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## European Trademark Protection Strategy Considerations for U.S. Small and Medium Sized Entities after IP TRANSLATOR and ONEL

Nadja Baer

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EUROPEAN TRADEMARK PROTECTION STRATEGY  
CONSIDERATIONS FOR U.S. SMALL AND MEDIUM SIZED  
ENTITIES AFTER IP TRANSLATOR AND ONEL

NADJA BAER<sup>†</sup>

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## I. INTRODUCTION

A foreign entity wishing to apply for trademark protection in the European Union (EU) has several options: apply for a national trademark within each individual country in which the entity intends to make use of the mark, file for a Community Trademark (CTM), or seek international trademark protection for the EU under the Madrid Protocol.<sup>1</sup> However, as this article focuses on the implications of recent court rulings for small and medium sized entities (SMEs), and as the CTM or national registration are the less expensive (and expansive) route,<sup>2</sup> this article focuses on registration under those models. While at first glance the CTM may seem like the logical choice for any business seeking to expand into Europe, two recent court decisions may have a

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<sup>1</sup> See G.F. Kunze, *The Madrid System and the Community Trade Mark*, in EUROPEAN COMMUNITY TRADE MARK: COMMENTARY TO THE EUROPEAN COMMUNITY REGULATIONS 243, 243–44 (Mario Franzosi ed., 1997); *How to Obtain Protection for the Whole of the European Union (EU)*, OFFICE FOR THE HARMONIZATION IN THE INTERNAL MARKET [OHIM], <http://oami.europa.eu/ows/rw/pages/CTM/protection/protection.en.do> (last updated May 7, 2010); WORLD INTELL. PROP. ORG. [WIPO], THE MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARKS AND THE PROTOCOL RELATING TO THAT AGREEMENT: OBJECTIVES, MAIN FEATURES, ADVANTAGES 4–5 (2010), available at [http://www.wipo.int/export/sites/www/freepublications/en/marks/418/wipo\\_pub\\_418.pdf](http://www.wipo.int/export/sites/www/freepublications/en/marks/418/wipo_pub_418.pdf).

<sup>2</sup> See Kunze, *supra* note 1, at 243 (comparing the number of countries party to the Madrid Agreement and the European Community); Robert Fichter & Nicholas Benham, *Foreign Filing Strategies for U.S.-Based Intellectual Assets*, 5 CYBARIS® AN INTELL. PROP. L. REV. 24, 45 n.94 (2014) (comparing costs of €900 for up to three classes of goods and services under the CTM model against €16,000 for two or more classes under the Madrid System); *Use It or Lose It*, KROGERUS (Mar. 4, 2013), <http://www.krogerus.com/insights/archive/use-it-or-lose-it/> (“[T]he cost of obtaining a CTM is not much higher than obtaining national trade marks in two to three member states . . .”).

significant impact on how SMEs structure their intellectual property (IP) strategy to align with their business goals.<sup>3</sup>

The CTM is intended to afford the holder of a mark protection in the entirety of the EU.<sup>4</sup> For a large entity that does or intends to expand its business into a significant portion or all of the Community, the CTM is the clear choice; likewise, for an SME that knows it will expand into only one or two EU Member States, the national mark in the target state(s) may be sufficient.<sup>5</sup> However, for entities taking a piecemeal approach to entering the European market, the question of whether to apply for national or Community registration becomes an exercise in aligning and balancing business and legal strategies.

After a brief overview of the history of the CTM, this article examines the purported values and popularity of the centralized mark.<sup>6</sup> Two aspects of the European registration process are particularly relevant to understanding recent changes to EU trademark procedure and practice; these are summarized at the end of Part II.<sup>7</sup> The discussion then proceeds to two recent decisions from the Court of Justice of the European Union (ECJ).<sup>8</sup> Recognizing the constraints often faced by SMEs,<sup>9</sup> this article

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<sup>3</sup> See *infra* Part III–IV.

<sup>4</sup> See *Trade Marks in the European Union—CTM*, OHIM, <https://oami.europa.eu/ohimportal/en/trade-marks-in-the-european-union> (last updated Dec. 3, 2013) [hereinafter *TM in the EU—CTM*].

<sup>5</sup> See Kunze, *supra* note 1, at 268–69 (discussing effective application of the various methods of international trademark protection in European countries). See generally Fichter & Benham, *supra* note 2, at Part III.B (discussing strategies for exporting trademarks).

<sup>6</sup> See *infra* Part II.A–C.

<sup>7</sup> See *infra* Part II.D–E.

<sup>8</sup> See *infra* Part III.

<sup>9</sup> See SHAHID ALIKHAN & RAGHUNATH MASHELKAR, INTELLECTUAL PROPERTY AND COMPETITIVE STRATEGIES IN THE 21ST CENTURY 104–07 (2004) (External obstacles include limited access to finance, lack of qualified human

analyzes the impact these recent changes pose for American SMEs seeking to protect their trademarks in the EU.<sup>10</sup> The conclusion posits that an international trademark protection strategy must be backed by careful business planning to provide the SME trademark holder efficient protection.<sup>11</sup>

## II. DEVELOPMENT OF A CENTRALIZED EUROPEAN TRADEMARK SYSTEM

This section provides contextual knowledge on the goals of harmonizing the EU trademark registration and protection laws and two aspects of the registration process. After a brief discussion of the establishment of the centralized office, this section proceeds to examine the communal protection afforded by the CTM. The popularity of the CTM is relevant to understanding the impact of the recent decisions covered in Part III. Concluding this section is a short overview of two practical aspects of applying for EU trademark protection: the categorization of marks by class headings and the concept of genuine use of the marks.

### *A. Establishment of a Centralized Mark and Office*

At its inception in the 1950s, the European Economic Committee (EEC) was concerned primarily with ensuring that people, goods, and services could move freely across European borders in the years following World War II; the founders did not

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resources, rigidities in the labor market, and high levels of regulation, bureaucracy, and taxation. Internal obstacles include resistance to change and lack of understanding of intellectual property protection.); INT'L CHAMBER OF COMMERCE & WIPO, MAKING INTELLECTUAL PROPERTY WORK FOR BUSINESSES: A HANDBOOK FOR CHAMBERS OF COMMERCE AND BUSINESS ASSOCIATIONS SETTING UP INTELLECTUAL PROPERTY SERVICES 12 (2011), available at [http://www.wipo.int/export/sites/www/freepublications/en/intproperty/956/wipo\\_pub\\_956.pdf](http://www.wipo.int/export/sites/www/freepublications/en/intproperty/956/wipo_pub_956.pdf).

<sup>10</sup> See *infra* Part IV.

<sup>11</sup> See *infra* Part V.

contemplate that economic integration of its Member States would go so far as to necessitate granting its institutions authority over IP.<sup>12</sup> With the addition of Croatia in 2013, the EU has grown from the original six to twenty-eight Member States, and an additional eight candidate or potential candidate states are waiting in the wings.<sup>13</sup> The framework of the current EU trademark system is built on the seemingly conflicting goals of creating efficiencies in the international transportation of goods and services while respecting distinct, established national trademark law.<sup>14</sup>

The EEC did not publish a directive regarding trademarks until 1988, more than thirty years after its establishment.<sup>15</sup> Although differing IP laws have an obvious and negative impact on trade,<sup>16</sup>

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<sup>12</sup> See Paul Maier, *OHIM's Role in European Trademark Harmonization: Past, Present and Future*, 23 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 687, 688 (2013); see also First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Law of Member States Relating to Trade Marks, 1989 O.J. (L 040) 1 [hereinafter Directive 89/104] (stating that “full-scale approximation” of Member State trade mark laws was not necessary, and that it would be sufficient “if approximation is limited to those national provisions . . . which most directly affect the functioning of the internal market”); Roger J. Goebel, *The Interplay Between Property Rights and Free Movement of Goods in the European Community*, 4 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 125, 126–27 (1993) (stating that intellectual property rights “[came] in . . . through the back door” because they limit the movement of goods).

