

## II. Community collective marks

### *A. Objective and place in the European trade mark regime*

Contrary to individual trade marks, whose target is to differentiate products originating from distinct commercial undertakings, a Community collective mark is a type of mark used to distinguish products originating from members of an association. Consequently, collective marks on the European trade mark plane enable their users to show to the consuming public the element of common commercial origin of a product or service. Provisions dedicated to Community collective marks are included in the Community Trade Mark Regulation,<sup>1</sup> but the general rules on individual trade marks apply to them, in so far as the specific rules so permit. Collective Community marks must be applied for as such; therefore it has to be stated in the application for registration that the sign is of the collective type.

The mentality behind Community collective marks is mainly giving groups of traders or legal entities a tool to promote their products or services under one label, so that the advertising costs and the costs of maintaining that label can be reduced, i.e. not borne by each single business operator but shared by the collectivity, which proves very helpful especially for small enterprises.<sup>2</sup> From a practical point of view, traders can use both the collective trade mark and their own brand in relation to their goods or services,<sup>3</sup> so the collective mark does not wash away the identity of each individual's business.

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1 Council Regulation (EC) 207/2009 of 26 February 2009 on the Community trade mark [2009] OJ L 78/1 (hereinafter CTMR).

2 Christophe Charlier & Mai-Anh Ngo, *Agro Food's Quality Signs and Free Movement of Goods. What Strategies for the European Operators?*, 12<sup>th</sup> EAAE Congress "People, Food and Environments: Global Trends and European Strategies" (August 2008, Ghent) [number 44316], at 4, 6.

3 See Question 2.B.10 on the Application Procedure available at the OHIM's website: <https://oami.europa.eu/ohimportal/en/application-procedure#2.B.10> (last accessed Jun 19, 2014).

B. Ownership issues

The ownership scheme of collective marks is different from the one for individual marks.<sup>4</sup> Proprietors and users of collective marks can be legal entities of two types and more specifically, according to Article 64.1 CTMR, “Associations of manufacturers, producers, suppliers of services, or traders which, under the terms of the law governing them, have the capacity in their own name to have rights and obligations of all kinds, to make contracts or accomplish other legal acts and to sue and be sued, as well as legal persons governed by public law”.

With regard to the first category, the wording of the article does not imply that a collective mark has multiple proprietors,<sup>5</sup> but rather that all members of the association owning the mark can use this mark for their goods or services and can benefit from the rights it confers.<sup>6</sup> This does not happen by way of license, as is the case for individual trade marks; instead the members of the association obtain the right to use the collective mark automatically by joining the association, so there is no licensor-licensee relationship between the association and its constituents.<sup>7</sup> Additionally, in case the association-proprietor of the mark has other associations as members, these associations, as well as their members, are able to use the mark.<sup>8</sup> The use of the collective mark by the members of the association is attributed to the latter, so if a member affixes the mark to their product, it is the association that is considered as using the mark.<sup>9</sup>

Little has been written on the issue of ownership of Community collective marks, while it seems that the vast majority of commentators simply reformulate and reproduce the proviso of Article 64.1 CTMR, underscoring the

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4 ALEXANDER PEUKERT, THE COMPETITIVE ADVANTAGE OF COLLECTIVE TRADE MARKS in JAN ROSÉN (ED.), INDIVIDUALISM AND COLLECTIVENESS IN INTELLECTUAL PROPERTY LAW 241 (Edward Elgar Publishing 2012).

5 If, however, an association is not eligible for application for a collective Community mark, then this number of people can apply for an individual mark, which can be owned jointly by several persons, as follows from the wording of Article 16 in conjunction with Article 21 CTMR.

6 See Question 2.B.10 on the Application Procedure, *supra* n. 3.

7 J. FELDGES & I. FROST, COLLECTIVE TRADE MARKS in MARIO FRANZOSI (ED.), EUROPEAN COMMUNITY TRADE MARK – COMMENTARY TO THE EUROPEAN COMMUNITY REGULATION, 331 (Kluwer Law International 1997).

