Team meetings held in Nice

MARQUES Council and team members discussed the association's latest activities during the annual Winter Meeting in Nice in February.

MARQUES Chair Guido Baumgartner (pictured) introduced presentations from representatives of each of the 17 teams on 19th February. The teams had all met the day before to discuss their latest activities and their plans for the coming year.

More than 100 MARQUES members took part in the meeting, as well as special guest Ernesto Rubio from WIPO.

The meeting also featured a drinks reception and dinner on 18th February, where team members enjoyed informal discussions over sophisticated French cuisine (pictured).

Among the many activities discussed during the meeting were future events on parallel trade and designs as well as a seminar on European trade mark issues in Toronto and another judges' meeting, possibly in Germany. Willem Leppink of the Programming Team provided an update on plans for the next Annual Conference, in Berlin in September, and the Annual Conference 2011 in Baveno, which will include a geographical indications fair.

Ken Taylor of the Membership Team reported that MARQUES membership had declined only slightly in the past year due to the economic downturn, but he urged all members to encourage more companies to join MARQUES, to maintain the high proportion of corporate members.

Robert Harrison of the MARQUES Secretariat explained some of the initiatives, led by the Publications Team, to enhance the MARQUES website. Many of the teams now provide unique online services for MARQUES members.

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For example, the Brands and Marketing Team has launched its Advertising Portal and the Unfair Competition Team has posted its report and survey on look-alikes.

Some teams are working closely with IP institutions: the PISA Team reported on moves towards joining the Madrid Protocol in South America, while the OHIM and Trade Mark Law and Practice teams have both been active on different issues with OHIM. The Cyberspace Team is working with ECTA to try to ensure trade marks are protected if and when the new generic top-level domains are launched by ICANN.

The Amicus Curiae Team has recently submitted a paper on the Nokia case on transhipment and is discussing how to respond to the Benelux ONEL case, while the IP Outer Borders Team is focusing on the issue of liability of intermediaries for IP use on the internet.

Read a full report on each of the team presentations on the **MARQUES** Class 46 blog. You will also be able to see video of all the sessions on the website from early in March.

MARQUES criticises ONEL ruling

MARQUES has published a statement on the ONEL decision from the Benelux IP Office, in which the Office found that use of a CTM in only one EU member state did not constitute "genuine use" of the right.

The statement, signed by Chairman Guido Baumgartner and the Association's representative at OHIM Tove Graulund, says: "MARQUES considers that the ruling is contrary to the concept of one single unitary trademark right conferred under the CTM system and seriously jeopardizes this concept."

It adds that the ruling is not supported by the CTM Regulation or the case law of the European Court of Justice, saying: "MARQUES strongly believes in the principle of the unitary character of the CTM and will continue to support this concept."

OHIM has also criticised the decision, which has been appealed and is likely to lead to questions being referred to the Court of Justice of the EU. Since the ONEL ruling, there has been a similar decision from Hungary's Patent Office in a case involving the CTM CITY INN.

MARQUES continues to monitor these developments and may make further comment in due course.

Read the full statement here: http://www.marques.org/onel/

Designs seminar held in Paris

Following the success of the MARQUES Designs Forum in London, David Stone, Chair of the MARQUES Designs Team, and Sarah Bailey were delighted to host on behalf of MARQUES an evening seminar on the theme "Brand Owners' Guide to Community Designs" at Simmons & Simmons' Paris office.

Laurent Venetz, Global Counterfeit Counsel at Nestlé and Vice Chair of the **MARQUES** Designs Team; Grégoire Bisson, Head, International Designs Registry at WIPO; and Sarah Bailey each made a 20-minute presentation, followed by a short question-and-answer session.

Laurent shared with the delegates Nestlé's experience on Community designs and their relevance in a brand protection strategy. Delegates were given an insight into how Nestlé is using this form of IP right, as well as examples of what other businesses are doing.

Continued

Grégoire, in an amusing and informative presentation, explained the advantages of the Hague System when drawing up a filing strategy for registered designs and the obvious pitfalls to avoid. He emphasised the administrative and financial savings that can be gained by starting with a Hague System filing.

Sarah provided an overview of case law at Community level on key notions, such as "the informed user" and "same overall impression" when applied by OHIM and the courts in validity and infringement matters.

The seminar was very well attended with Francophone delegates from Procter & Gamble, Kraft, L'Oréal, Nestlé, The Coca-Cola Company, Galderma, JC Decaux and many others.