<sup>13</sup> For a list of member, candidate, and potential candidate states, see *Countries*, EUROPEAN UNION, [http://europa.eu/about-eu/countries/index\\_en.htm](http://europa.eu/about-eu/countries/index_en.htm) (last visited Nov. 26, 2013).

<sup>14</sup> See Maier, *supra* note 12, at 690.

<sup>15</sup> Directive 89/104, *supra* note 12. The goals of the ECC were “(a) to attain identical conditions in each Member State for obtaining and continuing to hold a registered trade mark; (b) to reduce the number of registered or protected trade marks; and (c) to facilitate the free circulation of goods and services.” DAVID TATHAM & WILLIAM RICHARDS, *ECTA GUIDE TO E.U. TRADE MARK LEGISLATION* 18–19 (1998).

<sup>16</sup> See Goebel, *supra* note 12, at 127.

the CTM was not established under regulation until 1993,<sup>17</sup> and due to political reasons it was not codified until 2009 by Regulation 207/2009 (the Trademark Regulation).<sup>18</sup> The 1993 regulation also created the Office for the Harmonization in the Internal Market in Alicante, Spain, to centralize the trademark review process.<sup>19</sup>

Earlier this year, the European Commission proposed several key changes to the EU Trademarks Directive—among them is a proposal to change the name of the Office for the Harmonization in the Internal Market (OHIM) to the European Union Trademarks and Designs Agency (EUTDA) and to recast the CTM as “European Trade Marks.”<sup>20</sup>

### *B. The Communal Protection of a Community Trademark*

The EEC intended to harmonize certain aspects of EU trademark law while reserving other certain aspects for its Member States.<sup>21</sup> The CTM was not intended to replace national trademarks; rather, the Community mark was thought to be attractive to those who “position[ed] their strategy in the new technological and marketing environment . . . to match the new

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<sup>17</sup> See Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trade Mark, 1994 O.J. (L 011) 1 [hereinafter Regulation 40/94] (establishing the CTM); see also ERIC GASTINEL & MARK MILFORD, *THE LEGAL ASPECTS OF THE COMMUNITY TRADE MARK*, at xxiv (2001) (referring to CTM as the “Invisible Man” of ECC law, as it was contemplated as early as the 1960s).

<sup>18</sup> See generally Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark, 2009 O.J. (L 78) 1 [hereinafter Regulation 207/2009] (codifying Regulation 40/94).

<sup>19</sup> Regulation 40/94, *supra* note 17; see also Maier, *supra* note 12, at 692.

<sup>20</sup> See Trevor Little, *A New Europe? Constructing a Trademark System to Meet Today's Needs*, *WORLD TRADEMARK REV.* 16, 20 (Oct./Nov. 2013); *The Latest on European Proposals to Modernise Trade Mark Law and Procedure*, TAYLOR WESSING (2013), <http://www.taylorwessing.com/fileadmin/files/docs/EU-proposals-to-modernise-TM-law.pdf>.

<sup>21</sup> See TATHAM & RICHARDS, *supra* note 15, at 19.

business with the enlarged and unified single market of the Community.”<sup>22</sup> The EEC sought to standardize the rules for what constituted a trademark, the grounds for refusal and invalidity, the requirement of use, the right of protection, and several other aspects of substantive trademark law.<sup>23</sup> The Member States therefore retained the freedom to adopt their own standards and measures regarding the protection of marks acquired by use or those having a reputation, the application of other law to trademarks, specific grounds of refusal not covered by the directive, and certain procedural rules and questions.<sup>24</sup>

As of April 1, 1996, trademark holders have been able to protect their marks by means of a single right, the CTM, in all states of the EU.<sup>25</sup> The examination process for each new application tests whether a requested trademark fulfills the registration requirements contained in the CTM Regulations for every Member State of the EU.<sup>26</sup> An application may be refused if the mark is identical or similar to an earlier registered mark, if there is an identical or similar national mark with a reputation in a Member State, or if the holder of an identical or similar non-

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<sup>22</sup> S. Sandri, *Community Trade Marks and Domestic Laws*, in EUROPEAN COMMUNITY TRADE MARK: COMMENTARY TO THE EUROPEAN COMMUNITY REGULATIONS 411, 415 (Mario Franzosi ed., 1997) (noting that although the CTM was not intended to replace national systems, it would be difficult to imagine the continued coexistence of both systems); *see also* Regulation 207/2009, *supra* note 18, at (L 78) 1 para. 6 (“The Community law relating to trade marks nevertheless does not replace the laws of the Member States on trade marks. . . . National trade marks continue to be necessary for those undertakings which do not want protection of their trade marks at Community level.”).

<sup>23</sup> TATHAM & RICHARDS, *supra* note 15, at 19.

<sup>24</sup> *Id.*

<sup>25</sup> GASTINEL & MILFORD, *supra* note 17, at xxiv. At the time the OHIM was established, the EU encompassed fifteen countries. *Id.* *See generally* TM in the EU—CTM, *supra* note 4.

<sup>26</sup> GASTINEL & MILFORD, *supra* note 17, at 76.

registered mark used in trade with “more than mere local significance” opposes the application.<sup>27</sup>

Based on the foregoing, a logical conclusion is that if an application passes muster in each Member State and becomes a registered CTM it secures the owner’s rights throughout the EU. However, a recent case referred to the ECJ illustrates the potential uncertainty between national and Community regulations.<sup>28</sup>

### *C. The Demand for Community Trademarks Exceeds Expectations*

The EUTDA initially expected to process a mere 15,000 applications in its first year, with a projected growth of an additional 5000 applications per year thereafter.<sup>29</sup> The first year brought 41,300 applications to the office in Alicante—nearly three times the original expectation.<sup>30</sup> Despite having taken on double the number of employees it began with, the office immediately expanded its recruiting and training efforts to accommodate the heavy workload.<sup>31</sup> Today, the EUTDA processes in excess of 100,000 registrations in a given year.<sup>32</sup>

### *D. Filing for Protection by Class Headings*

In the mid-nineteenth century, trademark offices began to sort trademarks by grouping them into classifications of goods and

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<sup>27</sup> Regulation 40/94, *supra* note 17, at art. 8.

<sup>28</sup> *See infra* Part II.B.

<sup>29</sup> OHIM, ANNUAL ACTIVITY REPORT 8–9 (1996), *available at* <http://bookshop.europa.eu/en/ohim-annual-activity-report-1996-pbAH0497937/> (follow “Download” hyperlink).

<sup>30</sup> *Id.*

<sup>31</sup> *See id.* at 41.

<sup>32</sup> OHIM, ANNUAL REPORT 2012, at 11 (2012), *available at* [http://oami.europa.eu/Annual\\_report\\_2012/OHIM/pdf/AnnualReport\\_2012\\_EN.pdf](http://oami.europa.eu/Annual_report_2012/OHIM/pdf/AnnualReport_2012_EN.pdf). Since 1996, the OHIM has processed over 1.1 million applications for trademarks and 700,000 applications for registered community designs. *Id.* at 5.

services in order to facilitate the review process.<sup>33</sup> Today, CTMs for goods and services are categorized by class headings, which are governed by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 1957 (the Nice Agreement).<sup>34</sup> Similar to the effort of centralization of CTMs to facilitate the free movements of products, the benefit a harmonized classification system conferred on the movement of goods across borders was readily apparent.<sup>35</sup>

The International Bureau, established by the Paris Convention in 1883,<sup>36</sup> became a driving force behind a uniform classification system for trademarks.<sup>37</sup> Although the Bureau recommended a uniform system within three years of its inception, nearly seventy-five years passed before twenty-six countries signed the Nice Agreement.<sup>38</sup> The original agreement began with a list of thirty-four class headings, and now a committee of experts convenes

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<sup>33</sup> Curtis Krechevsky & Gailyc C. Sonia, *The Nice Agreement Revisited: Still A Class Act?*, 91 TRADEMARK REP. 1184, 1186 (2001).

