

The Rush To Efficiency And Diminishment Of Trademarks

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It's no secret that trademarks serve to protect consumers against confusion in the marketplace. Historically, craftspeople would stamp their name or initials on merchandise so that consumers knew the source of the goods. Buyers would look out for the desired trademarked merchandise and, in doing so, would avoid purchasing inferior goods. This is the reason why, priority aside, the likelihood of confusion is a fundamental test of trademark infringement.



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Governments, via their respective trademark offices, serve an essential role in protecting consumers against confusion in the marketplace, via the granting of registered trademark rights. Most importantly, registration provides notice to the public of claimed trademark rights. In the course of granting registration, governments have traditionally vetted the protectability of trademarks by examining applications for inherent distinctiveness of the mark and by assessing whether a mark is likely to be confused with a previously filed or registered mark. Internationally, these tests are also called examination on absolute grounds and examination on relative grounds, respectively.

Recently, in some jurisdictions, there has been a movement toward increasing the number of registrations without any corollary consideration of the effectiveness of those registered marks. The Office for Harmonization in the Internal Market (OHIM) set the bar low by removing examination on relative grounds. This causes the undesired possibility of two unrelated entities each owning a registration of the same mark for the same goods in the European Union.

In an effort to keep up with ever-increasing registration numbers in the EU, the Intellectual Property Office in the U.K. has also done away with examining applications for the likelihood of confusion. The Canadian Intellectual Property Office is about to eliminate the need to use a mark in order to secure a registration. Within the trademark legal profession, colloquially, this is referred to as “the dumbing down of trademarks.” Inevitably, this practice causes trademark office registries to become crowded with confusingly similar marks or marks that were registered with no plans for the owner to actually use it in the marketplace. The result is a reduced value of trademark registrations and registries that do not reflect activity in the marketplace.

In the United States, trademark rights arising from use is a touchstone of jurisprudence. The [U.S. Supreme Court](#) recognized that the exclusive right to a mark under common law is granted by virtue of its use. According to the court, such an exclusive right “has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States.” Trade-Mark Cases, 100 U.S. 82, 25 L. Ed. 550 (1879). The principle was reaffirmed in the seminal *Tea Rose and Rectanus* cases. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 36 S. Ct. 357, 60 L. Ed. 713 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 39 S. Ct. 48, 63 L. Ed. 141 (1918). One must never forget that use is a fundamental requirement of trademark rights because the function of a trademark is to protect consumers from confusion between marks as they are used in the marketplace.

Indeed, the marketplace has long been a paramount consideration in the way American courts construe trademark law. For example merely registering a mark in the U.S. does not provide all the means necessary for a trademark owner to exclude others from using a confusingly similar mark. The owner of a registered mark cannot obtain injunctive relief against an infringer until the owner shows a likelihood of entry into the disputed territory. *Emergency One Inc. v. American Fire Eagle Engine Co. Inc.*, 332 F.3d 264, 67 U.S.P.Q.2d 1124 (4th Cir. 2003). The reason why is that there can be no likelihood of confusion if there is no mark is used in the marketplace yet for consumers to confuse.

That having been said, a federal registration provides numerous benefits, including the prima facie evidence of the validity and ownership of the registered mark, as well as the availability of recovering profits, damages and attorneys' fees. Still, as stated by Professor J. Thomas McCarthy, the goal of the U.S. Trademark Act is to ensure that the right to obtain registration of a mark follows as closely as possible to the right to use that mark. McCarthy on Trademarks at § 19:2.

While use is not required at filing for intent-to-use applications, such applications are not inapposite of this goal, as proof of use is still eventually required to obtain a registration. However, the situation is different for registrations arising from the Paris Convention and the Madrid Protocol. Under the Paris Convention, a foreign national may obtain a federal trademark registration without the need to prove use of the mark in the U.S. Similarly, use of a mark in commerce is not required to obtain an extension of protection in the U.S. under the Madrid Protocol.