The evening was wrapped up with an informal discussion over champagne and canapés and an agreement to hold this type of event more frequently in Paris.

Trade mark management in difficult times

In the first of a regular series of articles from the MARQUES IAM Team, Ben Goodger and Hugh Tebay and Rachel Garratt of Rouse provide tips for managing trade marks in a downturn.

As we look ahead into 2010, the prospects for the economy are uncertain. As a result of this uncertainty, businesses are still under pressure to cut costs.

For businesses whose intellectual assets are key to their future, great care is needed to ensure that those assets are not put at risk, and that proper value is derived from them.

This article focuses on the practical steps businesses with brand portfolios can take in uncertain financial times to:

- control costs whilst maintaining the value of their portfolio;
- promote revenue generation; and
- manage risk cost-effectively.

Controlling costs

Portfolio owners should consider the following steps to control costs: portfolio review; new filings; and fee negotiations.

Portfolio review

Categorisation:

The business needs to categorise its brands into (at least) core and non-core brands. Core brands are those which are key to the business and which hold, or have the potential to hold, most value. These need to be considered differently from other marks in the portfolio (such as sub-brands).

"Consider the following steps to control costs: portfolio review; new filings; and fee negotiations."

Renewals:

When a mark is due to be renewed, consideration should be given to whether this is needed in all classes and territories. Thus those who are involved in the portfolio review need a clear understanding of the brand's importance to the business and its potential, including any realistic opportunities to exploit the brand and any likely threats to it.

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Consolidation:
Many portfolios have duplicate registrations, perhaps for historic reasons. Check (well in advance) to see whether these can be merged or consolidated into single registrations, thereby reducing administration costs.

Control:
Central control of international portfolios ensures that a global perspective of the portfolio is kept and the potential for economies of scale properly appreciated. This also helps to achieve a consistent approach to the protection of core and non-core brands throughout the business.

Central control also facilitates a coherent approach to the identity of the applicant/registrant for each mark. If this is not followed, extra costs can be incurred in transferring the marks from one group company to another, and opportunities to consolidate registrations can be missed.

Expire/lapse/exploit?
What is the best way of dealing with redundant marks? There is sometimes good reason to retain ownership and keep them in force, eg to preserve marks with heritage value, or to prevent others from using them. In other cases, the business should explore whether simply to allow the marks to lapse, or to sell or license them.

A sale can offer a swift return, whereas licensing can offer a higher reward over the longer term but perhaps at the expense of increased administration in policing the licence.

“Open and frank communications with external counsel can identify opportunities for cost savings.”

New filings – the considered approach
The challenge is to balance today’s need to reduce costs with the longer-term need to avoid damage to the brand portfolio. Practical approaches include:

- Filing for core brands, leaving sub-brands/slogans to a later stage;
- Limiting new applications to marks with a good chance of proceeding to registration without problems (thereby reducing prosecution costs). This means selecting legally protectable marks (avoiding non-distinctive marks) and conducting appropriate clearance searches;
- Considering design protection as an alternative for logos having limited shelf life;
- Considering filing CTM and/or international applications (rather than national applications) for multi-jurisdictional filing programmes;
- Having a well-defined filing strategy which identifies primary territories for immediate filing, and allows for staggered applications elsewhere. This spreads costs and limits upfront expenditure;
- Only filing in first-to-use territories, such as the US, if there is a real intention to use; and
- Refraining from registering marks of short-term value.

Negotiating fee packages
Open and frank communications with external counsel can identify opportunities for cost savings, particularly where portfolios are large and/or long-term commitments can be made.

Agreed annual fixed fees will give a business budgeting certainty and using agents that have an international spread of offices will create efficiencies leading to further savings.

Promoting revenue generation – making IP earn its keep
As mentioned, businesses need to be alert to the possibility of licensing their redundant brands.

This is an attractive option: at reasonably low cost a licensor can extract income from marks it is not using itself.

Continued

Where opportunities arise, the business may even agree to widen its portfolio, in exchange for the return on investment offered by a licensing arrangement.

Keeping your licensees honest
In addition to the above, however, it is surprising how often a rigorous approach to existing licence portfolios is overlooked.

The advice here is simple: monitor the activities of your licensees. Are they hitting payment dates and if not, can interest be charged on late payment? Can late payment trigger an option to terminate? Are licensees meeting their minimum royalty obligations? Are they meeting thresholds for marketing expenditure and effort? Are they hitting expansion targets? Are they reporting their sales, and thus the royalties due, accurately?