<sup>34</sup> Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, June 15, 1957, 1154 U.N.T.S. 89 [hereinafter the Nice Agreement]. See generally *Classification*, OHIM, <http://oami.europa.eu/ows/rw/pages/CTM/regProcess/classifications.en.do> (last updated July 26, 2013) (providing general information on choosing classes for CTM applications).

<sup>35</sup> Krechevsky & Sonia, *supra* note 33, at 1187–88.

<sup>36</sup> Paris Convention for the Protection of Industrial Property art. 15, Mar. 20, 1883, 828 U.N.T.S. 305 (as last revised at Stockholm on 14 July 1967 and amended on 28 Sept. 1979).

<sup>37</sup> Krechevsky & Sonia, *supra* note 33, at 1188. Before three years passed, the International Bureau proposed a uniform system comprising of thirty-six classes. *Id.* at 1188–89.

<sup>38</sup> See generally *id.* at 1189–1193 (giving a brief overview of the International Bureau's efforts and the establishment of an unofficial system of classification prior to the Nice Conference).

periodically to publish a new edition of the Nice Classification.<sup>39</sup> The Nice Agreement has gone under several revisions and additions throughout its more than half century of existence, but the general structure of the agreement remains relatively unchanged.<sup>40</sup>

Currently, the Nice Agreement is in its tenth edition, and is now available online.<sup>41</sup> While the Nice Classification system has weathered the sands of time, the rapid growth and changing face of global commerce may render some of the original classifications outmoded and result in overcrowding in others.<sup>42</sup> Today there are thirty-four classes for goods and eleven classes for services under the Nice Agreement.<sup>43</sup> Some of the class headings are now so large that filing an application for one class may not guarantee protection across all the goods in that heading; this is something an entity seeking CTM protection should take into consideration when devising its strategy for trademark protection.<sup>44</sup>

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<sup>39</sup> *Id.* at 1190, 1195. See generally *About the NCL*, WIPO, [http://www.wipo.int/classifications/nice/en/about\\_the\\_ncl/preface.html](http://www.wipo.int/classifications/nice/en/about_the_ncl/preface.html) (last visited Nov. 26, 2013) (providing general information regarding the Nice Agreement and revisions and editions).

<sup>40</sup> Krechevsky & Sonia, *supra* note 33 at 1186.

<sup>41</sup> *International Classification of Goods and Services for the Purposes of the Registration of Marks*, WIPO, [http://www.wipo.int/classifications/nice/en/about\\_the\\_ncl/preface.html](http://www.wipo.int/classifications/nice/en/about_the_ncl/preface.html) (last visited Nov. 15, 2013) [hereinafter *Nice Classification*] (noting that paper publication has been discontinued).

<sup>42</sup> Krechevsky & Sonia, *supra* note 33, at 1200. The referenced article provides detailed recommendations for revisions in 2001. *Id.* at 1202–04.

<sup>43</sup> *Nice Classification, official publication*, WIPO, [http://web2.wipo.int/nicepub/edition-20130101/taxonomy/?pagnation=no&lang=en&mode=flat&explanatory\\_notes=hide&basic\\_numbers=show](http://web2.wipo.int/nicepub/edition-20130101/taxonomy/?pagnation=no&lang=en&mode=flat&explanatory_notes=hide&basic_numbers=show) (last updated June 18, 2013).

<sup>44</sup> See *infra* Part IV.B.

*E. The Issue of Genuine Use*

Another aspect of CTM protection that is important to understand is the concept of genuine use. Article 15 of the Trademark Regulation states:

If, within a period of five years following registration, the proprietor has not 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, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to . . . sanctions.<sup>45</sup>

Genuine use is mentioned in five other places in the regulation, but no definition is given to clarify its meaning.<sup>46</sup> Case law has established that there is a genuine use of a trademark where the mark is used per its essential function: “to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services.”<sup>47</sup> Token use to preserve the rights of the mark is not sufficient to establish genuine use.<sup>48</sup>

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<sup>45</sup> Regulation 207/2009, *supra* note 18, art. 15(1) (emphasis added).

<sup>46</sup> Regulation 207/2009, *supra* note 18, arts. 42 para. 2, 51 para. 1(a–b), 57 para. 2, 112 para. 2(a), 160 (defining the use of Community trade marks, examination of opposition, grounds for revocation, examination of the application, and request for the application of national procedure).

<sup>47</sup> Case C-149/11, *Leno Merken BV v. Hagelkruis BV*, 2012 E.C.R. I-00000, para. 29 [hereinafter ONEL] (citing Case T-242/02, *Sunrider v. OHIM*, 2005 E.C.R. II-02793, para. 70; the order in Case C-259/02, *La Mer Technology Inc. v. Laboratoires Goemar SA*, 2004 E.C.R. I-01159, para. 27; and Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV*, 2003 E.C.R. I-02439, para. 43).

<sup>48</sup> *Id.*

Both CTMs and national trademarks are subject to the requirement of territorial use within the borders of the Community or the Member State in question.<sup>49</sup> This would seem to create a problem for a registered CTM that is contested by the holder of a national trademark in a Member State where the CTM is not used.<sup>50</sup> The question, then, is whether the CTM requirements are to be interpreted literally or balanced against the interests of the internal market. In other words, is use in a single Member State sufficient to establish protection across the entire Community, or must there be some minimum level of use in more than one state? In the context of the Community as a whole, there has not been a set standard for evaluating what scope of use is sufficient to establish protection in the entire community; this issue will be discussed in the latter half of Part III.<sup>51</sup>

### III. RECENT DECISIONS AFFECTING EUROPEAN MARKS

The ECJ issued two decisions in 2012 that bear consideration in devising a European trademark strategy.<sup>52</sup> First, this section discusses a case challenging the sufficiency of the class headings for new applications and the immediate effects the decision had on the EUTDA.<sup>53</sup> The article then discusses the concept of “genuine use” in the context of trademark rights.<sup>54</sup>

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<sup>49</sup> Regulation 207/2009, *supra* note 18, art. 15 para. 1; Directive 2008/95/EC of the European Parliament and the Council of 22 October, 2008 to Approximate the Laws of the Member States Relating to Trade Marks, art. 10 para. 1, 2008 O.J. (L 299) 25, 30 [hereinafter Trademark Directive].

<sup>50</sup> *See infra* Part III.B.

<sup>51</sup> *See id.*

<sup>52</sup> Little, *supra* note 20, at 20–21, 25.

<sup>53</sup> *See infra* Part III.A; Case C-307/10, Chartered Inst. of Patent Attorneys v. Register of Trade Marks (June 19, 2012) [hereinafter IP TRANSLATOR].

<sup>54</sup> *See infra* Part III.B; ONEL, *supra* note 47.