It is safe to say that registrations obtained based upon the Paris Convention and Madrid Protocol now constitute a significant portion of the total number of federal registrations, and that the U.S. register no longer truly reflects the marks used in the American marketplace. While there are no doubt benefits to U.S. participation in such treaties and system, the disconnect between the register and the marketplace is an unfortunate casualty of harmonization.

Across the Atlantic, the Community Trademark ("CTM") registration system, operated by the OHIM, came into being on April 1, 1996. A core group of countries within the European Union had for a long time operated a "first to file" trade mark regime where rights in a trademark essentially go with the first party to file an application for a trademark, rather than the first party to use that mark. In these countries, no actual use of a trademark (nor even any intention to use it) is necessary in order to secure registration. By contrast, other EU countries such as the U.K. had "first to use" trademark regimes in place until they were required by the EC "Harmonization Directive" [89/104/EEC, now 2008/95/EC] to bring their trademark laws into line with the rest of the EU. As a common law jurisdiction, the U.K. was to some extent dragged kicking and screaming into this "first to file" arena.

The CTM system was governed from the outset by the substantive provisions of the "CTM Regulation" [Council Regulation (EC) No. 40/94, now (EC) No. 207/2009]. This closely mirrors the Harmonization Directive.

Overlaying a new unitary trademark register across the then 15 territories that made up the EU

presented some major challenges. One of these was the problem of prior national trademark registrations. How would a CTM application fare in light of an identical prior national registration for identical goods/services? It came as no surprise that the OHIM would elect to operate an examination system that did not include an examination of prior rights. The existence of 15 national registers, going back over 100 years in some cases, containing many hundreds of thousands of marks between them, meant that such an examination would be bound to result in the CTM system becoming bogged down by objections, with only a tiny number of applications likely to be registrable.

The OHIM's decision not to examine on relative grounds was therefore sensible, if not pragmatic, as there was no other credible option. Third-party prior rights issues were left to be sorted out via opposition, at the expense of the right owners. By contrast with the advocacy-based opposition procedures of countries like the U.K. (more akin to court proceedings), CTM oppositions were designed to be "cheap and cheerful" in many cases. The prediction was that many oppositions would arise as a result of technical overlap rather than commercial conflict, and that simple demarcations of goods/services should therefore resolve many (or most) of these cases. This has largely turned out to be the case.

On the down side, if an earlier proprietor decides not to oppose a later conflicting CTM, those marks will coexist on the CTM register (in the case of a prior CTM) or on overlapping national/CTM registers (for a prior national registration). Extrapolating from this idea, it is not surprising that there are many thousands of technically overlapping rights which could potentially give rise to successful invalidity challenges to the later CTM, in part or all of the EU depending on the prior right. This does not point to inherently strong registrations.

Despite these inadequacies, the CTM system has, on many indicators, been a major success. In economic terms, it makes sense to file a CTM if a business has a genuine interest in more than two or three EU countries. Consequently, the number of national applications has inevitably fallen since 1996, as businesses with any kind of EU aspirations opt for a CTM as their registration of choice.

The trademark regimes of national EU countries are split on the question of whether they operate an ex officio prior rights examination — just over half do so and just under half do not. Art 5(1)-(3) of the Harmonization Directive require countries to allow for registration to be refused on the basis of certain types of prior rights, but the mechanism for this can be either examination, or opposition (as at the OHIM). The key difference is that if a proprietor chooses not to oppose, this once again gives rise to conflicting rights coexisting on the register.

However, the clear reasons that the OHIM had for avoiding prior rights examination are not present for individual EU countries in the same way. Save for the presence of CTMs and Madrid Protocol designations, the examination of prior rights is primarily limited to the respective individual national registers. The possibility, therefore, of a granted registration actually conferring on its proprietor a presumption of validity is still theoretically achievable. For example, in countries like Ireland and Sweden, where only trademarks which do not conflict with prior registrations can become registered, a proprietor can have confidence that its granted registration is a strong one.

