

below average would have to be the consequence in case registration is not ensured for all necessary countries.

## 5.5 Temporal Scope of Protection

### 5.5.1 Beginning and Duration of Protection

Protection starts – upon correct registration – retroactively on the day of application.<sup>717</sup>

The statutory term of protection of a registered trade mark in Europe is ten years from the date of application.<sup>718</sup> However, a trade mark is the only intellectual property right which can be infinitely renewed (upon application and payment of a renewal fee).

### 5.5.2 Findings – Relation to Brand Value

The interrelation of the duration of trade mark protection and brand value could be particularly distinct with regard to payment of renewal fees. The fact that a proprietor renews the term of a certain trade mark shows that to him it has, or should have, at least a value as high as the respective renewal fee. However, the link between trade mark renewal and brand value is not as direct as it is being discussed with respect to patent renewal and patent value.<sup>719</sup> This is due to two circumstances which are rooted in the specific nature of brands: firstly, a brand is more than the legal construct trade mark and can exist without legal protection of its signage (even though this would be rather difficult in practice).<sup>720</sup> Secondly, trade mark protection can exist

717 Even though the formal application is the most common means of attaining a trade mark right, trade mark protection can also be reached by accrual of notoriety (Art. 6<sup>bis</sup> Paris Convention – well-known marks) or, on the national level, for instance in Germany, through use (Verkehrsgeltung, § 4 no. 2 MarkenG). As explained above, the work at hand focuses on registered trade marks, as harmonised European trade mark legislation solely deals with this type of trade mark, which is also the most common one, cf. above at 5.1 with fn. 622.

718 Art. 46 CTMR.

719 As to the correlation between payment of patent renewal fees and patent value cf. e.g. *Harhoff/Scherer/Vopel*, Exploring the tail of patented invention value distributions, *Lanjouw*, 65 *The Review of Economic Studies* 671 (1998), and *Pakes*, 54 *Econometrica* No. 4, 755 (1986).

720 Cf. e.g. above at 5.1.

outside the registers in the case of well-known marks and use marks, in the case of which the respective trade mark cannot be officially renewed.<sup>721</sup>

Hence, the assumption that the value of a brand rises the more often the corresponding trade mark(s) is/are renewed does offer a certain logic yet must be limited to registered trade marks and be made with the specific nature of brands in mind.

It follows that the temporal scope of protection is of little importance for assessment of brand value in the years before the first renewal is due. During this time, temporal scope of trade mark protection should not be an issue in the course of brand valuation provided that the mere existance of the trade mark concerned is checked.

## 5.6 Origin of Trade Mark Protection: Registered Trade Marks

### 5.6.1 Introductory Remarks

As just mentioned, it needs to be scrutinised whether the respective trade mark is correctly registered or, at earlier stages, whether the application is correct (apart from cases of trade marks acquired through use or well-known marks, cf. *infra* at 5.7).

A good example of how important an early registration of a mark, if desired by the proprietor's brand strategy, and according cooperation between the legal and brand management departments of a business are, is the fact that the internet auction company *eBay* did not trademark its slogan “3...2...1...meins!” (3...2...1...mine!) before extensively using it from 2003 and spending € 60 million on advertising in this regard (between October 2003 and January 2005 alone). When *eBay* wanted to trademark the slogan, approximately four months after starting the advertising campain, it had to find out that an almost identical slogan, “3..2..1..meins!” (merely with one dot less between the numbers) had been trademarked a little earlier for conflicting goods classes.<sup>722</sup> This allows the proprietor of the earlier mark, who was

721 *Infra* at 5.7.

722 *Sine autore*, Markenrechtskrimi um die 60-Millionen-Euro Marke “3..2..1..meins!” and *sine autore*, Marktverwirrung um “3..2..1..meins!”?. The trade mark “3..2..1..meins!” was registered with the German Patent and Trade Mark Office on August 6, 2004 as DE30404403 and was still in force as of October 30, 2009.

utilising the claim on liquor and a board game, to take considerable advantage of *eBay*'s high profile and marketing investment (unless his registration is invalidated for bad faith or other reasons, which was not the case as of October 30, 2009). *eBay*, in turn, is not able to fully strategically develop or to otherwise take advantage of their slogan, which minimises return on investment and therefore the value of the brand.

