International Trademark Association (“INTA”), a not-for-profit worldwide membership organization. OHIM continues to support the traditional interpretation of the Regulation, that genuine use in one EU Member
State is sufficient to demonstrate genuine use of a CTM. In its statement issued on the BOIP’s ruling, OHIM stated that “applying the principle of the unitary character of the CTM – it continues to consider that boundaries of member states should not play a part in assessing ‘genuine use’ within the EU single market.” OHIM holds the view that, if the current legislation were to be altered to require use in all Member States, the principle of the single market would be breached. Despite the growth of the Union, INTA also continues to support the view that “so long as use is ‘genuine,’ it should suffice to defeat a claim for revocation on grounds of non-use, even (in the case of a CTM) if the use has been confined to a single Member State.”

Traditionally, the fact that a CTM only need be used in one Member State of the EU in order to fulfill the use requirement was one of its decisive advantages. “In contrast, international registrations under the Madrid Agreement or Protocol have to be used in each and every designated country or they become subject to cancellation due to nonuse after the nonuse grace period has expired.” The CTM’s low burden for its use requirement had a significant role in making the CTM the most powerful and attractive option for trademark protection in Europe.

OHIM and INTA maintain that the traditional approach facilitates the growth and economic activity of SMEs. Larger businesses can easily establish genuine use in several countries; however, requiring small businesses to establish genuine use in any Member State in which infringement or conflicting registration was threatened would be quite onerous and would make it very difficult for small businesses to get their start. Larger enterprises with more money could easily register an SME’s mark anywhere the SME had not yet managed to use the mark, preventing the SME from growing and widening its activities. According to INTA, “in the case of the CTM, the unitary nature of the right and the need to avoid discrimination against small and medium sized businesses are just as relevant and valid today as they were when the CTM Regulation was framed and adopted.” Under the traditional interpretation of the legislation, SMEs can establish “their brand strategies to envisage movement from a purely national activity to wider activity within other Member States of the EU,” thereby encouraging economic growth.

III. The Trademark System Within the United States

As in the EU, the United States (“US”) trademark system requires use in commerce as a prerequisite for obtaining trademark rights. A prominent difference between the two systems lies in the specific role that use plays in the creation of such rights. While the EU relies solely on a registration-based system, the US also operates under a common law system. Registration in the US creates additional procedural and remedial advantages; however, trademark rights may exist regardless of whether the mark is ever registered. Actual ownership of a mark flows from use,

55 INTA, *Territorial Requirements for Genuine Use*, 57.
56 Dr. André Pohlmann, 1 Trademarks Throughout the World § 54:2 (Oct. 2010).
57 Dr. André Pohlmann, 1 Trademarks Throughout the World § 54:2 (Oct. 2010).
59 INTA, *Territorial Requirements for Genuine Use*, 57.
and a mark cannot be registered until it has been used as such in the sale of goods or services. This strict use requirement fundamentally distinguishes US trademark law.

The exclusive rights to a distinctive mark are granted to the first user to either use the mark in commerce or to file an intent to use application with the Patent and Trademark Office (“PTO”). Under this “first to use” doctrine, the senior user is the first to use the mark in interstate commerce, and the owner of a registered mark may be precluded from expanding into a market where a common law user has already established use. This rationale is one of the core principles of US trademark law: the owner of a mark may not “monopolize markets that his trade has never reached and where the mark signifies not his goods but those of another.”

Use in commerce is defined as “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a mark . . . [A] mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” This definition was intended to be a flexible concept and should be interpreted to mean the use which is typical within a particular industry and includes genuine but less traditional uses. The requisite active use of the mark must be external, more than merely token use, and use that is typical within the industry, and use cannot be undertaken merely to prevent use by another. Furthermore, the use must be “deliberate and continuous, not sporadic, casual or transitory.”