### A. Class Headings and IP TRANSLATOR

#### 1. The Facts of the Matter

In June of 2012, the ECJ decided *Chartered Institute of Patent Attorneys v. Registrar of Trade Marks*.<sup>55</sup> The Chartered Institute of Patent Attorneys (CIPA) applied to register a trademark for “IP TRANSLATOR” in the United Kingdom on October 16, 2009.<sup>56</sup> The CIPA used general class heading 41 of the Nice Classification, including “Education; providing of training; entertainment; sporting and cultural activities” on the application.<sup>57</sup> One of the services listed beneath this class heading is translation.<sup>58</sup>

The Registrar refused the application on February 12, 2010, on the grounds that the name IP TRANSLATOR as applied to the translation service within class heading 41 was merely descriptive and lacked distinctive character.<sup>59</sup> The Registrar referred to OHIM Communication 4/03, which indicated that a CTM application for a particular class heading would cover all services falling within the class.<sup>60</sup> CIPA did not specifically indicate that translation services

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<sup>55</sup> IP TRANSLATOR, *supra* note 53.

<sup>56</sup> *Id.* para. 22.

<sup>57</sup> *Id.*

<sup>58</sup> Nice Classification, *supra* note 41, at Class 41, [http://web2.wipo.int/nicepub/edition-20130101/taxonomy/class-41/?pagination=no&lang=en&mode=flat&explanatory\\_notes=hide&basic\\_numbers=show](http://web2.wipo.int/nicepub/edition-20130101/taxonomy/class-41/?pagination=no&lang=en&mode=flat&explanatory_notes=hide&basic_numbers=show) (last updated June 18, 2013).

<sup>59</sup> IP TRANSLATOR, *supra* note 53, para. 23; Trademark Directive, *supra* note 49, art. 3(1)(b)–(c) (stating that trademarks “devoid of any distinctive character” or consisting “exclusively of signs or indications which may serve, in trade, to designate the kind . . . intended purpose . . . of the goods or of rendering of the service” shall not be registered, or declared invalid).

<sup>60</sup> IP TRANSLATOR, *supra* note 53, para. 23; Communication No 4/03 of the President of the Office of 16 June 2003, OHIM, para. III (“It constitutes a proper specification of goods and services in a CTM application if the general indications or the whole class headings provided for in the Nice Classification are used.”).

should be excluded from its trademark application—had it done so, this case may not have reached the ECJ.<sup>61</sup>

CIPA appealed to the referring court on February 25, 2010, arguing that the Registrar had wrongfully rejected the application because the application did not specify that translation services should be included.<sup>62</sup> The referring court, in turn, examined the number of services falling under the alphabetical listing of class 41.<sup>63</sup> The Nice Classification includes 167 services under the heading “Education; providing of training; entertainment; sporting and cultural activities.”<sup>64</sup> Additionally, the Registrar’s database lists in excess of 2000 services under this heading, and the EUTDA database maintained per the Trademark Regulation includes more than 3000 listings.<sup>65</sup> If the Registrar’s logic were correct, CIPA’s registration would cover all of those itemizations.<sup>66</sup>

Also of note to the questions posed by the referring court were the results of a 2008 survey conducted by the Association of European Trade Mark Owners (MARQUES), showing that practice among the Member States varied.<sup>67</sup> Some followed the interpretation promulgated by Communication 4/03, and others followed different approaches.<sup>68</sup> In the end, the referring court posed three questions:

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<sup>61</sup> IP TRANSLATOR, *supra* note 53, para. 23.

<sup>62</sup> *Id.* para. 24.

<sup>63</sup> *Id.* para. 26.

<sup>64</sup> Nice Classification, *supra* note 41.

<sup>65</sup> IP TRANSLATOR, *supra* note 53, para. 26.

<sup>66</sup> *Id.* para. 27.

<sup>67</sup> MARQUES ASS’N, USE OF CLASS HEADINGS 3–4 (2008), *available at* <http://www.marques.org/Teams/TeamPage.asp?PageID=95&TeamCode=TradTeam> (summarizing results from nineteen Member States on the use of class headings following the OHIM Communication 4/03).

<sup>68</sup> IP TRANSLATOR, *supra* note 53, para. 28.

- (1) What degree of clarity and precision (if any) is necessary for the goods and services covered by a trademark application?
- (2) Is it permissible to use the general words of the class headings to identify the goods or services covered by a trademark application?
- (3) Is it necessary or permissible for Communication 4/03's interpretation to apply to the use of the general words of the class headings?<sup>69</sup>

The ECJ ultimately found that trademark applications could make use of the general class headings so long as the heading provides “sufficiently clear and precise” indication of the goods and services for which protection is sought.<sup>70</sup> As part of this ruling, the ECJ stated that an applicant wishing to secure protection of all goods and services listed within a Nice Classification must so indicate on the application.<sup>71</sup>

## 2. The Reasoning Behind IP TRANSLATOR

### *i. Degree of Clarity or Precision in Applications*

As a first order of business, the ECJ invoked the preamble to the Trademark Directive,<sup>72</sup> stating that the function of trademark protection is to guarantee to the consumer—without risk of confusion—an indication of origin of products or services.<sup>73</sup> Per

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<sup>69</sup> *Id.* para. 29.

<sup>70</sup> *Id.* para. 65.

<sup>71</sup> *Id.*

<sup>72</sup> Trademark Directive, *supra* note 49.

<sup>73</sup> IP TRANSLATOR, *supra* note 53, para. 36 (citing Case C-529/07, *Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH*, 2009 E.C.R. I-4893, para. 45; Case C-273/00, *Ralf Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, paras. 34–35; Case C-39/97, *Canon Kabushiki Kaisha, Japan v. Pathe Communications Corporation, U.S.A.*, 1998 E.C.R. I-05507, para. 28).

this function, the ECJ stated that an application must always be in relation to certain goods or services.<sup>74</sup> Although the Trademark Directive does not include a provision directly on the issue of identifying the goods or services concerned,<sup>75</sup> and Member States are free to fix procedural rules (including the registration of marks),<sup>76</sup> the court stated that determining the nature and content of goods and services for protection is subject to substantive conditions, and therefore within scope of the directive.<sup>77</sup>

The court relied in part on Articles 3 and 4 of the Trademark Directive (both pertaining to grounds for refusal or invalidity of trademarks), asserting that because refusal or invalidity of marks depends on whether the goods or services covered are indicated with sufficient clarity or precision, the marks should be registered with the same precision.<sup>78</sup> Although the ECJ has previously held it unnecessary to specify a service in detail, an applicant in those circumstances using general wording for services must specify the goods or type of goods to which the services pertain, or provide other more specific details.<sup>79</sup> Reasoning that competent authorities need to be able to fulfill their duties in the registration process, and potential competitors must be able to obtain relevant information, the ECJ found that the Trademark Directive requires applicants to indicate goods and services with sufficient clarity and precision to allow authorities and economic operators to determine the extent of protection sought.<sup>80</sup>

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<sup>74</sup> *Id.* para. 37.

<sup>75</sup> *Id.* para. 38.

<sup>76</sup> *Id.* para. 40.

<sup>77</sup> *Id.* paras. 38–40.

<sup>78</sup> *Id.* paras. 42–44.

<sup>79</sup> *Id.* para. 45 (analogizing to Case C-418/02, *Praktiker Bau- und Heimwekermärkte AG*, 2005 E.C.R. I-05873, para. 49–51).

<sup>80</sup> *Id.* paras. 47–49.