## 5.6.2 International, European and National Registration Systems

In order to show the procedure by which a trade mark registration can be obtained, the German, international and European Union systems shall be introduced in the following.

### 5.6.2.1 National Registration – Example Germany

The formal prerequisites for registering a sign as a trade mark with the German Patent and Trade Mark Office (DPMA) are mainly laid down in §§ 4 no. 1, 32 et seq. MarkenG, the Markenverordnung,<sup>723</sup> the latter being a German by-law concretising the implementation of the MarkenG, and the DPMA-Verordnung,<sup>724</sup> a by-law regulating organisation and capacities of and procedures within the DPMA. A registration is only made if a qualified proprietor<sup>725</sup> applies for registration of a trademarkable sign, i.e. one the registration of which no absolute grounds for refusal of trade mark protection<sup>726</sup> are opposed to, and pays all necessary office fees (see below). Any natural or legal person may apply for a trade mark and does not need to be represented by an advocate in doing so.

An application must primarily specify the applicant, the trade mark form (e.g. word mark, three-dimensional mark etc.), reproduce the sign for which protection is sought and include a list of goods and services for which the trade mark shall be registered, §§ 32(2) MarkenG, 3(1) MarkenV. Using the application form provided by DPMA is mandatory, cf. § 2(1) MarkenV. It can be handed in personally, by mail, telefax or electronically.<sup>727</sup>

<sup>723</sup> Verordnung zur Ausführung des Markengesetzes (Markenverordnung - MarkenV) vom 11. Mai 2004 (BGBl. I p. 872).

<sup>724</sup> Verordnung über das Deutsche Patent- und Markenamt (DPMAV) vom 1. April 2004 (BGBl. I p. 514).

<sup>725</sup> Cf. *infra* at 5.9.

<sup>726</sup> Cf. *supra*, 5.2.

Office fees for registration of a trade mark with the DPMA amount to € 300 for up to three classes<sup>728</sup> in case of paper filing (€ 290 in the event of electronic filing).<sup>729</sup> They are due upon filing, § 3(1) PatKostG. Applying for each further class costs € 100. If desired, the applicant may pay another € 200 to fast-track the examination process (§§ 38 MarkenG, 2(1) PatKostG and no. 331 500 in the PatKostG schedule of fees).

The trade mark examiner first checks whether the application comprises all necessary information. In case the information required by §§ 32(2) MarkenG, 3(1) MarkenV is not completely specified in the application, the day the application was handed in will not be recognised as a valid application and priority date. Instead, the application and thereby the priority date will be the one on which DPMA receives this information in its entirety. All other required data can be handed in later without priority shifting. In both cases, the missing information must be handed in before a deadline set by DPMA. Otherwise, the application will be deemed to not have been made or rejected respectively.

An application of a trade mark with a valid application date establishes a right to registration of the respective sign as a trade mark if no absolute grounds for refusal of trade mark protection are opposed, § 33(2) MarkenG. Hence, the examiner next scrutinises *ex officio* whether such absolute grounds are existent, § 37(1) MarkenG. These grounds are laid down in §§ 3, 8 and 10 MarkenG. Contrary to relative grounds for refusal of trade mark protection, absolute grounds do not refer to other trade mark proprietors' rights. They comprise issues such as capability of the sign to be represented graphically, distinctive character of the sign, deceptive character of the sign or whether the respective sign is contrary to public policy or accepted principles of morality. The most important absolute grounds for refusal are examined above at 5.2.

If no absolute ground for refusal is affirmed, the respective sign will be registered as a trade mark and published in the *Markenblatt* (Trade Mark Jour-

727 Electronic trade mark filing has been possible since October 2006. Contrary to an application for a Community Trade Mark, electronic filing of a German trade mark application demands use of a qualified electronic signature subject to the German Signaturgesetz (Electronic Signature Act) (Gesetz über Rahmenbedingungen für elektronische Signaturen vom 16. Mai 2001 (BGBl I p. 876) – SigG), § 12 DPMAV.

