

The key to glocal branding success revealed

Bas Kist of Shieldmark, Amsterdam and Thomas Raab of Taylor Wessing, Munich review the highlights of the **MARQUES** Annual Conference, held in Rome in September.

To what extent do global brands adapt to local markets? This was the key question being asked at the recent Annual Conference of **MARQUES** held in Rome in September. During the opening session on the first day (Wednesday 15th September), a number of international trade mark owners were given the opportunity to reflect on what precisely they thought 'Think Global, Act Local' meant for their trade marks.

Global and local priorities

According to one of the speakers, Carlo Imó of Gucci, many of the activities surrounding a global brand take place locally. Manufacturing, retail outfitting, retail staffing and trans-literature are all carried out at the local level. Even the design of the trade mark is to some extent decided on the strength of local requirements. Only trade mark management and strategic trade mark policy are genuine global activities, according to Gucci.

The internet trade mark Tiscali – a global brand par excellence – also focuses considerable attention on local markets. For instance, it has a different website for each country in which it operates. Tiscali's Sergio Cellini came up with a good way of describing his company's policy: he says Tiscali operates "glocally" – a combination of global and local.

Unilever's Adam Wilder explained that although the multinational had reduced its portfolio of trade marks from 1,600 to 400, the marks that remain now represent a much higher proportion of global brands. Again, however, local requirements, needs and tastes are crucial. Sometimes a global



Welcome reception at the Piazza Dei Mercanti

brand is also forced to adapt to local conditions for legal reasons. Unilever's global brand Cif, for example, had to be changed to Jif or Viss in some countries simply due to legal objections to the name "Cif". The same applies to Axe, which in some countries had to be renamed Lynx or Ego. Occasionally, local religious sensibilities also play a role. One key example that Wilder cited was the trade name 7 Deadly Sins, which had to be changed to 7 Sins following pressure from a religious group in the Netherlands.

Brands and places

The fact that geographically-protected names can also influence the way international trade marks are used was reflected during the second session of the day, when various specialists discussed the conflict between trade mark registration and geographically-protected names. The US contingent, led by Virginia Taylor of Kilpatrick Stockton, were especially opposed to geographical protection, questioning the

desirability of globally protected geographical names. In the US, for example,

This article is continued on page 6...

Contents:

MARQUES Annual Conference reviewed	6, 7
Madrid-CTM link established	2
MARQUES news	2
Copyright protection in Denmark	2
OHIM: the first design decisions	4
MARQUES Annual Conference pictures	6, 7
Branding tips for China	8
What is trade mark use?	10
Profile: MARQUES cyberspace team	11
Contact details	11

CTM-Madrid Protocol link up and running

The link between the Community trade mark system and the Madrid Protocol became effective, as expected, on 1st October. The occasion was marked by a ceremony at WIPO's headquarters in Geneva on 7th October.

As the **MARQUES** Newsletter went to press, it was still too early to gauge the number of filings and designations. But OHIM confirmed that the level of interest remains in line with earlier predictions, and that it expects to receive up to 1200 international applications, and between 5,000 and 10,000 designations, during the first year.

The link between the two international systems was first discussed as far back as 1996, and was approved by the European Council in October 2003. The EU is the 66th member to join the Madrid Protocol.

The Regulations governing the Protocol have been amended to accommodate the link and some new forms introduced. For example, form MM16 allows applicants to "opt-back" to national designations if their CTM designation fails and form MM17 allows applicants to claim seniority of earlier European registrations.

OHIM is passing on its cost savings to applicants who use the Madrid system, by setting the cost of international designations €200 below the standard application fee.

Application fees for CTMs are paid at the beginning of the process, rather than on registration. The system provides that the registration part of the fee will be reimbursed if OHIM refuses the designation on



OHIM offices

absolute grounds or following an opposition. If however, applicants withdraw a designation before a decision on registrability, they cannot claim a refund. OHIM's Jessica Lewis said the Office is looking into this potential disadvantage: "It's an interesting question. Whether we will reimburse has been under discussion but I expect we will. We have Regulations and texts but they are open to interpretation."

MARQUES has been at the forefront of campaigning for the link and promoting it to trade mark owners, and welcomes its enactment. The progress of the Madrid Protocol will continue to be fully monitored in future issues of the **MARQUES** Newsletter.

Find out more about Madrid from WIPO and OHIM:

<http://www.wipo.int/madrid/en/>

<http://oami.eu.int/en/mark/madrid/default.htm>

News about **MARQUES** activities

Madrid Protocol - CTM link

Tove Graulund and Jane Collins both spoke at the WIPO conference held to mark the accession of the European Community to the international trade mark system on 7th October (see above). Delegates at the Conference discussed the practicalities of the new arrangements regarding the accession of the EC to the Madrid Protocol, as well as the implications for trade mark owners and their branding strategies. There was also a roundtable discussion on the implications of the EC's accession from a business perspective. More information available here:

http://www.wipo.int/meetings/en/details.jsp?meeting_id=6482.