These questions should be reviewed regularly and appropriate action taken, including through exercise of any available audit rights. Robust intervention may improve licensee performance or enable you to substitute an under-achieving licensee with a more promising one.

It may be counter-productive to terminate a licence where non-performance is the result of market conditions: replacing a licensee can take time and be expensive.

Nonetheless, appropriate revocation of exclusivity provisions, for example, can open up parallel licensing opportunities. A word of caution: a licensor choosing to accommodate a struggling licensee should take care to formalise a new arrangement, without waiver or acquiescence.

"Protect core brands appropriately and to reduce enforcement costs by consistent, targeted early intervention."

Divestment/acquisition
Business managers should look for opportunities to sell valuable trade mark portfolios which are no longer strategic, thereby generating much-needed cash. Emerging markets such as China may be keen to acquire good IP portfolios and in some circumstances, can get state funding to assist them with the acquisition.

Equally, businesses should closely monitor the activities and wellbeing of their competitors; an ailing competitor may present an opportunity to acquire a portfolio at below market cost.

Managing risk
With pressure on IP budgets and headcount, the obvious knee-jerk reaction may be to cut back on enforcement.

This can be dangerous and can seriously weaken the portfolio, resulting in reduced asset value, which ultimately defeats the purpose of the cost-cutting exercise.

Weak enforcement regimes can allow infringing competitors to grow strong, dilute brand value, and lead to irreparable loss of distinctiveness of core brands. A better approach is to protect core brands appropriately and to reduce enforcement costs by consistent, targeted early intervention. Swift action can avoid the need for subsequent major intervention and avoids arguments about acquiescence.

Care should also be taken to continue monitoring small-scale and borderline infringers to ensure that their cumulative effect is not to harm core brands.

Final thoughts
Brands and intellectual property assets can be core to a business and are often of significant value. Particularly in troubled times, effective management of these assets can result in increased return on investment.

In contrast, ill-considered cost-cutting may reduce asset value – not at all desirable in a climate where businesses need to maximise asset value to survive and thrive.

Scotch Whisky, Pizza Napoletane and other developments

Paul Reeskamp of the MARQUES GI Team rounds up the latest developments with geographical indications in Europe.

Scotch Whisky gains greater protection
On 23rd November the UK's Scotch Whisky Regulations 2009 came into force. The regulations provide greater protection for the geographical indication Scotch Whisky.

As a result, no whisky other than Scotch Whisky may be manufactured in Scotland and no drink, other than Scotch Whisky, may be labelled, packaged, sold, advertised or promoted in the UK as Scotch Whisky.

Furthermore no Scotch Whisky may be moved from Scotland to another country in a wooden cask or holder, and from 23rd November 2012 no Single Malt Scotch Whisky may be removed from Scotland unless it is in a bottle labelled for retail sale.

Labelling rules require the front of any Scotch Whisky container (or its packaging) to prominently state the category of the Scotch Whisky.

The name of a distillery may only be used if the Scotch Whisky has been wholly distilled at that distillery. The use of "pure malt" to describe a Scotch Whisky is prohibited and rules have been introduced to regulate the use of terms relating to the age and maturation period of the Scotch Whisky.

Thanks to Louise Gellman, Nabarro LLP, London

TSG for Pizza Napoletana
The European Union uses quality labelling schemes regarding agricultural products and foodstuffs. One of these schemes is called traditional speciality guaranteed (TSG). The TSG label is for traditional agricultural products that have at least 25 years proven usage in the European Union market and that are recognised by the European Union for their specific character.

The most recent TSG yield is the name Pizza Napoletana. The registration was requested in 2005 (see Official Journal C-40, 14/02/2008 for the application including the recipe). The name is now registered as TSG. Producers who wish to use the TSG label on their Neopolitan pizzas must follow the precise specifications set out in the regulation.

Note that this registration will not prevent other producers from using the name Pizza Napoletana.

Continued

Producers may for instance use a different recipe to make Neopolitan pizzas and still call those pizzas Pizza Napoletana. However, producers that do not follow the specifications cannot use the TSG label.

Recent activities of the GI Team
The GI Team recently published reports on the EC Spirits Regulations, the EC Wines Regulations and Italy's new rules on entirely Italian products.