*ii. Using General Wording of Nice Classifications*

On the question of whether trademark applicants may use the general wording of the Nice Agreement class headings, the court found no bar to their use under the Trademark Directive.<sup>81</sup> Because the directive adopted the Nice Agreement, and it was not intended to affect obligations of the Member States, the directive does not preclude national authorities from requiring or agreeing that an applicant for a national mark should identify the goods or services under the Nice Classification.<sup>82</sup> For the smooth operation of trademark registration systems, any application process must include identification of goods and services to the degree of clarity and precision stated above.<sup>83</sup>

The ECJ observed that some of the class headings in the Nice Classification are sufficiently clear and precise, but some are too general or cover goods and services that are too variable to comply with the trademark's function as an indication of origin.<sup>84</sup> The court leaves the determination of what constitutes sufficient clarity and precision to competent authorities to evaluate on a case-by-case basis.<sup>85</sup> In short, the Trademark Directive allows the use of general indications of class headings, provided that this level of identification is sufficiently clear and precise to determine the correct scope of protection.<sup>86</sup>

*iii. Using Class Headings to Signify All Goods or Services Within a Nice Classification*

The ECJ then moved on to the referring court's third question—whether the OHIM assertion that indicating a class

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<sup>81</sup> IP TRANSLATOR, *supra* note 53, para. 50.

<sup>82</sup> *Id.* para. 52.

<sup>83</sup> *Id.* para. 53.

<sup>84</sup> *Id.* para. 54.

<sup>85</sup> *Id.* para. 55.

<sup>86</sup> *Id.* para. 56.

heading on an application would translate into protection in all goods or services falling within that class. Previous rulings have held that it is possible to apply for registration for all goods or services in a class.<sup>87</sup> At the time of the IP TRANSLATOR ruling, two main approaches to the use of class headings were employed: the OHIM approach and a literal approach interpreting the words listed on the application (as was urged by CIPA in this case).<sup>88</sup>

One argument against maintaining two approaches is that it would allow for diverging outcomes on actions of infringement in different Member States.<sup>89</sup> Another is that an approach that relies on the interpretation of examining authorities rather than the intention of the applicant undermines the legal certainty of the applicant and the applicant's competitors.<sup>90</sup> Accordingly, the ECJ ruled that an applicant seeking a national trademark who uses Nice Classification general class headings must specify whether the registration is intended to cover all or only some goods and services within that category, or run the risk of rejection on the grounds of insufficient clarity and precision as the application may be read to cover all goods and services in that category.<sup>91</sup> The

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<sup>87</sup> *Id.* para. 57 (citing Case C-363/99, *Koninklijke KPN Nederland NV v. Benelux-Merkenbureau*, 2004 E.C.R. I-01619, I-01690 para. 112).

<sup>88</sup> *Id.* para. 58. *See also* EUROPEAN TRADEMARK AND DESIGN NETWORK, COMMON COMMUNICATION ON THE IMPLEMENTATION OF 'IP TRANSLATOR', 4 tbl. 1 (Nov. 20, 2013), *available at* [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/Documents/ConvergenceProgram/common\\_communication\\_12042013\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/Documents/ConvergenceProgram/common_communication_12042013_en.pdf) [hereinafter EUTDN COMMUNICATION] (summarizing each Member State's approach to determining scope of protection of its own national mark prior to the filing of IP TRANSLATOR).

<sup>89</sup> IP TRANSLATOR, *supra* note 53, para. 59.

<sup>90</sup> *Id.* para. 60.

<sup>91</sup> *Id.* paras. 61–62.

implications this ruling has on U.S. SMEs seeking to register trademarks in the EU is discussed in Part IV.<sup>92</sup>

*B. Genuine Use and the ONEL Decision*

1. The Facts of the Matter

In December of 2012, the ECJ issued the ONEL decision.<sup>93</sup> Leno Merken BV owned a CTM registration for the mark ONEL in classes 35, 41, and 42 dating back to March 19, 2002.<sup>94</sup> Hagelkruis Beheer BV applied for a national trademark at the Benelux Office for Intellectual Property (BOIP) for the mark OMEL in classes 35, 41, and 45 on July 27, 2009.<sup>95</sup> The parties acknowledged that the two marks were similar, that they were registered for nearly identical services, and that OMEL would be likely to give rise to public confusion if used in the same market as ONEL.<sup>96</sup> Naturally, Leno opposed the OMEL registration.<sup>97</sup>

When Hagelkruis pressed Leno to show proof of use, Leno could only establish use of ONEL in the Netherlands.<sup>98</sup> This engendered the central dispute between the parties—namely, the

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<sup>92</sup> See *infra* Part IV.B.

<sup>93</sup> ONEL, *supra* note 47.

<sup>94</sup> ONEL, *supra* note 47, para. 17. The Nice Agreement classes referred to in ONEL's registration encompass (1) advertising and publicity, business administration, office functions, business management, marketing (class 35); (2) education, courses and training sessions, organization of seminars and trade shows (class 41); and (3) scientific and technological services and research and design relating thereto, industrial analysis and research services, design and development of computer hardware and software (class 42). Nice Agreement, *supra* note 34.

<sup>95</sup> ONEL, *supra* note 47, para. 16. Nice Agreement Class 45 encompasses legal services. Nice Agreement, *supra* note 34.

<sup>96</sup> ONEL, *supra* note 47, para. 20.

<sup>97</sup> *Id.* para. 18.

<sup>98</sup> *Id.* para. 21.

extent of the territorial area that is required to show genuine use.<sup>99</sup> The Benelux Convention on Intellectual Property (BCIP)<sup>100</sup> applies to CTMs when seniority in the Benelux territory is properly claimed in accordance with CTM regulations.<sup>101</sup> The BOIP rejected Leno's opposition, finding that by BCIP standards Leno had not put the ONEL mark to genuine use in Benelux's contracting Member States<sup>102</sup> during the required five-year period prior to the publication of the OMEL application.<sup>103</sup>

The referring court posed a question as to the applicability of Joint Statement Number 10 regarding Article 15 of Council Regulation (EC) No. 49/94 on the Community Trade Mark.<sup>104</sup> This statement is a record of the meeting minutes of the Council, which maintains "[t]he 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."<sup>105</sup> The ECJ did not

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<sup>99</sup> See *infra* notes 105–111 and accompanying text.

<sup>100</sup> Benelux Convention on Intellectual Property (Trademarks and Designs) of February 25, 2005, art. 2.3(b), Belg.-Lux.-Neth., Feb. 25, 2005, WIPO Lex No. TRT/BX001/001, [hereinafter BCIP], available at [http://www.wipo.int/wipolex/en/other\\_treaties/text.jsp?file\\_id=181302](http://www.wipo.int/wipolex/en/other_treaties/text.jsp?file_id=181302) (providing that applications for identical or similar trademarks filed for identical or similar goods or services will be evaluated to determine the order of priority for filing; the risk that the consuming public will be confused into associating the goods or services with the earlier trademark is explicitly stated in the BCIP).

<sup>101</sup> *Id.* art. 2.46.

<sup>102</sup> *Benelux Convention on Intellectual Property*, WIPO, [http://www.wipo.int/wipolex/en/other\\_treaties/parties.jsp?treaty\\_id=229&group\\_id=21](http://www.wipo.int/wipolex/en/other_treaties/parties.jsp?treaty_id=229&group_id=21) (last visited Jan. 2, 2014) (listing the three member countries of the Benelux Convention on Intellectual Property as Belgium, Luxembourg, and the Netherlands).

<sup>103</sup> ONEL, *supra* note 47, para. 19; see also *supra* Part II.B (discussing the relation between interplay between Community and national trademark regulations).

<sup>104</sup> ONEL, *supra* note 47, para. 23; see also Regulation 40/94, *supra* note 17, art. 15.

