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MARQUES

Introduction

MARQUES – a trusted voice for brand owners tackling the growing IP protection challenge in Europe

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MARQUES

In the past year, the challenges facing rights holders have increased dramatically. While some of these challenges are familiar, others are new, particularly in the digital environment. All of them have intensified beyond any predictions, and fundamental legislative change is now needed to address them.

Across Europe, a number of IP legislative packages have been proposed and are already being scrutinised by legislators and policy makers. These include both new measures and the review of existing laws for the protection of IP rights (particularly trademarks), in order to build up more efficient and consistent protection and enforcement systems for IP rights across Europe.

Faithful to its mission, MARQUES – the European Association of Trademark Owners – has been actively involved in these consultation processes. MARQUES speaks to the relevant policy makers and institutions as a voice for rights holders, notably brand owners, which are confronted on a daily basis with challenges to their rights. MARQUES ensures prompt and effective representation regarding these proposed reforms.

Steps towards a high-quality IP rights

system must be taken to allow Europe to benefit from its potential and to meet the challenges of economic globalisation. The European Commission has said that such a system “should be high quality, featuring tough examination standards; affordable, balancing costs with quality and legal certainty; consistent, with a harmonised interpretation of laws and unified court proceedings; and balanced, between rewarding valuable intellectual creation and ensuring free circulation of ideas and innovation”. (Among other things, reference is made to the Communication from the Commission to the European Parliament, the European Council and the European Economic and Social Committee, “An Industrial Property Rights Strategy for Europe”, Brussels, July 16 2008.)

MARQUES believes that the revision of the EU Community Trademark Regulation (207/2009) and the EU Trademarks Directive (2008/95/EC) approximating national trademark laws has the potential to implement many of the improvements that trademark holders need.

Therefore, upon publication of the Study on the Overall Functioning of the European Trademark System by the Max Planck Institute, MARQUES noted that full coherence must be achieved between the substantive provisions

of the directive and those in the regulation. One such measure is to make the optional provisions of the directive mandatory. Furthermore, coherence should be introduced between trademark law and the EU Protection of Geographical Indications and Designations of Origin for Agricultural Productions and Foodstuffs Regulation (510/2006) and the EU Spirit Drinks Regulation (110/2008). Likewise, there must be greater consistency between trademark law and the regulations affecting legal fields that closely interact with it, such as the regulation of marketing practices (particularly the EU Misleading and Comparative Advertising Directive (114/2006/EC) and the EU Unfair Commercial Practices Directive (29/2005/EC).

MARQUES believes that all types of trademark use should be governed under the umbrella of trademark law. This would enhance harmonisation and legal certainty. In particular, it would aid the governance of marketing practices that typically extend over national borders, such as trademark use on the Internet. At present, these are provided for under varying national unfair competition laws and regulations.

Hence, at the end of 2011 MARQUES welcomed the opportunity to contribute to the European Commission consultation on the Misleading and Comparative Advertising Directive and unfair commercial practices affecting businesses. The commission's aim is to achieve an overview of how the directive is implemented in member states – in particular, to identify possible problems connected with its interpretation and application that prevent stronger cooperation between member states in the enforcement of cross-border cases.

MARQUES's response commented on the most significant unfair commercial practices that have appeared in the online environment. These are advertisements using keywords corresponding to third-party trademarks and trademark grabbing in the context of social network websites. Keyword cases regularly appear in the European and national courts, and therefore rules covering them are emerging. However, MARQUES believes that keyword use also involves an unfair competition dimension. This is particularly important in circumstances where the

advertisement does not infringe a trademark, but elements are present that make the advertisement unfair. By contrast, it remains to be seen how the courts will deal with trademark grabbing on social network websites – that is, individuals making use of well-known trademarks as their own user names and posting comments as if they were made by the trademark owners themselves. In such situations, there is much to commend legal solutions similar to those adopted in cybersquatting cases.

On the same topic, MARQUES has highlighted that among the unfair practices frequently encountered by its members and brand owners at large are 'lookalikes', 'me-too' products or parasitic copies – that is, products that imitate the look and feel (eg, general layout, colours and placement of labels) of a well-known or best-selling product, without infringing registered trademarks or other rights, such as copyright. MARQUES is concerned that there has been a significant rise in the market power of mass or bulk retailers, and that this market power is being abused by parasitic copies. In its comments to the Max Planck Institute study, MARQUES remarked that this market reality of parasitic copying is not taken sufficiently into consideration. Brand owners are looking for ways to handle lookalikes, which is a serious problem in many member states where no laws are in place to deal with unfair practices appropriately. In most cases, the only way to challenge parasitic copies successfully is through unfair competition law. MARQUES recognises the concerns raised in the Max Planck Institute study with respect to "undistorted competition" and supports free competition, but believes that for the reasons above, parasitic copies hinder free competition, rather than enhancing it.