China Initiative

MARQUES vice-chairman Nunzia Varricchio and Eddy Sigrist, a member of the Anti-Counterfeiting and Parallel Trade Team, took part in a meeting organized by the DG-Trade on IPR-related issues in China. The meeting was held in Brussels on 21st September as part of the preparation for the EU-China Dialogue on Intellectual Property, which took place on 21st to 22nd October. Numerous representatives of European industry took part in the meeting,

which was designed to develop an overall strategy for technical cooperation in the IP field and to consider possible action involving EU industry and Chinese authorities.

TAIEX Conference

TAIEX is the Technical Assistance and Information Exchange Unit of the European Commission's Directorate-General for Enlargement. The Unit, which has been holding conferences and meetings throughout the European Union accession states this year, invited **MARQUES** to participate in a three day conference in Warsaw for Polish intellectual property owners, administrators and lawyers in June. The **MARQUES** representative was Professor Jeremy Phillips, who spoke on the problems of ownership and control of intellectual property, particularly where that IP has been developed by universities or in the public sector, with public funding.

More information here:

<http://taieux.be/>

Using copyright to protect brands in Denmark



Per Haakon Schmidt of Plesner Svane Grønberg, examines how copyright protection can help protect brands in Denmark, and reviews some recent cases.

Article 1 of the Danish Copyright Law provides protection for literary and artistic works, whether in speech or in writing. Whether a production is qualified as a “work” depends on the level of individual and original effort put in to the creation of the production.

The main advantage to the right owner is that the protection against infringements is broader under copyright than the protection against “slavish imitations” under the Danish Marketing Act, which is not as close as identity but requires close similarity.

As appears to be the tendency in several European countries, the threshold for the level of independent and original effort needed to obtain copyright protection in Denmark has been lowered over the years. A short summary of selected judgments showing this tendency will follow.

A stand for a washing-up brush and a cloth

In a Danish Maritime and Commercial Court judgment of 1997 the court stated as advised by the court expert report that a stand for a washing-up brush and a cloth was the result of such original artistic effort that it was protected by the Danish Copyright Law as a piece of applied art. The evaluation resulting in this statement was based on the fact that the principle for the drying of a washing-up brush and a cloth in the combination, size and handy finish shown by the stand was new at the time, whereby the court might mean that the originality was well founded. However, the artistic nerve is hard to find in this device.

EVA TRIO pots and pans

In another judgment from the same court from 1999, copyright protection was granted to a range of pots by the name of EVA TRIO. The pots were, said the court, an expression of individual and original effort, though consisting primarily of elements with regards to form and choice of material already known and common for these type of products. According to the court expert report opinion only the range of pots were protected by copyright and not the frying pan! Apparently for household appliances the line is to be drawn somewhere between a pot and a pan. These products are obviously suitable for protection under the Danish Marketing Law – protection under copyright law, however, seems less obvious.

Copyright protection of a bottle opener

In yet another judgment from the Maritime and Commercial Court from the year 2003, the question was whether a bottle opener with the name “the Credit Card” qualified as a work in the sense of the copyright law. The court expert report was unambiguous. Without a doubt the bottle opener possessed the distinctive character and originality necessary to be considered a result of an individual effort in creation. The court agreed and emphasized the simple design and

finish, the choice of material and the dimensions and placing on the metal plate of the ellipsis.

For ordinary people this decision seems to be scraping the bottom of the barrel with regard to the standards for ascribing creative and original quality to a product – a product that, in this case, even for professionals seems to be below any reasonable threshold for protection.

Typefaces on a tombstone

In a Danish High Court Western Division judgment of 2004 the question was whether certain typefaces, especially the letters A to E, in bronze created by the OSS bronze foundry qualified as a work and if so whether this copyright has been infringed by another bronze foundry from Aalborg. According to the court expert report, three of the typefaces in question were the result of independent and original artistic effort. However, OSS had not produced sufficient evidence in the form of drawings, assignment agreements or the like in order to prove to the court the possession of such copyright and the protection was reduced to the protection provided by the Danish Marketing Act. It appears that the Danish High Court acknowledged the possibility of typefaces enjoying copyright protection to the extent that they are a result of independent and original effort, which is the first time this has happened in Danish legal history.

The merchantman

The tendency towards a low copyright threshold is not limited to works of applied art. As early as the year 1986, the Danish High Court, Western Division granted copyright protection to a drawing of a merchantman used in advertising by merchantmen affiliated with a certain chain. The drawing did not exactly possess the qualities one would usually expect from an individual and original work.

On more than one occasion, the Danish courts have granted copyright protection to productions that appear to be far from the scope of the copyright protection law as originally intended. The development of industrial productions and the methods by which they are marketed obviously call for a dynamic application of laws and regulations protecting IP rights. However, in order not to limit competition unduly, a threshold for copyright protection should be upheld. By nature, so to speak, certain products are more appropriately covered by other types on intellectual property protection, such as utility models or trade marks or, in the case of slavish imitations, the protection provided by the Marketing Act.

As this, like many other areas of law, is an area in development, it will be interesting to follow this trend.

The risk of invalid design

Joanna Gray of Linklaters Alicante reviews the 10 decisions so far published by OHIM on the invalidity of Community designs and asks: is invalidation a serious risk or an empty threat?