<sup>105</sup> ONEL, *supra* note 47, para. 23.

find the Joint Statement applicable, deciding in favor of a more flexible rule as set out below.<sup>106</sup>

The ECJ ultimately found that use in one country could be—but was not necessarily—enough to establish genuine use in the Community, depending on “all the facts and circumstances.”<sup>107</sup> These facts and circumstances include “characteristics of the market concerned, the nature of the goods or services protected by the trade mark and the territorial extent and the scale of the use as well as its frequency and regularity.”<sup>108</sup> The ECJ explicitly rejected the notion of a *de minimis* rule, stating that such a rule would prevent a national court from appraising all circumstances presented it;<sup>109</sup> instead the question of territorial extent of the use needed to show genuine use will continue to be assessed on a case-by-case basis.<sup>110</sup>

## 2. The Reasoning Behind ONEL

Before delving into the question of genuine use, the ECJ called attention to the fact that trademarks are subject to protection under both the CTM and national regulations.<sup>111</sup> The court set out to establish a uniform interpretation of genuine use, referencing the

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<sup>106</sup> *Id.* para. 46 (citing Case C-356/05, *Elaine Farrell v. Alan Whitty*, 2007 E.C.R. I-03067, I-03109, para. 31; Case C-402/03, *Skov Æg v. Bilka Lavprisvarehus*, 2006 E.R.C. I-00199, I-00213, para. 42; Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-03793, I-03804, para. 25; and Case C-292/89, *The Queen v. Immigration Appeal Tribunal, ex parte Gustaff Desiderius Antonissen*, 1991 E.C.R. I-00745, para. 18) (“[I]t is settled case-law that, where a statement recorded in Council minutes is not referred to in the wording of a provision of secondary legislation, it cannot be used for the purpose of interpreting that provision.”).

<sup>107</sup> *Id.* para. 55.

<sup>108</sup> *Id.* para. 56.

<sup>109</sup> *Id.* para. 55.

<sup>110</sup> *Id.* para. 58.

<sup>111</sup> *Id.* para. 25.

intent of the CTM system to approximate national laws to remove impediments to the free movements of goods and services<sup>112</sup> and to provide uniform protection<sup>113</sup> throughout the EU.<sup>114</sup> While the decision here provides some general guidance to national courts, the result is not quite the easily applicable standard that comes to mind at the suggestion of “uniform interpretation.”<sup>115</sup>

As illustrated by the BCIP provision stated in the previous section,<sup>116</sup> the rules applying to a CTM and a national trademark have similar standards for evaluating genuine use within their respective geographic areas.<sup>117</sup> This leads to the apparent paradox illustrated by the BOIP’s decision: a valid CTM could be found not protectable by one of the Member States because the mark is not used within the borders of that Member State. The court acknowledged the logic inherent in the assumption that a CTM should be used in a larger area than just a single Member State because the Community mark benefits from more extensive protection.<sup>118</sup> However, that reasoning was not held sufficient to establish a *de minimis* rule.<sup>119</sup>

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<sup>112</sup> *Id.* para. 26 (citing Case C-190/10, *Génesis Seguros Generales Sociedad Anónima de Seguros y Reaseguros v. Boys Toys SA and Administración del Estado*, 2012 E.C.R. I-00000, paras. 30–31).

<sup>113</sup> *Id.* para. 27 (citing Case C-190/10, *Génesis Seguros Generales Sociedad Anónima de Seguros y Reaseguros v. Boys Toys SA and Administración del Estado*, 2012 E.C.R. I-00000, para. 35; Case C-235/09, *DHL Express France SAS v. Chronopost SA*, 2011 E.C.R. I-02801, para. 41).

<sup>114</sup> *Id.* para. 28.

<sup>115</sup> *Id.*

<sup>116</sup> See BCIP, *supra* note 100, arts. 2.3(b), 2.46.

<sup>117</sup> ONEL, *supra* note 47, para. 34.

<sup>118</sup> *Id.* para. 50

<sup>119</sup> *Id.* paras. 54, 50 (reasoning that because “the market . . . for which a [CTM] has been registered [may] . . . [be] restricted to the territory of a single Member State, . . . use of the Community trade mark on that territory might satisfy the conditions both for genuine use of a [CTM] and for genuine use of a national trade mark.”).

Noting that the territorial scope of use is not a separate condition for genuine use, but merely a factor that must be balanced against other factual circumstances, the court moved on to determine what the entire phrase “genuine use in the Community” entails.<sup>120</sup> A close examination of the 207/2009 regulation<sup>121</sup> revealed a few provisions that made reference to the territory of “one or more Member States,” but the court disregarded these as relating to issues of jurisdiction and procedure in legal actions.<sup>122</sup>

Taking into consideration the goal of removing territorial borders as barriers to the free movement of goods and services, the CTM enables proprietors of marks to scale their business undertakings throughout the community.<sup>123</sup> Uniform protection throughout the entire Community is an important part of achieving this goal.<sup>124</sup> Thus, the ECJ found territorial borders of the Member States should not be considered in evaluating genuine use in the Community.<sup>125</sup>

In conclusion, the ECJ stressed the importance of the facts and circumstances surrounding the issue of genuine use of a trademark.<sup>126</sup> The uniform interpretation of genuine use the court set out to establish at the start of the opinion comes down to a factual determination based on

- (1) whether the mark in question is used
  - (a) in accordance with its essential function and

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<sup>120</sup> *Id.* paras. 36–37.

<sup>121</sup> *See* Regulation 207/2009, *supra* note 18.

<sup>122</sup> ONEL, *supra* note 47, para. 43.

<sup>123</sup> *Id.* para. 40.

<sup>124</sup> *Id.* para. 41.

<sup>125</sup> *Id.* paras. 44–48 (specifically noting that this interpretation is not undermined by OHIM opposition guidelines or the Joint Statement discussed *supra* note 102–04 and accompanying text).

<sup>126</sup> *Id.* para. 56.

- (b) for the purpose of creating or maintaining market share for the protected goods or services;
- (2) considering all relevant facts and circumstances, including
  - (a) the characteristics of the market concerned;
  - (b) the nature of the goods or services protected by the trade mark;
  - (c) the territorial extent of the use;
  - (d) the scale of the use; and
  - (e) the frequency and regularity of the use.<sup>127</sup>

This decision attempts to balance the goal of promoting a single European internal market and the realities faced by entities that wish to do business in an international arena.<sup>128</sup>

#### IV. APPLICATION OF IP TRANSLATOR AND ONEL TO SME INTELLECTUAL PROPERTY STRATEGIES

Establishing sufficient IP protection is critical for an SME looking to create valuable business assets from ideas.<sup>129</sup> Given that it is important for SMEs to maximize the return of each dollar and decision, a well-thought-out business strategy will benefit the entity when it comes time to file for trademark protection. This

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<sup>127</sup> *Id.*

<sup>128</sup> *Logos and No-Gos*, MACFARLANES LLP (Sept. 2012), <http://www.macfarlanes.com/media/632585/logos%20and%20nogos%20-%20can%20use%20of%20a%20community%20trade%20mark%20in%20one%20member%20state%20constitute%20genuine%20use%20across%20the%20eu.pdf>.

<sup>129</sup> ALIKHAN & MASHELKAR, *supra* note 9, at 107; *see generally* ANDREW J. SHERMAN, HARVESTING INTANGIBLE ASSETS: UNCOVER HIDDEN REVENUE IN YOUR COMPANY'S INTELLECTUAL PROPERTY 169–214 (2011) (discussing various business models and cooperation policies that SMEs can employ to leverage intellectual capital).

section presents an overview of the importance of integrating IP strategy into the overall business plan. The ONEL and IP TRANSLATOR decisions continue to spark debate and uncertainty regarding their respective effects on IP strategies.<sup>130</sup> This section concludes with the implications that IP TRANSLATOR and the ONEL decision are likely to have on an SME's IP strategy.