Under the Lanham Act, the common-law trademark of a good sold within the US may be protected throughout the US, regardless of the present geographic limits of its use, if it becomes federally registered. Federal registration provides constructive, nation-wide notice of use of the mark. For example, even if the extent of a mark’s genuine use does not exceed the territory of New England, the trademark owner may be able to secure federal registration and acquire protection throughout the US. The main limitation is that the newcomer to a market is subjected to the rights there. Accordingly, if a common law user made use of the same mark in California prior to the New England user’s federal registration, the common law user would maintain priority in California.

Various tests have been employed to determine whether a party has established sufficient use to warrant ownership. Some courts prefer a two-part test: “evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales.” For example, in Planetary

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66 La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1272 (2d Cir. 1974).
68 Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188, 1195 (11th Cir. 2001) (citing New England Duplicating Co. v. Mendes, 190 F.2d 415, 418 (1st Cir. 1951).
Motion, Inc. v. Techsplosion, Inc., use was established and trademark rights granted where a software developer made software using the trademark available to users without actually selling it to them.\textsuperscript{69} Essentially, a party may establish use in commerce in the absence of sales. Other courts have utilized a “totality of the circumstances” test, considering non-sales activities and other relevant evidence as well.\textsuperscript{70}

Meanwhile, other courts have favored a “market penetration” analysis, which derives from cases where the geographic scope of the trademark rights was in question. In Lucent Information Management, Inc. v. Lucent Technologies, Inc., the Third Circuit reiterated that:

A party asserting trademark ownership in a trading area must show clear entitlement to protection of its trademark in a particular market. In other words, that party must introduce evidence to show its trademark has achieved market penetration that is significant enough to pose the real likelihood of confusion among the consumers in that area.\textsuperscript{71}

These circuits “have adopted a four-factor test to determine whether the market penetration of a trademark in an area is sufficient to warrant protection: (1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area.”\textsuperscript{72} Other considerations include the dollar value of sales, the specific type of good and its price, and relative and potential growth of sales.\textsuperscript{73} The test ensures that a common law trademark holder’s rights do not precede it into a market it has not yet penetrated. De minimus market penetration, or use that is sporadic, minimal or inconsequential, does not warrant protection from a later user’s good faith adoption and actual use of the same mark.\textsuperscript{74}

A. Geographic Limits and Territoriality

US trademark law is based upon the fundamental doctrine of territoriality. As a common law system, “the intrinsic purpose of trademark law suggests extending (and limiting) rights to the geographic reach of goodwill.”\textsuperscript{75} A common-law trademark user may only enjoy protection in the geographic areas where his mark is actually used.

In determining the geographic reach of a mark’s goodwill, the definition of a market may exceed the zone of actual sales to include the mark’s zone of reputation and zone of expansion.

\textsuperscript{69} Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188 (11th Cir. 2001).
\textsuperscript{70} See Chance v. Pac-Tel Teletrac, Inc., 242 F.3d 1151, 1159 (9th Cir. 2001).
\textsuperscript{72} Lucent Info. Mgmt., Inc. v. Lucent Technologies, Inc., 186 F.3d 311, 317 (3d Cir. 1999) (citing Natural Footwear, 760 F.2d 1383, 1398-99) (internal citations omitted).
\textsuperscript{73} See Sweetarts v. Sunline Inc., 380 F.2d 923 (8th Cir. 1967).
\textsuperscript{74} See, e.g., Lucent Info. Mgmt., Inc. v. Lucent Technologies, Inc., 186 F.3d 311, 317 (3d Cir. 1999) (holding that a single sale for $323.50 for services did not exceed the minimum threshold level, and market penetration was not established).
\textsuperscript{75} Graeme B. Dinwoodie, Trademarks and Territory: Detaching Trademark Law from the Nation-State, 41 Hous. L. Rev. 888 (2004).
“The geographic scope of priority extends beyond the area in which the prior user has actually used the mark if the user’s association with the mark is known to prospective purchasers in other areas.”