The European Community registered design (RCD) was last year's new intellectual property tool which further increased the range of European IP rights available to industry rights owners. With a first possible registration date of 1st April 2003, the RCD was promoted by the European Community Registry in Alicante (OHIM) as a high-speed low-cost unitary right available for 25 years. But was this new right too easily acquired to be worthwhile? Would the lack of substantive examination as to validity and the lack of opposition procedure result in the registration of a whole host of new rights not worth the gigabyte space in which they are electronically published? Eighteen months on, we review the position.

Some statistics

A total of 65,196 RCDs have been registered and published as at 1st October 2004. Despite flagging initially, OHIM is now generally keeping to its self-imposed target of four months from filing to publication.

Against the vast number of RCDs existing, a mere 62 invalidity proceedings have been filed, of which 10 have been decided. The average time from filing the invalidity proceeding to decision is six months, which is also high-speed for OHIM relative to comparable proceedings for Community trade marks (CTMs).

The 10 invalidity decisions reviewed

Four decisions – case numbers 73, 131, 156 and 164 of 2nd July 2004 – concern four radiator designs contained in a multiple RCD. The invalidity applicant based its claim on

RCD Regulation 6/2002 (RCDR) Art 25(1)(b) in conjunction with Arts 4 to 5: prior disclosure of an identical design. In two of the four cases, the invalidity applicant relied on a commercial catalogue in Spanish and Portuguese dated 2001 containing a picture of an identical radiator design and argued that it could have become reasonably known in the specialised business sectors operating within the European Union (EU). In the other two cases, the invalidity applicant also filed a catalogue edited in Hong Kong and argued that the radiator was exhibited in a Hong Kong trade fair which numerous EU distributors generally attended. Crucially, the RCD proprietor did not file reply observations in any of the four proceedings. As the extent of the disclosure, in particular, was not contested, OHIM found that the existence of the earlier identical radiator designs had been proved and all four designs were declared invalid.

By contrast, in a similar case (number 149 of 8th September 2004) concerning shell-shaped snack food designs, the application for invalidity was rejected. In support of the claim for lack of novelty due to prior disclosure, the invalidity applicant relied on catalogues dated 1991 and 1997 showing similar earlier designs for snacks and pastries. However, in this case, the RCD proprietor filed observations requesting proof that the catalogues had been made available to the public so as to satisfy the disclosure criteria within the meaning of RCDR Art 7(1). In the absence of any more evidence from the

“It is surprising that OHIM did not come to the same finding on the disclosure of the catalogues in the radiator and snack food cases of its own volition”

invalidity applicant, OHIM held that the copyright notices in the catalogues evidenced the date of creation of the catalogues, but not that the catalogues or the designs they contained had been

published, exhibited, used in trade or otherwise disclosed.

It is surprising that OHIM did not come to the same finding on the disclosure of the catalogues in the radiator and snack food cases of its own volition, regardless of any intervention by the RCD proprietor. After all, it is obliged to conduct its own examination of the facts before it, which appear to be much the same in the respective cases.



Case number 206 of 20th July 2004 concerns a portable car washing kit. The grounds of the invalidity claim were conflict with the applicant's earlier identical published Spanish utility model under RCDR Art 25(1)(d) and other grounds not related to questions of novelty or individual character. OHIM found that the reference to RCDR Art 25(1)(d) was an “obvious error” and that the intended ground was actually RCDR Art 25(1)(b). Consequently, it proceeded to examine the question of lack of novelty due to prior disclosure. The error in the ground claimed did not affect the admissibility of the case. The same mistake was made by the invalidity applicants in the swab and ceiling light cases and treated in the same way by OHIM.

On the substance, OHIM found the conflicting designs to be identical, the differences only lying in insignificant details such as the appearance of the wheels, resulting in the invalidation of the RCD. The RCD proprietor did not file reply observations and OHIM noted in its reasoning that the extent of the disclosure was not contested. One might question what OHIM had in mind in contesting the disclosure given that common sense suggests that publication in an official gazette constitutes disclosure by any standards.

In case numbers 40 and 57 of 14th June 2004 concerning skin antiseptic dispensers and disposable sterile swabs, the issue centred on lack of novelty and, particularly, lack of individual character. Although the Spanish utility model claimed swabs of “any form, size and texture”, OHIM compared the RCD with the particular utility model drawn as this was the model actually disclosed. OHIM found that the head of the swabs in the RCDs were wedge-shaped and did not match the shape of the stem, whereas in the earlier Spanish utility model the head as drawn was cylindrical and matched the shape of the stem. Bearing in mind the limited freedom of the designer due to the fact that the basic structure of a swab was a consequence of its functionality, the differences between the designs produced a different overall impression on the informed user such that the RCDs did not lack individual character.

A similar case (number 32 of 3rd June 2004) concerning ceiling light designs and lack of novelty due to an earlier RCD, also failed on the grounds that the designs were not identical and the later RCD did not lack individual character.

In case number 24 of 27th April 2004, RCDR Art 25(1)(d) was properly claimed and a RCD for chairs was successfully invalidated on the basis of a conflicting Spanish utility model for chairs filed before but published after the filing date of the RCD. OHIM assessed whether the rights were “in conflict” or not according to the scope of protection criteria under RCDR Art 10 – different overall impression on the informed user and the

degree of the designer’s freedom (which mirrors the individual character criteria under RCDR Art 5).