To assist its members, MARQUES has studied the lookalikes issue and has produced a useful chart summarising the regulations throughout Europe that might assist brand owners. MARQUES also recently raised the issue before the European Parliament and has welcomed the European Commission's commissioning of a comprehensive study from Hogan Lovells on trade secrets and parasitic copying. The Hogan Lovells study,

published on January 19 2012, provides a comparative analysis of the current legal regimes available to tackle parasitic copying, and whether there is currently sufficient protection available to rights holders to prevent it across the European Union. MARQUES recognises the study's finding that despite the implementation of the Trademarks Directive, different member states have kept many of their existing laws governing the protection of unregistered trademarks, such as unfair competition laws, passing off and, in some cases, design laws. This has left differing and inconsistent approaches to protecting against parasitic copies in the various member states. Even where there is a European law framework, inconsistencies arise due to implementation and enforcement through member states' national laws.

Upon publication of the Hogan Lovells study, the European Commission acknowledged that products developed and marketed under a parasitic copying strategy lead consumers to make associations or become confused between competing products. This practice distorts competition because the imitating products take unfair advantage of the reputation of the copied products and divert sales. MARQUES agrees with the European Commission that companies which suffer from parasitic copying should be given proper and effective legal means to tackle such unfair practices. MARQUES therefore urges that it is time to enact a coherent and effective framework of legal protection against parasitic copies across all member states, not only to give the victims of lookalike products the legal means to tackle such products in court, but also to enhance their negotiating position with respect to copiers. Such legislation should have clear aims and objectives, and only specialist courts should be competent to hear such claims in order to ensure that the remedies available in actions against parasitic copying and the ways in which they are applied are consistent in all member states.

Counterfeiting and piracy are among the most significant challenges facing brand owners today. The trade in counterfeit products is a global problem and has a clear effect on the economy – notably, on the ability

of businesses, especially small and medium-sized enterprises, to allocate sufficient budget to defend themselves from counterfeiting while investing in innovation and human resources. It is in the interests of trademark owners, consumers and the economy to fight counterfeit products. MARQUES strongly supports the strengthening of available measures to protect trademarks, and all IP rights, against infringements. Hence, the European Commission's review of the EU IP Enforcement Directive (2004/48/EC) and the proposal for a regulation on customs enforcement of IP rights are welcome.

MARQUES made a submission to the commission on the proposal, in which it supported, among other things, the inclusion of parallel trade in the scope of the draft regulation and the mandatory use of the simplified procedures for destroying abandoned infringing goods under customs control. MARQUES also raised strong concerns about the facts that the definition of 'counterfeit goods' (Article 2(5) of the proposal) no longer covers packaging, labels and brochures, and that the proposal would bring new challenges and difficulties. For example, it would not add a clear definition of 'IP rights infringement'. MARQUES believes that the scope of the customs enforcement regulation should be wide enough to permit the detention of goods which are not just counterfeit or pirated. At minimum, however, the objective of a well-planned mechanism to protect consumers, trademark owners and the economy against counterfeits and pirated goods is imperative.

MARQUES also urged the closure of the significant gap in enforcement resulting from the existing approach to goods in transit. It is well known that many goods are diverted, including for sale within the European Union, rather than continuing on their journey to the nominal destination country. On this issue, MARQUES also made comments on the Max Planck Institute study, stating that it does not support the suggestion that goods in transit should infringe in both the country of transit and the country of destination in order to be seized. If this were the case, infringers would designate as the country of destination a country without trademark protection or

where the trademark for the goods being transited is not registered. The suggestion of the Max Planck Institute study would place an unnecessarily high burden on customs officials and trademark owners to prove infringement not only under harmonised EU law, but also in a third country.

On December 1 2011 the Court of Justice of the European Union (ECJ) ruled on the joined cases of *Nokia* and *Philips*. The ECJ raised serious concerns and disappointment among the IP rights community by deciding that goods travelling through EU customs by the external transit procedure cannot automatically be considered counterfeit, and thus seized by Customs, without sufficient grounds to suspect that the goods are intended to be marketed within the European Union. This requirement places an unwelcome evidentiary burden on brand owners and implies that the uninterrupted transit of counterfeit goods through Europe will be the default position.