In some cases, a mark’s reputation may easily surpass the actual region where the good is sold. “Advertising, for example, may carry the reputation of the mark beyond the geographic market in which the trademark owner conducts business.”

That said, in order to give rise to rights, the advertising must be connected to an established US product or service. “Similarly, if goods bearing the trademark are transported by purchasers to other areas, or if the business attracts customers from distant locations, as in the case of a hotel, the designation may become known in areas far removed from the user’s immediate location or actual area of sales.”

Some proprietors have gone so far as to argue priority in the “zone of natural expansion” of their mark; however, this theory has been highly criticized, and in some cases, outright rejected by the courts. Simply enough, the zone of natural expansion refers to the area in which a senior trademark user has not yet established actual use but is reasonably expected to expand to in the future. Arguments regarding the zone of natural expansion are mostly conjectural and difficult to support with real evidence. Thereby, the doctrine is rarely decisive, and courts that do recognize it do not give it the same credence that is given to the zone of actual sales and the zone of association.

B. A Comparison

The primary distinction between the EU trademark system and the US trademark system lies in the fact that the EU is registration-based, while the US is use-based, as discussed above. Another one of the distinct differences between the CTM system and the approach applied in the Lanham Act of the US is the emphasis on marks’ unitary nature. The Lanham Act recognizes a co-existence between local rights and federal registration, while the CTM system applies a strict approach to unitary rights. If a trademark is in conflict with any single Member State, the mark is ineligible as a CTM, and the owner of the mark must pursue separate national applications rather than a CTM application. If the same situation arises in the US, and a federally registered mark conflicts with a common-law mark, the US will allow the concurrent marks, so long as they exist in wholly remote markets. Essentially, the US will allow concurrent local rights and federal registrations, but the EU will not allow national rights to co-exist with CTMs.

Despite these various differences, there is significant overlap between the two systems. In some ways, the co-existence between the US’s common law system and its federal registration system is analogous to the interplay between the EU’s national trademark registrations and its CTM registrations. For instance, in the US, a trademark owner could establish priority of use via the common law system and later gain wider federal protection by registering the mark. Similarly, the holder of a national trademark of one of the Member States of the EU could acquire broader geographical rights by later conversion of the mark into a CTM.

Many of the issues inherent in the EU’s trademark system exist within the US as well. For instance, like the EU, the US has a concerning disparity between small and large businesses. A large company can saturate the market quickly with branded goods and can establish trademark use very quickly, while a small local company could establish trademark use only

76 Restatement (Third) of Unfair Competition § 19, cmt. (b) (1995).
77 Id.
78 Id.
79 See MCCARTHY, supra note 61, at § 26.23.
after selling thousands of branded items over a considerable length of time. Both systems also
deal with issues of register cluttering, which the US handles by allowing concurrent trademarks
in wholly remote markets, by distinguishing between classes of goods, and by providing
advantages for distinctive marks. These universal issues are key considerations in designing a
functional use requirement for the CTM system, and the US solutions may provide guidance for
the EU.

IV. The Need for a Shift in Framework of the CTM System

Determining a final interpretation on the issue of CTM use requirements is critical, as a
mark cannot be registered without proof of use, and a registered CTM cannot be challenged if
the concerned party does not produce proof that, during the five years preceding, the earlier
CTM was put to genuine use in the Community. Most importantly, maintaining the popularity of
the CTM is necessary in keeping with the aims of the EU’s internal market and upholding the
system’s societal and practical advantages. The answer to the conundrum of how to define the
genuine use requirements of CTMs lies in shifting the focus of analysis from a quantitative
approach based on national borders to a market approach based on penetration of the Community
as a whole.

