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THE JURY IS STILL OUT

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Genuine use in the EU - What the ONEL case tells us:

What and how is it going to change the rules of the game?

Effects on Global Companies

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1. ONEL Judgment

Leno Merken BV v Hagelkruis BV (ONEL/OMEL) C- 149/11

- Leno registered the CTM ONEL in 2003 for certain services in classes 35, 41 and 42.
- In 2009, Leno filed an opposition based on this mark with the Benelux Office for Intellectual Property (BOIP) against Hagelkruis's application for registration of the Benelux trademark OMEL for the same services.
- Hagelkruis asked Leno to prove genuine use of the CTM ONEL.
- BOIP rejects Leno's opposition in January 2010. OMEL to be permitted to be registered as Benelux TM.
- Leno appealed the decision before the Gerechtshof 's-Gravenhage.
- The parties had agreed that the sign OMEL is confusingly similar to the trademark ONEL and that Leno had put ONEL to genuine use in *the Netherlands*.

The relevant question:

The referring court wanted to know if use of a CTM in a single Member State is sufficient to fulfill the requirement of “genuine use in the Community” of Article 15 (1) CTMR or if territorial borders can be disregarded in this respect.

Conclusion of the CJEU:

"*Article 15(1) of Regulation No 207/2009 of 26 February 2009 on the Community trade mark must be interpreted as meaning that the territorial borders of the Member States should be disregarded in the assessment of whether a trade mark has been put to 'genuine use in the Community' within the meaning of that provision.*

A Community trade mark is put to 'genuine use' within the meaning of Article 15(1) of Regulation No 207/2009 when it is used in accordance with its essential function and for the purpose of maintaining or creating market share within the European Community for the goods or services covered by it. It is for the referring court to assess whether the conditions are met in the main proceedings, taking account of all the relevant facts and circumstances, including the characteristics of the market concerned, the nature of the goods or services protected by the trade mark and the territorial extent and the scale of the use as well as its frequency and regularity."

2. Before ONEL

Established criteria of genuine use:

• In *Ansul*, *Sunrider v OHIM* and *La Mer Technology* the Court had defined that all facts and circumstances need to be taken into account when ascertaining the genuine use of a mark. In particular the following factors are to be considered:

- Not merely token use
- Use to guarantee the identity of the origin
- Use that is sufficient to create or maintain market share
- Nature of the goods and services
- Characteristics of the relevant market
- Scale and frequency of use of the mark

• Further in *Sunrider v OHIM* the Court had already stated that the territorial scope of the use is only one factor among others to be considered.

3. What is new?

- Territorial borders should be disregarded when assessing the genuine use of a mark. The Court holds that if particular importance is given to the territories of the Member States that would be detrimental to the unitary character of the CTM overall.
- The Court clearly states that a de minimis rule cannot be defined in abstract.

The question is if ONEL indeed changes the rules of the game?!

- Territorial scope is only one factor among others – **we knew it**
- A de minimis rule can never be set in abstract – **we knew it**

No real new requirements have been created, but rather the relevance of territorial scope has been further defined.

4. Perspective of global companies

- No major effects on the strategies pursued by global companies regarding opposition proceedings and cancellation actions.
- No major measures to be taken with respect to genuine use overall.

Opposition Proceedings

Global companies filing oppositions:

• Global companies ascertain the use of their TM before filing an opposition.

• Should the mark not have been used during the grace period (5 years), the reasons for non-use are evaluated and a risk assessment is undertaken before filing an opposition based on such a mark.

The ONEL decision will not change the assessment made by TM In-House Counsel of global companies.

Opposition Proceedings (continued)

When marks owned by global companies are <u>being opposed</u>:

- First, we ascertain the use of the opposing CTM.
- Investigations may be mandated according to the importance of the mark at stake.
- If genuine use is not clearly ascertained, proof of genuine use of CTM is requested in the opposition proceedings.

This strategy will not change based on ONEL. In general In-House Counsel of global companies know their competitors and the specificities of the relevant market very well, hence the efforts to assess genuine use should stay unchanged.