This decision clarified an issue which had been raised in the swab cases but not decided on, namely that a (Spanish) utility model qualifies as a registered design right of a member state for the purpose of applying this ground.

Some conclusions

First, as with CTM oppositions, Spanish rights holders appear to be the most contentious of Europeans, with Spanish utility models being relied on in over half of the decided cases.

Second, as was also discussed early on with CTM oppositions, it is advisable for RCD proprietors to file reply observations and not to rely on OHIM to do their work for them.

“Spanish rights holders appear to be the most contentious of Europeans, with Spanish utility models being relied on in over half of the decided cases”

Third, an invalidity applicant must be prepared to prove the extent of a claimed prior disclosure; the mere adducing of catalogues may not be sufficient. For this



purpose it is advisable to keep records of when and how a design is first made available and of how widely it could have become known to the relevant public. Finally, what can be made of the relatively low number of invalidity proceedings filed and the 60% success rate of such proceedings to date? Very little at this stage. The creation of these new rights is difficult to monitor and many rights owners are not bothering to set up watching services to do so. Equally, clearance searches prior to filing are not being relied upon in the way that they are for potential new trade mark filings. It is early days and we have yet to see how RCD rights stand up in court. Survival against counterclaims in infringement proceedings will be a real test of the value of these new rights.

© Linklaters 2004

Two more invalidity decisions have been published since this article was written. View all the OHIM design decisions here: <http://oami.eu.int/en/design/invalid.htm>

News about OHIM activities

Non-binding opinions at OHIM

OHIM has started to provide non-binding opinions on the registrability of trade marks following examination. The move, which was announced on October 21 and effective from October 31, is designed to provide information to trade mark applicants on the status of their application. Although the examination of Community trade mark applications is normally completed in about two to three months, there is a delay before publication due to the time taken for translation and national searches.

The Office will now send a standard letter to the applicant straight after examination. The letter states: “The examination of your application has been successfully completed. It will now be published once the translations and search reports are available ... This letter is sent for information purposes only. The Office reserves the right to re-open the examination if new aspects arise.”

The new procedure is welcomed by **MARQUES** which, together with other organizations, has campaigned for this change. **MARQUES** will continue to promote similar procedures in national trade mark offices.

OHIM's new newsletter

OHIM has launched a new monthly electronic newsletter, called Alicante News. It replaces the paper newsletter OAMI News and the first issue was distributed at the beginning of November. The newsletter, which is published in English, contains trade mark and design news from the Office, case reports and information about OHIM's e-commerce strategy. To view the newsletter, and sign up for future issues, see <http://oami.eu.int/en/office/newsletter/newsletter.htm> or email subscribe@oami.eu.int

Glocal branding success *continued*



Private visit to the Sistine Chapel and Palazzo Colonna

more than 200 trade marks containing the word Rome had been registered, none of which had any geographical significance, Ken Taylor argued. Why then should these trade marks be "expropriated"?

On Thursday afternoon a panel of experts looked into the relationship between brands and local communities and demonstrated that it can be rewarding for the brand owner to respond to the public's increasing demand for so-called corporate social response and to become actively involved in matters of local importance. An unconventional approach can be taken as shown by the example of a funeral home sponsoring a local music festival for classic music. Michele Spangaro of the City of Venice pointed out that communities who own their own brand, for example the logo of Venice, can improve their position in the competition to attract business investment. Michael Hastings of the BBC gave some examples of the increasing significance of the so-called soft values. A well-placed investment can improve the whole image of a company or a brand, as shown by Michael Hastings's example of a

free-of-charge internet training of senior citizens by the BBC.

The last session on Wednesday afternoon dealt with the problem of creating brand names for global use. A term having a positive meaning or no meaning at all in the native language of the brand owner's home country can have a very negative

meaning in the language of the neighbouring country where it can lead to a real disaster for the brand owner. As explained by Olof Lindquist, a careful language check is vitally important in these cases. Regina Quek referred again to the particular problems involved in the transliteration of Western marks into Asian languages. Accordingly a transliteration into



Lewis Gaze Memorial Scholarship winner Daniela Zanca (right) with Shane Smyth (left) and Alexander von Mühlendahl (centre)



Entertainment at the Gala Dinner

Chinese characters requires attention not only to the sound but also to the significance of the spoken version of the mark. A slight deviation in the pronunciation can lead to a great change in the significance of a mark, for example from "a large basin of pearls" to "a big stupid pig".

On Thursday morning a session chaired by Hans-Friedrich Czekay of Hoffman-La Roche dealt with the topic "National brands and the partitioning of the EU market".



Speaker Nick Foot, Diageo plc

Stephen Whybrow of CMS Cameron McKenna first gave the audience an overview of the different aspects of repackaging of European pharmaceuticals in parallel trade and of the development of the European case law on this subject. Kate Saine looked into the effects of the ADALAT case on parallel trade while Guido Baumgartner of the Lancaster Group explained the problems faced by multinational companies in the luxury goods industry in view of the rulings of

many courts. The "made in" designation was discussed by an international panel of experts presided over by Kai Uwe Jonas of Linklaters. The question of which country the product was "made in ..." frequently arises in an increasingly globalized world where raw materials and semi-finished products are often shipped around half the globe and where products are frequently no longer developed and manufactured in the same country. The contributions of experts from four continents made it clear that the "made in" issue is a sensitive subject in all regions of the world and that companies wishing to use an indication of origin are well advised to learn about the requirements for using "made in" in the different jurisdictions.