#### *A. Integrating Business Goals and IP Strategy*

An SME's IP strategy should be aligned with the overall business strategy and not treated as a separate legal issue to be addressed independently.<sup>131</sup> IP can benefit from a variety of common business goals, such as defending (or gaining) market share, optimizing expenses, or capturing value.<sup>132</sup> The path to financial success increasingly relies on obtaining IP rights with global reach, though enforcing these rights may present a challenge as piracy becomes more pervasive.<sup>133</sup> The earlier an IP specialist can be involved in the planning phases of trademark strategies, the better off the business will be.<sup>134</sup> Creating a business group

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<sup>130</sup> See Richard Ashmead, IP TRANSLATOR *One Year On: Quo Vadis?*, THE IPKAT (June 2, 2013), <http://ipkitten.blogspot.com/2013/06/ip-translator-one-year-on-quo-vadis.html>; Little, *supra* note 20, at 21, 25.

<sup>131</sup> INT'L CHAMBER OF COMMERCE & WIPO, *supra* note 9, at 12 (providing a partial list of more than twenty business functions in which IP considerations should be considered).

<sup>132</sup> See generally SUZANNE S. HARRISON & PATRICK H. SULLIVAN, EDISON IN THE BOARDROOM REVISITED: HOW LEADING COMPANIES REALIZE VALUE FROM THEIR INTELLECTUAL PROPERTY 27–160 (2d ed. 2012) (discussing five levels of company objectives supported by managing IP, and detailing the best practices for each).

<sup>133</sup> KEITH E. MASKUS, PRIVATE RIGHTS AND PUBLIC PROBLEMS 3–4 (2012) (“[I]n a world where ‘if you build it they will copy,’” infringement of intellectual property rights is rampant, from music piracy in the developed world to counterfeit drugs in developing countries).

<sup>134</sup> See KENNETH L. PORT, TRADEMARK LAW AND POLICY 287 (3d ed. 2013) (stating that “better trademark attorney[s] attempt to involve” themselves prior

devoted to IP management is an important first step in bolstering the overall business plan with technical and legal support.

The last ten years have seen a significant change in the way companies approach IP management—in larger companies the attorney staffed simply to defend existing patents has been replaced by a new member of the C-suite: the Chief Intellectual Property Officer (CIPO).<sup>135</sup> This addition allows for the centralization of all the different aspects of IP beneath a single managerial structure.<sup>136</sup> Following the economic downturn, business executives were attuned to how most of a business's operations could be woven together effectively. However, integrating IP was still a challenge.<sup>137</sup> Often, this is the result of different approaches and backgrounds in business judgment and technical or legal judgment.<sup>138</sup>

Knowledge sharing is key to building a strategic business plan in which IP can play a major supporting role.<sup>139</sup> Without a strong relationship among business leaders and IP executives, IP

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to the business's selection of a trademark, thereby avoiding obviously bad marks).

<sup>135</sup> HARRISON & SULLIVAN, *supra* note 132, at 30; *see also* SHERMAN, *supra* note 129, at 117–20 (identifying some of the best practices and notable mistakes in business strategies in the last twenty years).

<sup>136</sup> HARRISON & SULLIVAN, *supra* note 132, at 30 (listing portfolio administration, IP litigation, IP in mergers and acquisitions, IP licensing, and IP monetization).

<sup>137</sup> *See* Dan McCurdy, *Out of Alignment—Getting IP and Business Strategies Back in Sync*, in FROM ASSETS TO PROFITS: COMPETING FOR IP VALUE & RETURN 3, 11 (Bruce Berman ed., 2009) (contrasting “perhaps their most valuable corporate asset—their intellectual property” with the operational, managerial, and financial aspects business executives know how to leverage).

<sup>138</sup> *Id.* at 12–13 (stating a mutual lack of understanding between business goals and how to effectively leverage IP).

<sup>139</sup> *Id.* at 13 (“[T]he company’s business strategy and objectives should always drive the IP strategy, and not vice versa . . . .”); *see also id.* at 13–16 (discussing ways in which IP can bolster the company’s financial goals).

documents may be filed away in drawers instead of on balance sheets.<sup>140</sup> As a preliminary step, executives should ensure that an IP leader is included in all business strategy meetings and crisis situations.<sup>141</sup> This may be more difficult for an SME that consults with outside IP professionals, rather than having one in-house; indeed, many SMEs may not be in a position to manage their IP effectively without some significant preparatory work.<sup>142</sup>

SMEs that are not sophisticated in the management of IP or in international business should begin with an audit involving outside specialists and in-house research and development teams.<sup>143</sup> An audit can raise questions that lead to the beginnings of a comprehensive IP strategy and opportunities for growth.<sup>144</sup> A successful global expansion strategy incorporates many business and legal concepts;<sup>145</sup> as stated above, the earlier the IP specialists are included in the planning phases, the more valuable their contributions will likely be.

Companies that effectively manage their IP stand a better chance of surviving future recessions.<sup>146</sup> The specific tactics employed by an SME will vary depending on what level of

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<sup>140</sup> *Id.* at 17; *see also* HARRISON & SULLIVAN, *supra* note 132, at 38 (“The main lesson of the 2008 financial crisis is that due to the multitude of risks that arise from business, regulatory, and human failings, business must be alert to their true value.”) (footnote omitted).

<sup>141</sup> McCurdy, *supra* note 137, at 16.

<sup>142</sup> *See* HARRISON & SULLIVAN, *supra* note 132, at 161–67 (providing self-assessment questions for small companies to use in evaluating whether they are ready to advance in IP management).

<sup>143</sup> *See* SHERMAN, *supra* note 129, at 84–86.

<sup>144</sup> *See id.* at 85–86 (listing seven phases of an initial IP audit and key questions for the strategic planning process).

<sup>145</sup> *See id.* at 224–30 (stating the four-step progression toward becoming a global company, some of the legal concerns faced by expanding companies, and some of the advantages and disadvantages of doing business overseas).

<sup>146</sup> HARRISON & SULLIVAN, *supra* note 132, at 38.

sophistication the entity has achieved in its IP management and what the business goals and objectives are.<sup>147</sup>

### *B. IP TRANSLATOR*

Following the IP TRANSLATOR decision, the OHIM immediately repealed Communication 4/03.<sup>148</sup> In its place, the OHIM published a new communication requiring applicants to specifically indicate whether or not they intend to cover all or only some of the goods or services within a given heading.<sup>149</sup> The majority of the Community national offices have moved to a literal interpretation of new applications following IP TRANSLATOR.<sup>150</sup> For an SME applying for a new CTM or national mark in the EU, thought should be given to the level of specificity required to avoid a rejected application.

As illustrated by IP TRANSLATOR, an application that uses just the class headings may be found overbroad.<sup>151</sup> The EUTDA and the EU National Offices continue to work together to determine which class headings are sufficiently clear and specific,

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<sup>147</sup> *Id.* at 16–17 (summarizing five levels of expectations—and, correspondingly, demands for management—of how IP will contribute to overall company goals).

<sup>148</sup> Antonio Campinos, President, OHIM, Communication No 2/12 of the President of the Office, para. IX (June 20, 2012) [hereinafter Communication 2/12] (“Communication No. 4/03 of the President of 16 June 2003, concerning the use of class headings in lists of goods and services for Community trade mark applications and registrations, is hereby repealed.”).

<sup>149</sup> *Id.* paras. III–IV. Trademarks registered or applied for prior to the issuance of this communication were assumed to have been intended to cover all goods or services listed in the class heading under which the mark was filed. *Id.* paras. V–VI.