8 DAVID TATHAM & WILLIAM RICHARDS, ECTA GUIDE TO THE E.U. TRADE MARK LEGISLATION, 864 (Sweet & Maxwell 1998).

9 J. FELDGES & I. FROST, *supra* n. 7, at 330.

necessity of the body applying to have legal personality and legal capacity, so that it can manage the sign and enforce the rights granted.<sup>10</sup> What is clear, however, is that associations-amalgams, composed by not only producers or sellers but also consumers, cannot be proprietors of Community collective marks; in fact in general the associations should engage in commercial activity in order to be eligible for application, which is not the case for individual trade marks.<sup>11</sup>

The common notion is that the proprietor of a collective mark is not just responsible for setting up the regulations of use of the mark, but can also use that mark itself, although this is not the purpose of a mark of collective nature and it would not be considered ideal.<sup>12</sup> It is also argued that Article 66 CTMR does not contain anything to the contrary, because it is not obligatory for a Community collective mark to have a guarantee function,<sup>13</sup> in which case the use of the mark by the association would run counter its impartiality. Fezer makes at this point an interesting distinction: the association owning the Community collective mark can only use the mark in so far this is done for identification reasons, but it cannot use it for its own products or services.<sup>14</sup> Mühlendahl et al. put it in a more neutral way: usually, the association itself does not have business operation, so it can use the mark in advertising or marketing material etc., which suffices to satisfy the general use requirement.<sup>15</sup> Further to this last issue, it seems that the use requirement, as prescribed in Article 15 CTMR, is fulfilled if at least one member of the association uses the mark or even when only the association itself uses the mark and no member of it. This is not clearly stated in the CTMR, but the conclusion in relevant literature is drawn through the transposition of the Trade Mark Directive<sup>16</sup> into the German legal order.<sup>17</sup>

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10 DAVID T. KEELING, DAVID LLEWELYN, JAMES MELLOR, *KERLY'S LAW OF TRADE MARKS AND TRADE NAMES*, 385-409 (Sweet & Maxwell, 15<sup>th</sup> ed. 2011).

11 J. Feldges & I. Frost, *supra* n. 7, at 321.

12 J. Feldges & I. Frost, *supra* n. 7, at 330-331.

13 RUTH E. ANNAND & HELEN E. NORMAN, *GUIDE TO THE COMMUNITY TRADE MARK*, 279 (Blackstone Press Limited 1998).

14 KARL-HEINZ FEZER, *HANDBUCH DER MARKENPRAXIS – BAND II. MARKENVERTRAGS-RECHT*, 220 (Verlag C.H. Beck 2007).

15 ALEXANDER VON MÜHLENDahl ET AL., *DIE GEMEINSCHAFTSMARKE*, 88 (Stämpfli Verlag 1998).

16 Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks [2008] OJ L 299/25 (hereinafter Trade Mark Directive).

17 REINHARDT INGERL, *DIE GEMEINSCHAFTSMARKE*, 121-122 (Boorberg 1996).

Regarding the second type of legal entities, “legal persons governed by public law” are considered as comprising not only enterprises but also state bodies. According to the OHIM, the provision allows for the European Union, States or municipalities to apply, even though they do not possess mercantile features nor do they constitute associations. As a natural outcome, the general requirement for submitting rules of membership, existing for the first type of legal entities eligible to apply for Community collective marks, does not apply to them.<sup>18</sup>

### C. Nature and function

According to Article 67 CTMR, the applicants have to submit regulations, which should include “*the persons authorised to use the mark, the conditions of membership of the association and, where they exist, the conditions of use of the mark, including sanctions*”.<sup>19</sup> Relying on this wording probably (“*where they exist*”) and in an effort to specify what exactly should be the content of the regulations, the OHIM is of the opinion that they “*do not necessarily certify the quality of the goods, although this is sometimes the case*”<sup>20</sup> (emphasis added), and also they “*may or may not certify certain characteristics or quality of the goods but this must be done by a collective body*”<sup>21</sup> (emphasis added). The requirement for submission of regulations itself is a rather unusual one for a mark based on private interests.<sup>22</sup>

Community collective marks share functions with individual trade marks in an analogous way. Individual trade marks distinguish products between different enterprises, while collective marks identify products of an associ-

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18 OHIM's "Manual of Trade Mark Practice", Part B (Examination), Section 4 (Absolute grounds for Refusal and Community Collective Marks) at 47-48, available at [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/trade\\_marks\\_practice\\_manual/part%20b\\_section\\_4\\_ag\\_manual\\_after\\_gl\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/trade_marks_practice_manual/part%20b_section_4_ag_manual_after_gl_en.pdf) (last accessed Jun 19, 2014).