While use in a very limited portion of the Community is not necessarily sufficient to
warrant protection throughout the EU, a requirement of use in all twenty-seven Member States
would be far too restrictive and would conflict with the purpose and intentions of the internal
market system. In a statement on the Onel decision, the Danish Patent and Trade Office
(DKPTO) suggested that the answer must lie somewhere in the middle. “It is essential that a
fine line is drawn between the grant of exclusive rights and the importance of having markets
open to competition.” While it did not suggest a specific solution in its statement, the DKPTO
reiterated the importance of considering why the internal market and European trademark system
were created, and the considerations behind its establishment. It is of utmost importance that
any legislative change be consistent with the notion of the EU’s single market and the free
movement of goods and services within such market.

In its C CITY HOTEL decision, the HPO suggested using “use in a substantial part of the
EU” as the bar when determining whether genuine use in the Community has been established. Other commentary has agreed; however, a more clear, practical, and workable solution is
necessary. The suggested “substantial part of the EU” test is too vague to be functional. “[I]t is
self-evident that the appreciation of the de minimis local situation without the support of a
uniform and stable guideline risks becoming incompatible with certainty of the law.” OHIM
has reiterated this concern, emphasizing that proof of genuine use is not an easy matter and
requires “real evidence that is open to challenge from the other party to the proceedings. Adding
the uncertainty of what might constitute the proper territorial coverage (the undefined substantial

80 DKPTO, DKPTO Statement on the ONEL Case, available at
81 Id.
82 Id.
83 See Statement of the HPO on the Geographical Scope of the Genuine Use Requirement
Relating to the Community Trade Mark.
84 Sandri, supra note 6, at 417.
part of the EU) would place a severe and unwarranted burden on CTM proprietors." While the general "substantial part of the EU" principle might be noteworthy, the EU must delineate a specific multi-factor test to be applied on a case-by-case basis. Furthermore, the test must be flexible enough to grow with the expanding EU.

A. Proposal of a Market-Penetration Approach

The inquiry regarding genuine use of a CTM should be based upon market penetration of the entire Community, rather than a specific number of Member States. The real question to be asked is whether use of the mark has penetrated the Community, as a whole, sufficiently enough to warrant protection in all Member States. In theory, if use in only one Member State consequently penetrates the internal market of the EU, CTM status is warranted. Such an approach requires a factually intensive analysis, to be applied on a case-by-case basis.

Applying this market-based approach is consistent with the principle of a single internal market. “[I]t appears that the concept of countries within an EU Regulation is somewhat out of purpose. The more so that for instance Malta has 300,000 inhabitants and Germany 83 million.” Territorial lines within the EU should be disregarded during the use analysis, and the market should be thought of as a whole.

Trademark rights create a monopoly for their owners. If such a monopoly were to be extended to the entire EU despite only local use of the mark, an unjustified barrier to free movement within the internal market would result. Examining the internal market as a unitary whole is also supported by the CTM system’s strict approach to unitary trademark rights. Furthermore, this approach is more compatible with the current era of global trade and digital communication, in which social and commercial practices are less territorially confined and less commensurate with nation-states. Registration systems, like that of the CTM, are designed to promote economic expansion. Modification of the EU’s traditional concept of territoriality will promote the aims of its internal market, including economic expansion. The CTM system already represents a push away from a nationally rooted trademark system, and the EU’s internal market is an important component of the development of a global market. Recently, some US courts have appeared increasingly willing to modify traditional principles to reflect the increasingly cross-border nature of goodwill. Just as the US has been forced to continually reconsider and modify its system, the EU is now being called to reform its own doctrines of territoriality.

That said, the market approach still maintains a role for national trademark systems. If trademark use does not sufficiently penetrate the EU internal market, then national registration is deemed the more appropriate option for protection. Under the doctrine of seniority, a trademark owner who has only exhibited local use could simply apply for a national trademark and later transfer the national trademark rights over to a CTM once the requisite use in the Community is established.