Latest from EU and WIPO

As usual, the Friday morning was set aside for an update on the latest developments regarding WIPO, the OHIM and the European Court of Justice. As always, this proved a fascinating session with lots of news and an excellent summary of the latest state of play. The speakers included Ernesto Rubio of WIPO, Alexander von Mülhendahl of the OHIM and Lord Justice Robin Jacob of the Court of Appeal in London. As expected, delegates spent considerable time on the forthcoming entry of the EU into the international trade mark registration system. The EU's accession to the Madrid Protocol means that the Madrid Union countries will account for more than half of the world's population, said Ernesto Rubio. It was probably Alexander von Mülhendahl's last but one appearance at the **MARQUES** Annual Conference, at least as a speaker on behalf of OHIM. He will be leaving the OHIM at the end of October 2005, so with any luck he will just manage

to make next year's conference. For Alexander von Mülhendahl, the main events during 2004 were EU enlargement, the accession to the Madrid Protocol and the amendments to the Regulation. As regards the immediate future, Alexander von Mülhendahl indicated that we can expect a 20 to 30% reduction in European trade mark registration fees. There are also serious plans under way for a new type of judicial panel to replace the Court of First Instance. The aim is that after a decision by the Board of Appeal, an appeal can be filed with the new judicial panel. The Court of First Instance will then take over the role of the European Court of Justice, which will be relieved of these duties. The Court of Appeal itself can then only be asked officially by the Advocate General for a judgment.

Of course, one major landmark ruling for trade mark owners which was issued by the European Court in 2004 was the *Heidelberger* case on the registration of colour combinations as trade marks. Since the Court requires that a graphic representation consisting of a colour combination "must be systematically arranged by associating the colours concerned in a predetermined and uniform way", it appears to be practically impossible to register a colour combination as such as a trade mark. However, OHIM has now come up with a solution. The Office will continue to accept colour combinations in the form of a square containing two colours. According to Alexander von Mülhendahl, this will not conflict with the *Heidelberger* ruling, provided it is assumed that the depositor intends to use the colour combination within the afore-mentioned square. However, whether this will be of any use to a trade mark owner who wants to use a colour combination in a general way (rather than simply inside a square) is very much the question.



Speaker Emanuele Montelione, Barzanò Zanardo

How to protect famous brands in China

For multinational companies venturing into the Chinese market, choosing and securing an appropriate and strong local language trade mark to match their foreign-language mark is a vital issue. Tan Loke-Khoo of Baker & McKenzie Hong Kong/China looks at some successful case studies.

When it comes to babies, many Chinese believe that a well-chosen Chinese name is likely to pave the way to a life of success and happiness, but a badly-chosen one is likened to a curse which may haunt the family for generations to come. Similarly, in business, Chinese consumers react positively to brands that convey good meanings and strong values. However, foreign language brands often have a long tradition. Why bother with a Chinese brand that you do not intend to market and use?

Two examples of unfortunate branding

Take Quaker Oats as an example. The US company ventured into Chinese territory without a Chinese brand and ended up with the nickname of "Lao Ren Pai" (meaning literally "Old Man"). Local consumers found the Quaker man logo rather amusing and coined the Old Man brand to associate it with the pictorial representation.

The Ralph Lauren Polo company had a similar experience with its logo of a mounted polo player. Did unfamiliarity with the sport of polo breed some form of contempt, one wonders, when the Chinese called the mark "San Jiao Ma" or literally "three legged horse"? There is of course a world of difference between the image of a deformed horse and the upmarket sport of polo.

Once a nickname has been coined, it is difficult for a company to disassociate itself from it. The only solution, it seems, is to launch time-consuming and costly brand transference advertising with no guaranteed results. It makes a lot of sense therefore for companies to plan ahead in developing a Chinese trade mark strategy and to register and protect these important intangible assets with the relevant PRC bureaucracies.

"Tongue twisters should not be considered as this is not a land accustomed to limericks"

Getting it right

Once upon a time, China was a land of brands such "Mao Tai", "Tsing Tao", "Chang Cheng". Today, the Chinese are surrounded by famous foreign brands such as "Wei Ge" (the Viagra mark of the Pfizer company), "Xing Ba Ke" (the Seattle based Starbucks brand), "Bai Shi Ke Le" (the Pepsi Cola mark). Foreign translated marks are known as widely as home spun local Chinese brands such as "Lian Xiang" (the Legend computer company), "Huawei" (China's largest telecommunication equipment maker), "Changhong" (China's largest TV manufacturer) and "Haier" (China's largest refrigerator company) and rattle off the tongue easily.