The ECJ's negative answer to the question referred to it seems to undermine further the fight against the global trade in counterfeits. The perception could be that the European Union is irresponsibly exposing non-EU consumers to the dangers of counterfeit goods in a way that is unconscionable for its own citizens. Where this affects consumers in poorer countries, whose customs institutions have fewer resources to police their borders, this creates an additional moral dilemma. The ruling confirms MARQUES's view that legislative changes are required. Hence, MARQUES has strongly supported the compromise amendments concerning goods in transit agreed by the rapporteurs of the Internal Market and Consumer Protection, Legal Affairs and International Trade Committees of the European Parliament, as these would bring clearer guidance and a much fairer solution to rights holders and consumers. These amendments include reversing the burden of proving the final destination of the goods to the declarant or holder of the goods. It is also a positive development that the compromise drafting of the transit provision foresees the application of the IP laws of the member state in which the goods are found or where an application is made.

Based on the outcome of the review process of the Internal Market and Consumer Protection Committee's report and the approach taken in the European Council's draft compromise text of April 25 2012, particularly in relation to the issue of goods in transit, ahead of the council vote on May 29 2012 MARQUES and other IP industry organisations signed an industry joint letter. The letter was sent to the members of the Council Customs Working Group to urge the council to consider the amendments adopted by the Internal Market and Consumer Protection Committee regarding goods in transit, as these amendments would enable customs authorities to deal more effectively with the issue of suspected counterfeit goods in transit under the proposed Customs Regulation. Furthermore, in view of the plenary session vote of July 3 2012, MARQUES also addressed key members of the European Parliament to stress its members' concerns regarding the proposed regulation and to emphasise that the goods in transit should be included in the regulation. In the vote the parliament clarified the rules on how customs officials confiscate, store and destroy imports of counterfeit or pirated goods that infringe IP rights and adopted a resolution (with 397 votes in favour, 259 against and 26 abstentions). The outcome of the plenary vote will serve as the European Parliament's position in negotiations with the council for a possible second reading agreement.

The outcome of the parliamentary vote appears to reward the IP business community's efforts. Brand owners should enjoy a much more effective IP rights customs enforcement system as the new regulation will expand the scope of the existing regulation and provide much stronger and more consistent legislation. In respect of goods in transit, according to the text adopted at first reading during the plenary vote, the regulation shall apply to goods in transit through the customs territory of the European Union which are suspected of infringing an IP right (Amendment 27 – Proposal for a regulation, Article 1(4a) (new)) and the burden to prove the final destination of the goods should be borne by the declarant, holder or goods owner. The commission should adopt guidelines to provide criteria for

customs authorities to assess effectively their risk of deviation onto the EU market, taking into account the relevant ECJ case law. (Amendment 11 – Recital 10a (new)).

About MARQUES

MARQUES is a European association of pan-industry brand owners worldwide. Established in 1986 and later incorporated in the United Kingdom as a not-for-profit company limited by guarantee, MARQUES unites European and international brand owners across all product sectors to address issues associated with the use, protection and value of IP rights, as these are vital to innovation, growth and job creation, which ultimately enhance internal markets. Its membership includes brand owners and IP professionals in more than 80 countries.

MARQUES is an accredited organisation before the Office for Harmonisation in the Internal Market (OHIM), appointed observer at the OHIM Administrative Board and Budget Committee, an official non-governmental observer at the World Intellectual Property Organisation and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission, which extends and replaces the former Register of Interest Representatives, opened by the commission in 2008.

More information about MARQUES and its initiatives is available at www.marques.org.

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Nunzia Varricchio is chair of MARQUES. She is also senior trademark counsel for DSM, a global science company which is active in the health, nutrition and materials sectors. Ms Varricchio has more than 20 years of in-house IP experience in Europe and abroad. She specialises in the strategic management of acquired portfolios and the development of internal IP resources.



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Since February 2010 Ms Romeo has been the external relations officer of MARQUES. She is in charge of maintaining relationships and communications with official bodies, IP offices and other organisations. She is also responsible for proposing and implementing appropriate actions to achieve the MARQUES mission and objectives, and she manages internal and external communications vital to MARQUES.