The Spirits Regulation gives regional spirit producers and consumers increased protection against counterfeiters and imitators. The Wine Regulation aims to ensure a uniform approach to the registration of geographical indications and designations of origin for wines. The new Italian rules stipulate that only products that are entirely designed, projected, manufactured and packaged in Italy may be marketed as "100% Made in Italy" or bear other signs indicating an entirely Italian origin such as the Italian flag.

Soon the **MARQUES** GI Team will publish a table on International and Community Legislation on Geographical Indications. A survey on possible amendments to the Lisbon Agreement was sent to all **MARQUES** members last December. The results will be taken into account in the table.

Furore over pharma marks in France

France's Constitutional Court has overturned a controversial law affecting pharmaceutical trade marks. Franck Soutoul and Jean-Philippe Bresson of INLEX explain.

The French Senate voted on 26th November 2009 on the law Financing the National Social Security for 2010, which was supposed to amend the Public Health Code by introducing a new article L 5121-10-3. This article related to generic pharmaceuticals and said:

The owner of an intellectual property right protecting the appearance and the texture of oral pharmaceutical forms of a reference product within the meaning of article L 5121-1 cannot prohibit the oral pharmaceutical forms of a generic drug likely to be substituted to said product under article L 5125-23 from showing a similar or identical appearance and texture.

The immediate aim of this provision was to allow manufacturers of generics to freely reproduce or imitate the overall shape, colours and/or tastes of the original pharmaceutical product without infringing any IP monopoly. The aim of this was mainly to avoid or at least reduce mistakes from end users, which occur when generics have been substituted for brand-name drugs (the substitution principle being applied under French practice). For example, 20% of the hospitalisations of those over 80 years old are caused by drugs, overdoses or therapy interruptions leading to serious illnesses.

The planned article L 5121-10-3 however did not survive the filter of the French Constitutional Council. The law was referred to this Council, which ruled on 22nd December that the provision was contrary to the French Constitution and could not be enacted.

"It is only the particular type of law in which it was inserted that prevented its enactment."

The ground for the Constitutional Council refusing the enactment was that it would have no effect, or a very limited effect, on the compulsory expenses of social security. The article was consequently regarded as an improper provision in a social security law.

The intended exception to IP rights with trade marks first in line is not therefore excluded in itself. It is only the particular type of law in which it was inserted that prevented its enactment. There is a high chance that the text will surface again in another legal context having nothing to do with the annual social security law.

Alcohol advertising provisions addressed in Turkey

Selma Toplu Ünlü and Deniz Merve Ersoy Pınar of Mehmet Gün & Partners provide an update on the latest decision of the Turkish Council of State on Alcoholic Beverage Advertisements in Turkey.

As explained in our article published in the **MARQUES** Newsletter last year, alcoholic beverage ads became a controversial matter in Turkey on 20th June 2009 when amendments to the Communiqué Regarding the Principles for Alcoholic Beverage Advertisements were published in the Official Gazette.

The amendments were criticised because of their vague expressions and unnecessary restrictions and eventually some of the provisions were subjected to an action before the Council of State. The plaintiff demanded a stay and the cancellation of Article 2/a-c-d-n-o-t-u and Article 4.

These address alcoholic ads as follows:

Article 2/a:
banning of the relation with the young people;

Article 2/c:
banning of the relation with food stuffs;

Article 2/d:
banning of the relation with geographical, historical, cultural or artistic values;

Article 2/n:
banning of the relation with sexuality and pornography;

Article 2/o:
correct use of Turkish language;

Article 2/t:
banning of ads on newsletters and magazine pages prepared for children and young people and pages containing news on sporting activities;

Article 2/u:
restriction of cinema ads by limiting them to the end of the movies, which are appropriate for ages 18 plus;

Article 4:
Application of the Law numbered 4733 for breach of the Communiqué.

"There is no ban on relating alcohol consumption to food stuffs or with geographical, historical, cultural or artistic values.

The Turkish Council of State decided to stay Articles 2/c and 2/d and part of Article 2/u. This means that, pending the court review, these provisions will not be applied to ads, although this ruling is not final. More clearly, the decision means there is no ban on relating alcohol consumption to food stuffs or with geographical, historical, cultural or artistic values. Also cinema ads are not restricted to be screened only at the end of the movies.

The Council of State refused to stay the remaining provisions of the Communiqué by mentioning that they conform with the regulations, which constitute the legal basis for these provisions.

The debates should cease with the final decision of the Council of State, which is awaited.