Cancellation Actions

Global companies filing cancellation actions based on absence of genuine use:

• The assessment of genuine use does not differ greatly from the one being performed in opposition proceedings.

When use can only be ascertained in **one** Member State, the other factors will need to be assessed more carefully. This might have an impact on the resources involved, especially time.

When cancellation actions based on absence of genuine use are filed against marks owned by global companies:

• According to the product and overall circumstances In-House Counsel will devote more time to assess if use in one Member State could be regarded as sufficient.

Proof of use

- Gathering proof of use is a challenge also for global companies
  - Complex matrix structure slows down communication
  - Ever changing contact partners within the company, demand continuous education of local contacts
  - Monitoring of grace period

4.1 Perspective of pharmaceutical companies

Two challenges to overcome:

- Legal availability of the marks
- Approval of names by Health Authorities

Legal Availability of Marks

- Cluttered TM register in class 5
- Cancellation actions to remediate the general clutter not a viable option; considered as an option when facing a concrete issue

→ Hence if ONEL is interpreted as meaning that use of a mark in a single member state is not sufficient, it could have a positive impact or at least not increasing the current clutter in class 5. Accordingly finding a legally available mark for pharmaceutical products may become easier in the long run.

Approval of names by Health Authorities

- 2012: EMA's (European Medicines Agency) rejection rate was 43%
- Very difficult to find legally available names that will also pass regulatory review

4.2 In practice

Originators

- In Europe products are generally submitted before EMA via the centralized procedure. This procedure requires to use one single name in all countries and results in a single marketing authorisation (MA) that is valid in all European Union countries (as well as in Iceland, Liechtenstein and Norway).
- Duplicate MAs are not allowed to be used to partition the market.
- CTM regarded as the best option, in particular as launch of product is pan-European.
- From a financial perspective the most appropriate option.

Generics

- Mainly two marketing strategies
  a. INN + Company Name, e.g. **Amoxicillin Sandoz**
  b. Branded Generics, e.g. **OSPAMOX**
- Regional element:
  - Western Europe: mainly INN + company name strategy, no product TM required
  - Eastern Europe: Branded generics strategy, name of the product may be adapted to local needs and submission before Health Authorities accordingly may follow national path.
  - In general major generic companies will file national marks in this case, as from a financial and legal perspective this is considered to be the most appropriate option – taking into consideration the possible high number of oppositions via CTM route.

5. Conclusion

- If we understand that use in **one** Member State within the Community is **not sufficient** to establish genuine use, ONEL may have a positive impact on global companies.

- If territorial borders are to be disregarded and the territorial factor is just one amongst others, there is **no real change**!

Many thanks!

Mulţumesc!

Back-up

Questions referred to the ECJ:

1. Must Article 15 (1) of the [the Regulation] be interpreted as meaning that use of a Community trade mark within the borders of a single Member State is sufficient to constitute genuine use of that trade mark, given that, had it been a national trade mark, such use would have been regarded as genuine use in that Member State?
2. If Question 1 is answered in the negative, can the use of a Community trade of mark within a single Member State as described above, never be regarded as genuine use in the Community as referred to in Article 15 (1) of [the Regulation]?
3. If use of a Community trade mark within a single Member State can never be regarded as genuine use in the Community, what requirements apply – in addition to the other factors – in respect of the territorial scope of the use of a Community trade mark when assessing the genuine use in the Community?
4. Or else – as an alternative to the above – must Article 15 of [the Regulation] be interpreted as meaning that the assessment of genuine use in the Community should be carried out wholly in the abstract, without reference to the borders of the territory of the individual Member States (and that, for example market share (product markets/geographic markets) should be taken as the point of reference)?

- Innovator pharmaceutical company:
  - Is an organization whose objective is to improve the quality of human life by investing significant financial means, time, and resources in developing, testing, and creating advancements in medicine.
- Generic pharmaceutical company:
  - Generic medicines use the same active ingredients as the innovative drugs. A generic must be bioequivalent to the original. It does not enjoy patent protection.