The trade mark owner's task is made more difficult because the Chinese language is unique. The art of Chinese writing was invented in China over 4000 years ago using discrete symbols or characters, each with a monosyllabic pronunciation. However, most spoken Chinese words are bisyllabic because they consist of two-character compounds. Comprehensive Chinese dictionaries contain over 40,000 characters; approximately 5000 characters (separately and in compounds) are commonly used in modern Chinese speech and writing. New characters are occasionally created under government sanction but the coining of a new character is not possible for a trade mark.

The fun begins when you start working out how to render the foreign mark into Chinese. It should be a work of creative fusion but may, in the hands of the untrained, be pure confusion. One common method is transliteration: that is to choose characters that represent the sound of the foreign word (the phonetic method). The other obvious method is to use characters that represent the literal meaning of the foreign word (the conceptual method). The choice of the conceptual translation method is only available where there are Chinese characters conceptually equivalent to the foreign mark. As a rough approximation, about half of the foreign marks used in Chinese-speaking jurisdictions are translated phonetically, and half conceptually.

The translation battle continues when one considers that the same Chinese characters yield different sounds in different Chinese dialects, that different Chinese characters have the same pronunciation, that some sounds do not exist in Chinese, and that

a phonetic translation may sometimes produce a strange and absurd meaning or have an unfavourable connotation. Then again, tongue twisters should not be considered as this is not a land accustomed to limericks. The Chinese terms are at best gobbledygook to non-Putonghua speakers but good business for branding executives and linguistic experts who work closely with companies to search for that special Chinese name.

The best case scenario is to develop a Chinese equivalent of a foreign mark which is both phonetically similar to the original marks while, at the same time, having some reference to the function or benefits of the product. (However overly descriptive marks are precluded from registration under China's trade mark laws.) The story of how the Coca-Cola Company chose its Chinese mark bears repetition as it is the best example of how the fusion of both transliteration and conceptual methods should work. Faced with shopkeepers promoting Coca-Cola using homemade signs saying, for example, "female horse fastened with wax" and "bite the wax tadpole", the company chose the brand "Ke Kou Ke Le" which sounds like Coca-Cola in Mandarin and means "permitting the mouth to be able to rejoice".

According to a spokesman for the LVMH Fashion Group (which oversees an empire of luxury brands including Louis Vuitton, Berluti, Celine, Christian Lacroix, Fendi, Givenchy, Loewe and Marc Jacobs), "Ever since the beginning of its activity in China, the Louis Vuitton Malletier Company has decided to use four Chinese Characters "Lu Yi Wei Deng" which are phonetically as close as possible to the French pronunciation of "Louis Vuitton". These Chinese Characters,

taken as a whole, do not mean anything even though each character was carefully chosen to avoid negative meanings. These characters are used in all advertising campaigns in China along with the Roman version of "Louis Vuitton". For press articles, the Chinese transliteration is sometimes used alone. The spokesman adds: "Intellectual property issues are very important in China and trade mark protection has been granted to these four Chinese characters."

“Many companies do not realise the pitfalls of bad naming and marketing in China until it is too late and have had to pay a heavy price with re-branding exercises”

Others have taken the conceptual route and chosen characters suggesting their logo (Nestle's "Que Chao" meaning "swallow's nest"; Wrigley's "Jian Pai" meaning "arrow brand"; Shell's "Bei Ke" meaning "shell").

Robert P Ascough, the Managing Director of Shure Asia Limited in Hong Kong explains how Shure tackled the naming issue for their famous house brand "Shure" for their professional microphone and audio electronics products. "The first hurdle we faced with registering a local language trade mark in China was selecting a phonetically accurate phrase that presented no negative connotations in Chinese. We wanted to choose a phrase that was closely linked

with our business, and was consistent with our global brand recognition." Their first choice was a phrase that literally translated as "pleasant to the ears", the link being with their business area of professional audio and their reputation for quality audio reproduction. They had to abandon the initial choice as they found that there were several character and colloquial variations that would produce a similar sounding name in Chinese, which would then mean that they would need to register the variants for better protection. Their choice today is "Shu Er Ya" (meaning "comfort"), which is both a phonetic and conceptual choice.

The naming game gets more sophisticated when one looks at Oracle's "Jia Gu Wen" (which sounds nothing like Oracle and may be taken to mean "writing on a tortoise shell"). Here, the choice becomes clear when one realises that this form of historical Chinese writing and recording on shells dates back more than 3000 years and was then the most advanced way of storing information and fortune telling, complementing Oracle's competence in the field of database and business intelligence applications.

Reap the rewards

Many companies do not realise the pitfalls of bad naming and marketing in China until it is too late and have had to pay a heavy price with re-branding exercises. To avoid claims of infringement, some companies have to obtain licences from the prior Chinese registrants of the marks, or in some desperate cases, to buy the relevant marks. It is prudent to invest sufficient time and effort into the process at an early stage to obtain the rights and reap the rewards before the pirates do so.

The regional factor

Using the same mark throughout Chinese-speaking jurisdictions, such as the PRC, Hong Kong, Taiwan and Singapore, helps to build recognition and leads to economies in labelling, advertising and marketing. All else being equal, it is advantageous to adopt a Chinese mark that can be used in all the major Chinese-speaking markets. But many Chinese marks in Hong Kong have been translated using the phonetic method based on Cantonese pronunciation, and may not be suitable elsewhere. Similarly, marks written for the Taiwanese market may be written in characters unsuitable for the mainland. The PRC and Singapore observe the simplified Chinese method of writing while Hong Kong and Taiwan use the traditional method.