728 As to the trade mark classification system cf. above at 5.3.

729 DPMA fees are laid down in the Patentkostengesetz (Patent Cost Act) and the schedule of fees in its annex: Gesetz über die Kosten des Deutschen Patent- und Markenamts und des Bundespatentgerichts vom 13. Dezember 2001 (BGBl I p. 3656) – PatKostG.

nal – since July 2004 exclusively in electronic form), §§ 41 MarkenG, 27, 28 MarkenV.

### 5.6.2.2 The Madrid System

Due to territoriality of trade mark protection,<sup>730</sup> each nationally registered trade mark is only effective in the country of registration. In case protection in several jurisdictions is sought, however, an existing national application or registration can be and often is used as a starting point for registrations in one or several other jurisdictions without having to deal with the respective national offices directly, instead of registering a trade mark with each national office of the respective desired countries.

Such modus operandi is made possible by the international registration system established by the Madrid Agreement Concerning the International Registration of Marks (“Madrid Agreement” – in force since 1892) and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“Madrid Protocol” – in force since 1996) – the “Madrid Union” or “Madrid System”.<sup>731</sup> Madrid Agreement and Madrid Protocol are being supplemented by the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement (“Common Regulations” – in force since 1996), which govern particulars of the international registration procedure. The Madrid Union allows a trade mark applicant or proprietor to obtain and maintain trade mark protection in up to 83 countries and the European Union<sup>732</sup> by means of one single application in one language. It is administered by the International Bureau of WIPO in Geneva, Switzerland.

Madrid Agreement and Madrid Protocol are two formally separate international treaties. As of December 1, 2009, three Member States of the Madrid Union were merely contracting parties to the Madrid Agreement, a number of

730 Cf. *supra* at 5.4.1.

731 The Madrid Union consists of special agreements within the meaning of Art. 19 Paris Convention and is therefore a “Special Union”, Art. 1(1) Madrid Agreement. Any state which is a party to the Paris Convention may become party to the Madrid Agreement and/or the Madrid Protocol, cf. Art. 14(1) Madrid Agreement and Art. 14(1)(a) Madrid Protocol.

732 This is the status of Madrid Union members, i.e. contracting parties to the Madrid Agreement and/or the Madrid Protocol, as of December 1, 2009, cf. [http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid\\_marks.pdf](http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf).

countries and the European Union had ratified the Madrid Protocol only and the majority of Madrid System members were parties to both. Therefore, the implications of these three different types of Madrid Union membership on the international trade mark registration procedure shall be briefly discussed in the following.

#### 5.6.2.2.1 International Registration Procedure

The Madrid Agreement enables a national of a contracting state who is a proprietor of a registration (but not an application) there to submit a single international application to his national trade mark office, which then forwards it to the WIPO International Office, specifying those countries party to the Madrid Agreement in which he wishes to secure a registration. The priority of the base (i.e. the earlier national) filing can be relied upon if the proprietor files the international application within six months from the date of the earlier application, cf. Art. 4(2) Madrid Agreement and Art. 4A - 4C Paris Convention.

Once the international registration is completed, it has, in each designated country, the same effect as if it had been registered locally, Art. 4(1) Madrid Agreement, provided that the respective national offices do not deny protection. As the Madrid System does not govern substantive trade mark law but registration matters only, content and scope of trade mark protection are subject to the laws of the respective countries of protection. Hence, Art. 5(1) Madrid Agreement provides that the national offices of the contracting parties have – within one year from the date of the international registration – the right to deny protection of the respective mark on grounds applicable to national registrations. In case of such denial, the proprietor has the same remedies as if he had filed the application directly before the national office concerned, cf. Art. 5(3) Madrid Agreement.

According to Art. 6(1) Madrid Agreement, a registration of a trade mark at the International Bureau is valid for 20 years from the date of registration. Within the first five years, the international registration is dependent on the existence of the earlier national registration, Art. 6(2) and (3) Madrid Agreement. This means that the protection resulting from the international registration is dispensed with in case the base registration is successfully attacked by a third party (the so-called “central attack”) or no longer enjoys

legal protection on other grounds at any time during the period of five years from the date of international registration. The same legal consequence applies in case the legal protection of the base registration ceases after this five-year period but as the result of an action begun before the end of this period. In this situation, the proprietor is free to apply for trade mark protection before each respective national office but loses the priority of the international application – a serious risk and drawback of the international registration system under the Madrid Agreement.