19 See also Rule 43 of Commission Regulation (EC) 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community trade mark [1995] OJ L 303.

20 OHIM's Manual, Part B, Section 4, *supra* n. 18, at 46.

21 Guidelines Concerning Proceedings before the OHIM, Part B, Examination (April 2008), Section 4, at 58, available at <http://oami.europa.eu/en/mark/marque/pdf/examination-23042008-EN.pdf> (last accessed Jun 19, 2014).

22 J. Feldges & I. Frost, *supra* n. 7, at 322.

ation's members from products of distinct enterprises. This means that the function of a trade mark, either individual or collective, is to signal commercial origin. This function, as constituting the sole function of a conventional trade mark, has been subtly doubted in trade mark theory and mis-conceived in practice. Because the associations owning collective marks usually set in their regulations standards and level of quality for the goods their members produce, there have been voices indicating that collective marks also guarantee quality.<sup>23</sup>

This line of thinking argues that Community collective marks can accommodate certification marks, since both of them signal quality, but in fact even the OHIM itself does not possess a consolidated opinion on this matter. To illustrate the scale of confusion within the OHIM, one can look at the following examples. As to the aim and objectives, it is stated that these marks distinguish goods/services of an association's members from those of distinct companies not belonging to the association. "*Therefore, the Community collective mark qualifies the **commercial origin** of goods/services*" (emphasis added).<sup>24</sup> Elsewhere it is explained that "*their **main objective is not** to indicate that the goods or services **originate from a specific source** but to indicate that the respective goods or services **originate from a certain region** and/or **comply with certain characteristics or qualities***" (emphasis added).<sup>25</sup>

Further, in the case AFNOR/NFB, the 2<sup>nd</sup> Board of Appeal stated that "*whereas the function of an individual trade mark is to distinguish between the goods and services offered by a certain enterprise from similar goods or services of others, **the function of a collective mark is to distinguish the***

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23 P.A.C.E. VAN DER KOOIJ, THE COMMUNITY TRADE MARK REGULATION – AN ARTICLE BY ARTICLE GUIDE, 122-123 (Sweet & Maxwell, 1st ed. 2000). See also Miguel Angel Medina Gonzalez, *Collective, guarantee and certification marks and GIs: connections and dissimilarities*, 7(4) JIPLR 258 (2012). Note, however, that, even though it is suggested that nuggets of guarantee function are found in Community collective marks, it is not explicitly argued that guarantee marks are included in them. But somewhat different position: JEFFREY BELSON, CERTIFICATION MARKS: SPECIAL REPORT, 21-22 (Sweet & Maxwell 2002).

24 OHIM's Manual, Part B, Section 4, *supra* n. 18, at 46.

25 OHIM's Opposition Guidelines Part 6, Proof of Use (2.6.2014) at 54-55, available at [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/trade\\_marks\\_guidelines/16\\_part\\_c\\_opposition\\_section\\_6\\_proof\\_of\\_use/clean\\_version/16\\_part\\_c\\_opposition\\_section\\_6\\_proof\\_of\\_use\\_clean\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/trade_marks_guidelines/16_part_c_opposition_section_6_proof_of_use/clean_version/16_part_c_opposition_section_6_proof_of_use_clean_en.pdf) (last accessed Jun 19, 2014).

**goods and services offered**, for example, by the members of an association, which is the proprietor of such a collective mark, from those of other enterprises which are not members of the respective association. **Hence, a collective mark does not primarily indicate the origin of a certain business but refers to certain characteristics of the respective goods and services.** Collective marks are not only used by one company, but by a group of companies, and the respective collective marks **primarily stand for particular characteristics of the respective goods and services**” (emphasis added).<sup>26</sup>

Although, these observations find indeed basis on the way undertakings or collective bodies operate, the issue arises whether they are sufficient as to suggest that collective trade marks include certification marks.