By contrast, in countries which follow the OHIM model (including Denmark from 1999 and Spain from 2002), the same cannot be said to apply. The U.K. also dispensed with prior rights examination in 2007. This was driven, in part, by the U.K. IP Office wanting a faster registration system and one which was on all fours with that of the OHIM, thereby removing a perceived advantage of the CTM procedure over that of the U.K. Lobbying by the U.K. trademark attorney profession, at the time when weakening trademark registrations in this way was undesirable, fell on deaf ears.

The upshot of all this is that the EU trademark landscape remains complex. Registration in many EU countries is quick and easy, but the trade-off remains that registrations in those countries are not inherently strong, and that clearance searches are extremely difficult to get meaningful results from. In other EU countries, the trademark regimes are more robust because prior rights examination is still carried out. On top of all this is the CTM system – one which clearly works in terms of its popularity - but still raises issues concerning the true validity of registrations.

In Canada, the rush to efficiency also highlights a possible lack of understanding by government decision-makers of the fundamental principles and application of trademark law in the marketplace. Canadian trademark law exists to prevent marketplace confusion between sources of goods and services. Like the United States, Canada recognizes common law rights. Similarly, use has always been a requirement before anyone can obtain a registration. Trademark rights, whether registered or at common law, arise when a mark is used in Canada. Merely filing a trademark application without use does not give rise to any trademark rights. Despite this heavily engrained concept in Canadian trademark law, the Canadian Trademarks Office has provided recommendations to legislators that the concept of “use” has no place in the Canadian trademark registration process. It seems that the Trademarks Office staff chose to mirror the process before the OHIM, without understanding the key differences and realities present in the European system and laws when compared to Canadian law and jurisprudence.

The emphasis on moving applications through prosecution, at the expense of documenting and reviewing associated rights involved, began in 2007 when the Trademarks Office eliminated the need to enter disclaimers for descriptive portions of marks. Under the current practice, if a mark contains a descriptive and a nondescriptive portion, the applicant is not required to enter a disclaimer for the nondescriptive portion. This effectively means that the scope of rights being granted by a registration is not apparent in the certificate of registration. Companies are therefore left guessing how far the registered right of a competitor extends, even when a portion of the mark is nondistinctive. This was the first example of the Trademarks Office absconding its responsibility to create a registry that clearly communicates the rights it has granted via a certificate of registration.

According to the Canadian Intellectual Property Office, at some point in the next year, it will no longer be necessary for an applicant to state whether they have used, or intend to use, a trademark at the time of filing. In fact, the requirement to use a trademark is being removed from the registration process completely, resulting in what many are calling “paper registrations,” e.g., registrations whose rights exist merely on paper but not in the marketplace.

Unlike what occurred in the creation of the OHIM, Canada does not face the daunting task of combining multiple pre-existing trademark systems and balancing prior rights from various jurisdictions. The changes are CIPO's response to pressures to improve administrative efficiencies and productivity. To that end, CIPO is attempting to create a formlike approach for obtaining trademark registration.

However, one must remember that the function of trademarks is to protect consumers against confusion in the marketplace. The trademark registry was never intended to be a mere database of words and designs that businesses may be interested in using at some point in the future. By eliminating the fundamental use requirement, the resulting registrations are not required to have any connection with the actual activities in the marketplace. The obvious result will be that the Canadian trademark registry becomes simply a list of entries, which may or may not have enforceable rights but which will most certainly will prevent businesses from conducting their normal commercial activities. This will significantly undermine the role of the government in safeguarding against confusion in the marketplace — an expensive price to be paid for administrative efficiency.

Fortunately, the U.S. continues to have a fairly robust system to ensure the integrity of the trademark registrations it issues. With examination on relative grounds and rigorous disclaimer practice, apart from issues of use, the quality of U.S. registrations remains intact (and registrations obtained based upon foreign treaties are still subject to cancellation on the ground of abandonment and use requirements during maintenance). However, the U.S. needs to be on guard to protect against further efforts to put registration numbers ahead of quality.

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