The main advantage of the Madrid Agreement was the introduction of a unified registration system which allows proprietors to save considerable amounts of time and money through parallel registrations in several countries by means of one standardised international registration.<sup>733</sup> The formalities are considerably reduced compared to the alternative route of applying for trade mark protection in several different jurisdictions. The advantages the Madrid Agreement brings about do not only affect proprietors prior to but also after registration. For instance, the territorial scope of protection of a trade mark registered by means of the Madrid Agreement can be extended after registration, cf. Art. 3<sup>ter</sup> Madrid Agreement. Changes such as renewals (Art. 7 Madrid Agreement) can be made by one single application instead of applying with each national office.

However, the Madrid Agreement met with widespread criticism and was never able to achieve worldwide acceptance. For instance, countries like the USA, the United Kingdom and Japan, which are now parties to the Madrid Protocol, never ratified the Madrid Agreement.<sup>734</sup>

#### 5.6.2.2.2 The Madrid Protocol

733 For more details on the procedures under the Madrid System cf. *World Intellectual Property Organization*, Guide to the International Registration of Marks under the Madrid Agreement and the Madrid Protocol.

734 There were various reasons for this reluctance. Apart from the problem just mentioned, one was that the countries the national laws of which prescribed a comparatively extensive pre-registration examination feared the flooding of their registers by marks originating from countries which have a rather liberal registration system without in-depth examination before a trade mark is registered, cf. *Jaeger-Lenz/Freiwald*, GRUR 2005, 118, 120. The fact that a home registration instead of a mere application is needed was also perceived to be a major drawback, cf. *Michaels*, A Practical Guide to Trade Mark Law, p. 99. In addition, some national offices disliked the rigid system of basic, supplementary and complementary fees (Art. 8(2) (a)-(c) Madrid Agreement), including the fact that these fees were oftentimes lower than desired.

The Madrid Protocol was adopted as a result of this unsatisfactory situation and in order to create a link to the emerging Community trade mark system.<sup>735</sup> Whereas originally Art. 9<sup>sexies</sup> Madrid Protol stipulated that the Madrid Protocol shall have no effect between contracting parties of both Madrid covenants, this safeguard provision was repealed in 2008. Hence, the Madrid Protocol now exclusively governs international applications made through an Office of origin of either a state bound by the Madrid Protocol but not by the Madrid Agreement, or of a Contracting Organization, or of a state bound by both Madrid Agreement and Madrid Protocol, where the application does not designate any state which is exclusively bound by the Madrid Agreement, Art. 2 Madrid Protocol, Rule 1(ix) Common Regulations. These three alternatives constitute the vast majority of all Madrid Union cases in practice.<sup>736</sup>

The fundamental provisions of the Madrid Protocol correspond to those of the Madrid Agreement. Therefore, the main features of the international registration system under the Madrid Agreement as just outlined also exist under the Madrid Protocol.<sup>737</sup> However, there are a number of substantial differences between the two treaties.

The main differences to the Madrid Agreement are the following: Firstly, an international registration can now be effected based on a home application or registration instead of a registration only, cf. Art. 2 Madrid Protocol.

Secondly, the contracting parties now have the choice to either receive a share

735 *Marx*, Deutsches, europäisches und internationales Markenrecht, at no. 1416.

736 The Madrid Agreement has become less important since the rescindment of the safeguard clause. International applications governed exclusively by the Madrid Agreement are those whose Office of origin is the office of either a state bound by the Madrid Agreement only (which could be, as of December 1, 2009, Algeria, Kazakhstan or Tajikistan) or a state bound by Madrid Agreement or Protocol and the application designates only states and all these states are bound by the Madrid Agreement only, cf. Art. 1(2) and (3), Art. 2 Madrid Agreement, Rule 1(viii) Common Regulations. Registration procedures under both the Madrid Agreement and the Protocol also occur infrequently. International applications governed by both treaties are those whose Office of origin is the office of a state bound by both Agreement and Protocol and which is based on a registration (not an application) and contains the designations of at least one state bound by the Agreement only as well as of at least one state bound by the Protocol, whether or not that state is also bound by the Agreement, or of at least one Contracting Organization, cf. Art. 1(2) and (3), Art. 2 Madrid Agreement, Art. 2 Madrid Protocol and Rule 1(x) Common Regulations.