At this point, it might make sense to distinguish between two crucial questions: the first one is more pragmatic, reading “was the intention of the European legislator to include certification marks into Community collective marks?”, whereas the second one is rather deontological-doctrinal and asks whether including certification marks into Community collective marks is the right choice. The first question is answered at the end in this section, whereas the second is dealt with at a later stage of this paper.<sup>27</sup>

The historical interpretation, as of the content of the travaux préparatoires, shows that up until the adoption of the Community Trade Mark Regulation, provisions for both collective and guarantee – as they were titled – marks had been proposed, but in the end only collective marks made it to the final document. This proposed collective mark crossbreed had elements of both types: indication of collective commercial origin as well as an accompanying obligation for submission of governing regulations setting the conditions under which the mark is to be used, setting, in other words, a quality standard. Feldges and Frost contribute that, despite the heated debate and disagreement between Member States, “*this solution seemed to be better*”, but fail to provide the underlying rationale.<sup>28</sup> German commentators, on the other hand, seem much more certain, explaining that the wording of the provisions on Community collective marks is so broad and comprehensive that it includes guarantee and certification marks, without referring to the drafting history at all.<sup>29</sup>

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26 Case R-9702008-2 *Association Française de Normalisation/NFB Transport Systems AB* [2009] 2<sup>nd</sup> BoA, para. 18.

27 See *infra* Chapter III.B.4.

28 J. Feldges & I. Frost, *supra* n. 7, at 320.

29 See in particular Karl-Heinz Fezer, *supra* n. 14, at 218.

There are, however, a series of arguments which suggest that Community collective marks are distinct from certification marks. The CTMR, as finally adopted, mentions only “collective marks”, whereas the Trade Mark Directive, in Articles 1, 10 and 15 thereof, lists, apart from individual marks, all three major types – collective, certification, guarantee – which a Member State can recognise in its national legal order.<sup>30</sup> This difference in wording leaves the reader wonder on the reasons of such a choice. If the European legislator intended for Community collective marks to include certification marks, would they not have stated it explicitly? It is this point that has lead many authors to argue definitively that the CTMR does not acknowledge certification marks.<sup>31</sup>

As a matter of fact, this debate sheds light to the real problem lying behind the confusion and inconsistencies in literature, and that is the one of definition. The fact that both the CTMR and the Directive on the Community Trade Mark use terminology which is not clearly explained, has led commentators to interpret the provisions on Community collective marks, based on their knowledge and experience from their respective legal systems and the way each system recognises (or not) the different types of marks.

An illustrative example is the explanation given by Mühlendahl et al. about the forms a Community collective mark can take: a guarantee mark can also be *registered* as Community collective mark. In that case the mark denotes both membership in an association as well as specific characteristics (qualities) of the goods or services, but only if the proprietor is a collectivity. However, this is not acceptable, when it comes to certification marks as acknowledged in certain legal orders, mainly the common law countries. There the owner is a single undertaking which independently sets quality criteria and establishes the conditions under which producers, as third parties, can use the mark. In such cases, where the regulations governing use do not belong to an association for internal “own consumption”, the mark should be registered as an individual mark and others can use it by way of

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30 It might be interesting to note that the terms “certification” and “guarantee” marks seem to be used interchangeably in the text of the Trade Mark Directive as two different ways of naming the same type of mark, whereas no definition is given for any type of mark, probably because this is up to the Member State to determine.

31 David Tatham & William Richards, *supra* n. 8, at 863; Ruth E. Annand & Helen E. Norman, *supra* n. 13, at 279; CAROLINE LE GOFFIC, LA PROTECTION DES INDICATIONS GÉOGRAPHIQUES – FRANCE, UNION EUROPÉENNE, ETATS-UNIS, 63-64 (IRPI 2010).

licensing.<sup>32</sup> Concomitantly, following this opinion, the issue is the ownership status: a mark denoting quality can be registered as a Community collective mark, if the applicant is a collective body, but as an individual trade mark, if the applicant is a single enterprise. As a side note, it is underlined that this explanation presupposes that guarantee marks are distinct types of marks, which, in the absence of a suitable slot, can find a place in the register under the collective category. This in turn somewhat implies that this is a solution out of necessity.

Contrary to that view, according to the OHIM, a mark indicating observance of absolute standards should be registered as an individual trade mark.<sup>33</sup> No special distinction is made as to ownership, the importance, therefore, in this case, seems to be shifted to the function of the mark, instead of the proprietorship. It follows that Community collective marks cannot connote compliance to absolute criteria, but rather “guarantee”<sup>34</sup> a consistent level of quality. They practically inform the customer that a product or service comes from a member of an association and that this product or service is of the same quality level as the rest provided by the association.