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85 OHIM, Genuine Use, 13 (2010).
86 Florent Gevers, Opposition Based on a Prior CTM: Use in One Member State, ECTA, Feb. 2010, at 4.
87 Dinwoodie, supra note 75, at 888.
88 Dinwoodie, supra note 75, at 888.
89 Id. at 947.
90 Id. at 888.
B. Criteria to Be Considered

Under a market approach, CTM applicants must prove clear entitlement to protection of a mark throughout the EU’s internal market. Evidence must be introduced to show that the market penetration achieved is significant enough to warrant such unitary rights. Accordingly, the market penetration analysis, applied in many courts in the US, should be the use test utilized within the EU.

The factors to be considered include the volume of sales of the trademarked good, growth trends in the area and potential growth of sales, the number of people actually purchasing the product in relation to the amount of potential customers within the EU, and the amount and reach of advertising. Collectively, these factors may be used to ascertain the extent of a mark’s use in the internal market, ultimately leading to a conclusion as to whether the mark was merely used on a local level that only warrants national trademark protection or used on a Community level that justifies protection throughout all Member States.

As in the US, the considerations of use in the EU should go beyond the zone of actual sales of the mark. In particular, the mark’s zone of reputation should play a role in the analysis. The US has reiterated the importance of determining whether consumers’ association with a mark is carried beyond the area of actual use. In light of the principle of the EU’s single market, there is a high chance that the goods themselves, or the goods’ reputation, will cross the borders of Member States. For example, goods may easily be purchased in France and then transported to Belgium by the purchaser. Similarly, business of one Member State may attract customers from another Member State, and an association with the mark may become known in areas far removed from the user’s immediate location or actual area of sales.

The sufficient scale of genuine use must be determined on a case-by-case basis. As the HPO suggested, “it is not possible to establish a unitary criterion which is generally applicable to all trade mark proprietors, especially since the sufficient scale of genuine use is greatly influenced by, for example, the size of the enterprise holding the mark.” The Benelux Court of Justice has voiced a similar concern in the past, suggesting that use be considered according to the size of the trademark owner. “Use by a multinational company must not be judged at the same level as the use by a small company. Consequently, use by a small company which was purely local, would still be sufficient.” The type of product should also be considered. For instance, the sale of 1,000 cigarettes may not constitute genuine use, but the sale of ten airplanes could be sufficient.

While de minimus penetration of the market is undoubtedly required, the standard for establishing use should not be set unreasonably high. Maintaining a relatively low bar will ensure that SMEs are not completely precluded from this option. SMEs should be encouraged to broaden their activities, and they must be provided with some opportunities to do so. An overly stringent use requirement might hinder companies that have only managed to use their mark in a few countries due to commercial factors but are in the process of expanding their activity.

CONCLUSION

91 Feb. 11, 2010, No. M0900377 (Hung.).
92 See 22 november 1973 Benelux Court of Justice (Turmac/Reynolds) (Neth.).
93 Gevers, supra note 86, at 3.
Shifting the traditional framework of the CTM system, specifically its genuine use requirements, to a market focused approach will undoubtedly further the aims of the EU’s internal market and strengthen its economic growth. Rather than focus on the territorial boundaries of individual Member States, the analysis of market penetration should look to the Community’s market as a unitary whole. Utilizing the factors applied under the US’s market penetration approach will guarantee that sufficient evidence is introduced in proving that the use achieved is significant enough to warrant such unitary rights. Furthermore, national trademark systems will still have a role carved out for trademarks that have not yet satisfied the CTM use requirements, and the co-existence between the national systems and CTM system will be maintained.

In light of the EU’s current size of twenty-seven Member States and its continued expansion, a market approach ensures the flexibility necessary maintain the practical application of the current legislation well into the future. This solution strikes the fine balance between granting trademark owners exclusive rights while allowing the level of market competition necessary for growth. This approach also represents a middle ground between the solutions proposed by the HPO in *City Inn* and the opinions presented by OHIM. Furthermore, it promotes harmonious development within the EU and ensures conditions similar to those obtained in a national market, thus satisfying both the original goals of the CTM system and the broader goals of the EU.