737 For more detailed information on the Madrid System see *World Intellectual Property Organization*, Guide to the International Registration of Marks under the Madrid Agreement and the Madrid Protocol.

in the revenue derived from the traditional supplementary and complementary fees or charge a so-called “individual fee” instead, cf. Art. 8(7)(a) Madrid Protocol. The latter option is widely made use of and the individual fees are often considerably higher than the supplementary and complementary fees (which are currently sFR 100 each),<sup>738</sup> yet at most the individual fees are allowed to be as high as the respective national fees.

Thirdly, Art. 5(2)(b) Madrid Protocol allows the contracting parties to extend the one-year period within which they have the opportunity to deny protection of the respective mark on grounds pertaining to applications before their national offices (see above at 5.6.2.2.1) to 18 months.

A change with the potential to save the proprietors considerable amounts of time and money was made in the language provisions: Whereas international applications under the Madrid Agreement must be made in French, international applications under the Madrid Protocol may also be filed in English or Spanish, cf. Rule 6(1) Common Regulations.

The temporal scope of protection of a trade mark registered under the Madrid Protocol has been adapted to the rules in most other jurisdictions and is now ten years with the possibility of infinite renewal, Art. 6(1) Madrid Protocol.

The accession of the European Union to the Madrid Protocol was allowed for by a new provision specifying that an intergovernmental organisation may become a party if at least one of its member states is party to the Paris Convention and the organisation has a regional trade mark office, Art. 14(1)(b) Madrid Protocol. It has been effective since October 1, 2004, and created a link between the Madrid and the Community trade mark system. Applicants and registrants of a Community trade mark now have the opportunity to apply for international protection and proprietors of international applications or registrations are entitled to apply for Community trade mark protection under the Madrid Protocol. The former alternative is rather risky as the international registration is dependent on the base registration during the first five years and a Community trade mark can even be derailed in cases where the respective ground for refusal of protection exists in only one of the

738 For instance, in cases of designations made in the international application or subsequent to the international registration, the U.S. individual fee amounts to sFR 337 for one class and for each additional class, the United Kingdom individual fee amounts to sFR 295 for one class and sFR 82 for each additional class and the European Union individual fee is sFR 1311 for one class and 226 for each additional class (save for cases of collective marks). Germany has not chosen to charge individual fees as yet.

currently 27 EU Member States.<sup>739</sup> However, applying for Community trade mark protection in the course of an international registration is attractive: the international registration route is less costly than applying for a Community trade mark and provides for the possibility to opt back to a designation of individual EU Member States via the Madrid System should the Community trade mark application fail, cf. Art. 154(1)(b) CTMR. The proprietor can thus secure protection of the internationally registered trade mark in the EU while using the administrative advantages of the Madrid System.<sup>740</sup>

### 5.6.2.3 Community Trade Mark Registration

The Community trade mark (CTM) system, in force since April 1, 1996, allows for trade mark protection in all (currently 27) Member States of the European Union by means of one single registration with the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM) in Alicante, Spain.

Particulars of the formal requirements of a trade mark registration with OHIM are laid down in the Regulation implementing the Community trade mark Regulation (Implementing Regulation).<sup>741</sup> Unlike all other communication with OHIM, the CTM application can be filed with either the respective national office or with OHIM. In order to secure the desired filing date, the basic fee and, if applicable, a class fee for each class exceeding three must be paid within one month from handing in the application, Art. 4 Implementing Regulation. Community trade mark applications with OHIM may be filed electronically, which is not only the fastest, but also the cheapest filing method: whereas the current basic fee for standard paper filing is EUR 1050, it is EUR 900 in case of e-filing.<sup>742</sup>

According to Art. 29-32 CTMR, proprietors of older trade marks or applications made in or for a Member State of the Paris Convention or the Agree-

739 Cf. above at 5.4.1.

740 *Hasselblatt* (ed.), Münchener Anwaltshandbuch Gewerblicher Rechtsschutz, § 37 at no.s 11 and 81.

741 Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community trade mark.

742 Commission Regulation (EC) No 355/2009 of 31 March 2009 amending Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) and Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, Art. 1 (1).