Moreover, by reason of Article 7.1.c CTMR, trade marks consisting of indications signalling quality of the goods or services cannot be accepted in the register. Since Community collective marks follow the general provisions of individual marks, an application for a collective mark designating quality should be trapped by grounds for absolute refusal as being descriptive, unless the mark applied for does not imply quality in trade, so it is used in an arbitrary way.

In line with Article 68.2 CTMR, the Second Board of Appeal of OHIM, apart from reminding that the CTMR does not provide for certification marks, also notes that “*an application for a collective Community mark shall also be refused if the public is liable to be misled as regards the character or the significance of the mark, in particular if it is likely to be taken to be something other than a collective mark*”. It was ruled, therefore, not possible to register a mark that is indicated by its applicant as comparable to “*a seal of guarantee*”.<sup>35</sup>

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32 Alexander v. Mühlen Dahl et al., *supra* n. 15, at 84.

33 *Supra* n. 21.

34 On the problematic use of the word “guarantee” in a trade mark context: Jeffrey Belson, *Certification marks, guarantees and trust*, 24(7) E.I.P.R. 340 (2002).

35 Case R 675/2010-2 *Demeter Association, Inc/OHIM* (2011) 2<sup>nd</sup> BoA, para. 19-20.



This ruling comes in direct clash with a view in literature that registration should be denied when the mark contains quality assurance, which does not correspond to the submitted regulations of use.<sup>36</sup> The problem is here concentrated on the inconsistency between the signified of the mark and the content of the regulations, whereas the OHIM refused registration based exactly on the signified.

Another example of a mark not eligible for registration as collective, because it is misleading, is the case where a mark gives the impression that third parties may use the sign, if they follow the same objective standards, even without being members of the association.<sup>37</sup> This condition reveals the nature of Community collective marks as “club rights”. They are open to anyone agreeing to follow the regulations of use, as long as they are willing to join the union. The association is given leeway to determine the conditions on membership as it sees fit according to its financial interests. The results might, in reality, be very restrictive for outsiders, so the openness of the mark seems self-defeating. In that sense, collective marks cannot be considered “public goods”, because they are “congestible”.<sup>38</sup>

What is, subsequently, understood as “collective mark” or “certification mark” or “guarantee mark” at a European Union level? The above paragraphs show lack of clarity of the legislative texts, which has subsequently caused lack of uniformity as regards the analyses of those texts by experts. Taking the different interpretations into account, it can be concluded that Community collective marks, as they appear in the present version of the CTMR, have aspects that certainly denote collective business origin, and that they are open to the possibility of showing also quality, provided that the proprietor is a collectivity and the use of the mark is made by its members. This does not mean that Community collective marks include certification marks, but rather that merely a kind of the latter type can be registered as collective mark at the European level. *A contrario*, certification marks owned by an independent body that do not condition the use of the mark on a membership scheme, but are open for any adherent to privilege from, are excluded from the scope of the provisions for Community collective marks.

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36 Alexander v. Mühlendahl et al., *supra* n. 15, at 86.

37 Joint Statements by the Council and the Commission of the European Communities as embodied in the minutes for the adoption of the CTMR on December 20, 1993, OHIM OJ 5/96, p. 619, as reported in Ruth E. Annand & Helen E. Norman, *supra* n. 13, at 281.

38 Christophe Charlier & Mai-Anh Ngo, *supra* n. 2, at 4-5.

In conformity with the preceding analysis, the answer to the first crucial question of this paper should thus be positive, but only partly.

This complexity is inevitable to cause confusion and might be a source of problems in business practice, as it is difficult to differentiate and perhaps even use the options offered by the CTMR in a fruitful way. This might be the explanation as to why Community collective trade marks seem under-utilised in practice. The limited jurisprudence appears to support this finding. The fact that the OHIM has dealt with very few cases on collective marks so far, demonstrates either that the existing system works perfectly or that it is so blurry as to discourage potentially interested parties from using it. The pendulum seems to swing towards the second, unless proven in practice that it is just not useful as unable to meet the needs of the business world.