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**The effect of EU enlargement on  
Intellectual Property with the  
emphasis on Industrial Property**

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**To mum, dad, who will always be in my heart, sister, brother-in-law  
and dearest nephews. You give me strengths to live.**

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# Abbreviations

CTM	Community Trade Mark
CD	Community Design
CUD	Community Unregistered Design
CTMR	Community Trade Mark Regulation
CDR	Community Design Regulation
EC	European Community
ECJ	European Court of Justice
EU	European Union
EPC	European Patent Convention
GATT	General Agreement on Tariffs and Trade
IP	Intellectual Property
IPRs	Intellectual Property Rights
OHIM	Office for Harmonisation in the Internal Market
RCD	Registered Community Design
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UDR	Unregistered Design Right
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation
SPC	Supplementary Protection Certificate

# 1 Introduction

Enlargement of the European Union will very soon become a reality. This event is one of the most important challenges facing the EU. It is unique, historic opportunity to further the integration of the continent by peaceful means, extending a zone of stability and prosperity to new members. The EU will become the largest internal market in the world, a place free of borders, customs duties and trade and investment barriers. The ten countries acceding at this stage to the enlargement process are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. The entry into force of the Accession Treaty by ten new candidate countries is envisaged for 1 May 2004. The Accession Treaty will have to be ratified both by the candidate countries and by all of the current Member States. The Accession Treaty will be signed in Athens on 16<sup>th</sup> of April 2003.

Effective protection of intellectual property is important to encourage high-tech trade and investment links with the accession countries. It is important that the legal and technical structures to ensure full compliance with European and international regulations in this area are completed and fully implemented in those countries. Intellectual property laws and standards of enforcement in the accession countries must be harmonized by the time of accession. Existing obligations on these countries to have the same levels of intellectual property protection are provided in the European Agreements and under TRIP s have yet to be fully complied. Where differences exist at accession, in law or practice, appropriate steps should be taken to protect the interests of intellectual property rights holders. The Accession Treaty provides that new member states must comply with EU law by 1 May 2004 in the absence of a specific derogation. Individual countries have negotiated temporary derogations on specific laws (marketing authorizations for medicinal products is one example). All new member states must implement the *acquis communautaire* related to intellectual property by 1 May 2004. The Accession Treaty amended certain EU laws, including the Community trade mark regulation, Community design regulation, and certain other

pharmaceutical-related measures. Intellectual property matters are treated under Chapter 5 of the Accession Treaty, named as Company law.

In order to protect the unitary character of the Community trade mark (CTM) and Community design (CD), it has been agreed to automatically extend the existing Community trademarks and Community designs to the territory of the acceding countries while taking into account earlier rights existing in the acceding countries. The whole purpose of the accession negotiations was to find solutions that are acceptable to all parties. Such solutions necessarily mean that acquired rights must be respect by all jurisdictions. These solutions are found in the new Article 142a of the Community Trade Mark Regulation as regards CTM's and Article 110a of the Community designs Regulation as regards CDs. These provisions have been included as part of the Accession Treaty as technical adaptations to those Regulations.

A special mechanism was agreed with **all acceding countries** on industrial property rights due to the lack of a general retroactive clause in the revised legislation concerning pharmaceutical products. This takes into account the fact that pharmaceutical products, which are subject to patents in the European Union and which were marketed in the applicant countries before revised patent legislation entered into force, will remain unprotected in acceding countries due to the lack of a general retroactive clause in the revised legislation. In order to minimize potential problems resulting from this situation, a mechanism was agreed whereby the patent holder may prevent the import into the EU of a product patented in a Member State at the time when a product patent could not be obtained in acceding countries for that product. This mechanism is applicable until the expiry date of the patents concerned.