Japanese companies such as National Panasonic, Citizen and Canon have different Chinese names in Hong Kong and the PRC – which is understandable as many companies invested in Hong Kong before China opened up in the 1980s. But today, for many companies, the development of a strong regional Chinese trade mark is an investment to be paid for now and realised in the future.

Why use is the centre of Europe's trade mark system

Jeremy Phillips and Ilanah Simon discuss the different aspects of trade mark use in Europe, and provide some guidelines for applicants.

Trade mark use is now an issue of keen interest to **MARQUES** members, thanks to the activities of Mr Matthew Reed. Reed sold unauthorised memorabilia bearing the word ARSENAL, which the Arsenal Football Club registered as a trade mark. The football club sued Reed for trade mark infringement before a UK court. Reed argued that consumers perceived his use of ARSENAL as a way of showing their support for the football team. This, he said, could not be an infringement of the trade mark since it was not "trade mark use" – it was not a use of the word ARSENAL to tell consumers that the football club was responsible for the scarves and shirts that Reed was selling.

The UK Court agreed that consumers probably did regard the use of ARSENAL on goods sold by Reed as a badge of loyalty to their favourite football team rather than as an indication of origin, but still sought a preliminary ruling from the European Court of Justice (ECJ). That court replied that use as a trade mark does not have to be proved in infringement actions, at least where the parties' marks and goods or services are identical.

By the time the ECJ gave its ruling in Case C-206/01, trade mark use had become a major issue across Europe and its role within the wider trade mark system has since become stronger than ever. The key role of trade mark use has been acknowledged by the INTA, which issued a report this May entitled "What constitutes use of a registered trademark in the European Union (including New Member States)", that briefly details the use requirements in the various Member States of the European Union.



Jeremy Phillips



Ilanah Simon

When is use relevant?

Although use as a trade mark may no longer be crucial for infringement purposes, we have identified a number of places in the trade mark system where such use plays a role:

- Use justifies the protection of trade marks, since they are not property rights per se. They are only deemed worthy of protection as property rights in so far as some commercial use is made of them.
- Use or intent to use is a requirement for registration as a trade mark. In some jurisdictions a mark that is applied for without an intent to use it may be refused registration on bad faith grounds.
- Whether a sign can be used as a trade mark to identify the source of goods plays a crucial role in determining whether it is barred from registration as being descriptive and/or non-distinctive.
- Use transforms signs that would not otherwise be worthy of trade mark registration when, because of that use, the public perceives them as indicating the origin of the goods or services with regard to which they are used. This is the process which occurs when a mark acquires distinctiveness for the purposes of Art 3(3) of the Trade Marks Directive (89/104).
- Use remains an implicit or explicit requirement in most, if not all, forms of trade mark infringement.
- Unused signs cannot benefit from the extended protection that is given to marks with a reputation.



Even under a registration system, use retains an important justificatory role. If unused marks were granted protection, the register would be clogged up with a multitude of marks and anyone who actually wanted to use a mark in commerce might find he was unable to do so. This interest is reflected in Preamble 8 of the Trade Mark Directive.

According to the ECJ, it is the notion of the “essential function” of a trade mark that lies at the conceptual centre of the trade mark system. That is what the ECJ chose as an alternative to “trade mark use” as a limitation on the scope of the rights given to mark owners in infringement actions in *Arsenal v Reed*.

The ECJ has said that the essential function of a trade mark is to enable consumers to identify the goods or services of the undertaking that uses the mark from those of other undertakings and has used this definition to delimit various terms in the trade mark system. “Trade mark use” could thus be portrayed as being subservient to the essential function since, for use of a mark to be considered “trade mark use”, it must be being used in a way that fulfils the essential function of a mark, that is in a way that distinguishes the origin of the user’s goods from those of other undertakings. It is this requirement that differentiates use that counts as trade mark use from other types of use that do not help a mark owner to gain and maintain rights in a particular mark.

- Use is the means by which trade marks are profitably exploited in the market.
- Use is a necessary condition for the continuation of trade mark registration. If you do not use your trade mark within five years of its registration, it is vulnerable to a challenge that can ultimately result in its revocation.

Is there a single definition of trade mark use?

As the list above suggests, there is no aspect of trade mark law where the concept of use can be overlooked. However, there is no single authoritative definition of “trade mark use” that fits all of the different circumstances in which the law imposes a requirement of use.

Almost all of the examples of use described above require a special sort of use – use that is seen by consumers as identifying the origin of the goods or services with regard to which the mark is used. For example, to prove that a mark is distinctive, or to resist an application to revoke it for non-use, it is not enough to show that the (would-be) mark owner will be able to use, or has used, the mark. He must go one step further and show that the mark will be seen by consumers as indicating the origin of his goods, in other words that it has been used as a trade mark.

Even within this working definition of trade mark use, the requirements for showing use in different situations may vary subtly. For example, what types of use of a sign in the

marketplace in relation to goods or services will be seen as “use as a trade mark”? Will the same sorts of use be viewed as “trade mark use” in all of the situations identified above? What degree of frequency or intensity of use will satisfy the requirements of “trade mark use” in these various situations?