<sup>150</sup> See EUTDN COMMUNICATION, *supra* note 88, at 5 (showing only Hungary, Italy, Lithuania, and Romania as looking also to the alphabetical list of the Nice Classification edition at the time of filing to determine scope of protection).

<sup>151</sup> See *supra* Part III.A.

and which require an applicant to include a detailed list.<sup>152</sup> Some national offices require the full alphabetical listing of goods or services to be protected to be included along with the class heading.<sup>153</sup> While this may lead to several pages of additional specifications that were not strictly necessary prior to IP TRANSLATOR,<sup>154</sup> an SME with a clear, focused business strategy should be able to provide a finite list of goods or services in which it intends to do business.

On the other side of this argument is the potential that an overly narrow application could stunt an SME's future growth under a registered trademark. For SMEs, innovation and expansion are often most practical in small advances related to current business offerings.<sup>155</sup> The EUTDA and the majority of EU National Offices have adopted a literal interpretation of the list of goods and services included on a new application; SMEs that plan to expand their offerings should keep in mind those goods and services into which it may expand under the current business plan when filling out a trademark application. In light of the ONEL decision, SMEs should focus on the goods and services that may

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<sup>152</sup> See EUTDN COMMUNICATION, *supra* note 88, at 2.

<sup>153</sup> See *id.* at 5; Olivier Thrierr, *France—Identification of the Goods or Services for Which Protection is Sought*, SANTARELLI INTELL. PROP. (Feb. 10, 2013), <http://www.santarelli.com/en/ip-information-resources/publications/france-identification-of-the-goods-or-services-for-which-protection-is-sought-use-of-nice-classification-class-headings-extent-of-the-protection-conferred-by-the-trade-mark.html>.

<sup>154</sup> Little, *supra* note 20, at 21, 25.

<sup>155</sup> INT'L CHAMBER OF COMMERCE & WIPO, *supra* note 9, at 12 (“[F]ocusing on small steps that correlate to other existing functions of the business would make it easier for smaller businesses to implement a cost-effective IP strategy.”).

feasibly be added within five years to avoid opposition on the grounds of failing to establish genuine use.<sup>156</sup>

### C. ONEL

With its ruling in the ONEL decision, the ECJ stated that the territorial borders of EU Member States should be disregarded when evaluating whether a mark has been put to genuine use.<sup>157</sup> This appears to be good news for U.S. SME applicants seeking to enter the Community market at a conservative pace, as it allows them to test the waters in a single Member State and scale their use throughout the Community as demand for the product grows.<sup>158</sup> By that line of reasoning, a potential trademark holder could even enter the Community market without having a concrete plan for expansion and still enjoy broad protection. However, the court's ruling leaves a large gray area that could result in a CTM being converted to merely a national mark,<sup>159</sup> as the ONEL decision sets a slightly higher standard for evaluating genuine use in the

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<sup>156</sup> ONEL, *supra* note 47, at 34 (recognizing Article 15 of Regulation 207/2009 and Article 10 of Directive 2008/95 as each requiring genuine use within the territorial area within five years of registration in order to constitute genuine use); *Logos and No-Gos*, *supra* note 128.

<sup>157</sup> ONEL, *supra* note 47, para. 57.

<sup>158</sup> See Hastings Guise & Caroline Bass, *Is Use of CTM in Single Member State Always Enough, Never Enough, or Sometimes Enough?*, WORLD TRADEMARK REV. (Jan. 7, 2013), available at <http://www.worldtrademarkreview.com/daily/detail.aspx?g=a5ad55d2-d183-40bb-9fb5-d03ad5212027&q=> (“At first sight, the decision supports the OHIM guidance and long-held assumption that use in one member state equates to use in the entire community.”).

<sup>159</sup> ONEL, *supra* note 47, at 51 (stating that exception in Article 112(2)(a) of Regulation No 207/2009 allows this conversion when a national court finds use in a Member State insufficient to justify Community-wide protection); *ECJ on the Interpretation of “Genuine Use of a Community Trade Mark”*, AWPR (Jan. 30 2013), <http://www.awpr.de/newsletter/201301/eugh-zur-auslegung-des-begriffs-ernsthafte-benutzung-einer-gemeinschaftsmarke/>.

Community than in a single Member State,<sup>160</sup> but does not set universal parameters.

International trademark protection should be encouraged for SMEs.<sup>161</sup> While the ONEL decision may not affect large companies that either do or intend to do business in multiple Member States or can easily afford international protection under the Madrid Protocol, it may have a chilling effect on the number of CTMs sought by SMEs in favor of filing for the perceived relative security of national marks.<sup>162</sup> However, the entity's strategic goals and business plan should factor more heavily than the worry of uncertain protection when deciding whether to file for CTM or national protection.

The ECJ's ruling takes into account certain barriers that exist within the Community that make access to certain parts of the market more difficult.<sup>163</sup> In such a case, concentrated use within a single Member State could be weighed heavily in favor of establishing genuine use.<sup>164</sup> However, in a market with little local concentration, it is more difficult to argue that use in a single Member State constitutes genuine use in the Community market.<sup>165</sup> SMEs selling specialized or highly unique goods and services, therefore, should have a greater chance at establishing Community-wide protection based on limited territorial market presence, while SMEs selling common products may want to

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<sup>160</sup> Little, *supra* note 20, at 21.

<sup>161</sup> ALIKHAN & MASHELKAR, *supra* note 9, at 105 ("International partnering, networking and clustering within localities are some of the best ways to build and sustain the kind of competitiveness that SMEs need to survive and grow in a globalizing economy.").

<sup>162</sup> Little, *supra* note 20, at 21.

<sup>163</sup> See *Logos or No-Gos*, *supra* note 128 (summarizing the Advocate General's opinion recognized by the court).

<sup>164</sup> See ONEL, *supra* note 47, at 50.

<sup>165</sup> See Guise & Bass, *supra* note 158.

consider whether national marks are a better value for their investment.

## V. CONCLUSION

In the late 1990s, the EU was already a significant market for U.S. companies.<sup>166</sup> Until recently, the United States has been the number one applicant for CTMs, applying for more than 14,000 marks in 2012, and in excess of 210,000 across the history of the CTM.<sup>167</sup> Given that a CTM is at first glance an attractive option for U.S. companies wishing to expand their market reach into the EU Member States, those who wish to do business in the EU should carefully consider the impacts IP TRANSLATOR and the ONEL decision will have on their IP strategy.<sup>168</sup>

SMEs should carefully consider defining not only the goods and services already in production, but also those that will realistically be produced in the near future to avoid (1) overbroad applications that may be found too general and (2) overly narrow protection that could stunt future growth.<sup>169</sup> Because CTMs will not afford automatic protection across the entire Community unless all of the circumstances justify excluding others from the market, SMEs should weigh the likelihood of expansion across Member State territories when deciding whether Community-wide

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<sup>166</sup> F. Calvetti, *The Impact of the Community Trade Mark on Applicants in Non-Member Countries*, in EUROPEAN COMMUNITY TRADE MARK: COMMENTARY TO THE EUROPEAN COMMUNITY REGULATIONS 425–33 (Mario Franzosi ed., 1997).

<sup>167</sup> OHIM, *SSC009—Statistics of Community Trade Marks* (Aug. 11, 2013), available at [http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics\\_of\\_community\\_trade\\_marks\\_2013.pdf](http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2013.pdf) (detailing the breakdown of applications filed by country/territory and listing the United States as second only to Germany).

<sup>168</sup> See *supra* Part IV.B–C.

<sup>169</sup> See *supra* Part IV.B.

protection is necessary or if national registration will be sufficient.<sup>170</sup>

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<sup>170</sup> *See supra* Part IV.C.