Although the answers to these questions and others are beginning to emerge from the ECJ and other sources in cases such as Case C-40/01 *Ansul v Ajax*, Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee* and Case T-39/01 *Hiwatt*, there is still a long way to go before the courts settle the question of what types of use are necessary to meet all of the situations set out above.

Is use the central concept of the trade mark system?

Since the need to show “trade mark use” occurs so often within the trade mark system, one can validly ask it is trade mark use, and not the mark’s “essential function”, that lies at the conceptual heart of the trade mark system. There is no doubt that it plays a major role and, as has been discussed above, a large part of the justification for the granting of rights in trade marks is premised on the fact that they have been used. This is as much a consequence of history as anything else – before registration systems were invented, protection for rights could only be based on use. How else could the person entitled to enforce the rights in a mark be identified?

Further information

Following *Arsenal v Reed* and the enhanced role of “trade mark use” throughout the trade mark system, we have put together a collection of essays on the subject. The collection, entitled *Trade Mark Use*, contains pieces by an international panel of practitioners (including MARQUES council member Massimo Sterpi, plus Sheldon Klein and N Christopher Norton of MARQUES member Arent Fox), employees of national and international trade mark registries and academics. These essays consider the impact use has at every stage of a trade mark’s lifecycle. The collection is due to be published by Oxford University Press in early 2005.

Introducing: The **MARQUES** Cyberspace Team

Continuing our series of introductions to the people behind the **MARQUES** Project Teams

The **MARQUES** Cyberspace Team covers issues including domain names, privacy, patents, business methods, file sharing, trade marks, unfair competition and satellites.



Lena Borg
SCA Hygiene Products AB

Lena Borg is trade mark manager at SCA Hygiene Products AB, Sweden, a position she has held for more than 15 years. Lena handles trade mark and domain name matters for the SCA group worldwide. SCA is an international paper company that produces packaging, publication papers, tissue and absorbent hygiene products for personal care. Lena joined the **MARQUES** Council in 2004.



David Crawford
Shell International

After jobs as a photographer, printer and local government clerk, David obtained a law degree from Leicester University in 1975. Various civil service jobs followed, culminating in a spell at the UK Trade Marks Registry from 1987-89 where David managed one of the new Service Mark Units and was also involved in the formulation of new examination and classification guidelines. In 1989 David joined Shell, where he qualified as a Member of ITMA and subsequently became a Registered Trade Mark Attorney and OHIM Representative. He has recently joined the Council of the UK Institute of Trade Mark Attorneys (ITMA). For Shell, David focuses on the Middle East and South/Central America, and acts as adviser to Shell's global retail businesses. He also handles contentious domain name issues. David is married and lives in Winchester with his wife and two teenage children.



Dr Egon Engin-Deniz - Team Chair
CMS Strommer Reich-Rohrwig Karasek Hainz

Egon has been a partner of CMS Strommer Reich-Rohrwig Karasek Hainz, part of the CMS transnational legal services network, since 1997. He specialises in intellectual property work, both contentious and non-contentious, mainly in the fields of information technology, consumer goods, pharmaceuticals and biotechnology. His litigation work includes the criminal prosecution of IP violations. Egon has advised a wide range of companies in both the public and private sector on all legal aspects of IP-related issues. Through representing clients in the media business he has acquired wide experience with regard to the conditional access rule and domain dispute resolution.



Ken Taylor
Marksman

Ken Taylor is founder, President, CEO and Chairman of Marksman, a leader in brand protection services worldwide. In addition to his work with **MARQUES** and the cyberspace team, Ken is a member of the INTA internet committee, the Intellectual Property Constituency of ICANN, the Computer Law Association, the IPO branding committee, the International Anti-Counterfeiting Coalition, the Triangle Intellectual Property Association and is a licensed private investigator in California and North Carolina. Ken is a frequent speaker and published author on trade mark and domain name issues. He received his Bachelor of Arts degree from Auburn University in Alabama. Ken's background includes stints as a screenwriter and playwright in Los Angeles, as well as various acting roles on stage and in film in New York and United States regional theatre. He is a published poet, an avid golfer, enjoys chess and juggling, and with his team is a dedicated fighter of the nefarious elements of cyberspace that attack brands and trade marks.



Nicholas Wood

Nicholas Wood is the former head of domain businesses for CPA, the world's largest manager of IP assets. Until July 2001, he was President of Net Searchers, a company he founded in 1996 and sold in 1999 to benefit from a listing on the London stock exchange, staying on until it was sold again to Register.com. When he resigned from Net Searchers, the company was providing intellectual property protection services including domain name management and copyright monitoring to half of the FTSE 100. Nick sits on committees for INTA and ITMA. He has been the membership secretary of the Intellectual Property Constituency of ICANN and is on the Editorial Board of Trademark World magazine. He is also the joint editor of Sweet & Maxwell's Domain Names: Global Practice & Procedure. He has a BA from London University and a masters degree from The City University.

The other members of the **MARQUES Cyberspace Team will be profiled in the next issue.**