As far as the Supplementary Protection Certificate Regulation is concerned (SPC - a prolongation of the patent term up to five years), it will be applicable for products for which the first market authorization was obtained prior to the date of accession and the new Article 19a was inserted in the

Council Regulation (EEC) No.1768/92 of 1992 concerning the creation of a supplementary protection certificate for medicinal products.<sup>1</sup> The new paragraph was added in Article 20.<sup>2</sup>

The EU enlargement will bring many changes in the new Member States and old Member States. Firstly, the internal market will encompass the areas of the twenty five countries instead of the present fifteen. The system and nature of intellectual property and its protection in EU is complicated enough at the present despite the continuous efforts to harmonise the laws on intellectual property in the Member States. The new member states trying to implement and approximate their national laws with many various directives in European Union. But it is obvious that there is still complicated for present or future owners of intellectual property in these countries to understand how the intellectual property rights are protected inside of European Union and which of the systems on the protection, national, international or community-wide is best to apply. One can therefore predict that the enlargement of European Union will bring many new things regarding the protection of intellectual property rights which may cause kind a of “ a mess” and misunderstandings between the owners of IPRs of present Member States and the owners of IPRs of newly accessed Member States.

The length of this thesis does not allow explain all the possible conflicts or application problems of IPRs in the all the areas of intellectual property as copyrights and related rights, and other specific rights. Also, any disparities between the national laws of Member States protecting IPRs will not be discussed. Mainly, the scope of this thesis will be based on the explanation how the EU enlargement be reflected on the Community Trade Mark (CTM) and the Community Design systems, and some important issues in the patents area and what kind of possible conflicts may emerge and what changes are adopted. The choice to cover these particular issues was made

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<sup>1</sup> OJ L 182, 2.7.1992, p.1

on the basis that these systems cover the whole area of European Union, as they are called “Community-wide” and also, because after the research based on the different legal opinions and discussions published in a different journals and newsletters on it. There is the main concern that they may raise most controversies and problems. In order to understand the topic, at the beginning of the thesis, in the first chapter will be given an overview what is intellectual property, intellectual property rights and how are they influenced by the EU law in general. As there is an insufficient amount of publications or researches on this subject, the materials have mostly been gathered from the electronic sources, specifically from the posted newsletters or publications on various law firms web sites .

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<sup>2</sup> Stating that this Regulation will apply to SPC granted in accordance with the national legislation of the new ten countries prior to to the date of accession

# 2 INTELLECTUAL PROPERTY IN EUROPEAN UNION

## 2.1 The nature of Intellectual Property and Intellectual Property Rights (IPRs)

Before going further, the main substance of intellectual property has to be explained. What are the intellectual property and intellectual property rights?

Intellectual property law regulates the creation, use, and exploitation of mental or creative labour.<sup>3</sup>

From the economic perspective, intellectual property rights grant more or less extensive monopoly rights over the economic exploitation of ideas, the expression of ideas and distinctive words or symbols. It is a matter of protecting investment, creating incentive for future investment and facilitating identification in distributed markets.

From a legal perspective, we need to examine intellectual property in its different constituent components and forms. The distinction among the forms of intellectual property is important because the various forms imply different legal effects.

The term *intellectual property* refers to a set of the intangible products of human activity. It refers to an idea, the expression of an idea or the expression of an identity that is capable of being ascribed to a person. The term *intellectual property right* refers to a bundle of legally enforceable interests that a person may hold with respect to intellectual property. Various legal criteria must be met before the intangible product of human activity is characterized as a form of intellectual property subject to a right

Sometimes intellectual property is defined as the negative of real property and personal (or movable) property. Intellectual property is intangible even though its manifestation or visible form may be set or fixed in something tangible.<sup>4</sup>

The holder of an intellectual property right has the legally recognized capacity to authorize or prevent others from acting in certain ways with respect to that intellectual property.

Intellectual property rights are of limited or unlimited duration. Some of the rights are of limited duration, such as patents, design and copyright. Other may provide an entitlement for unlimited duration. For example, trademark rights are renewable without limitation. When the right expires, intellectual property may either be said to lose its character as property since it may no longer be owned or possessed, or it may be said to become the common property of the public (i.e. to enter the public domain).

Defining what rights are legally enforceable with respect to intellectual property is the subject of intellectual property law. Intellectual property law is that area of law that concerns legal rights associated with creative effort or commercial reputation and goodwill. Intellectual property rights give rise to a form of property that can be dealt with just as with any other property. Intellectual property is property in a legal sense: it is something that can be owned and dealt with. Intellectual property establishes property rights, which give the owner the right to do certain things in relation to the subject matter. If the right is a copyright and the subject matter is a piece of music, the owner of the copyright has the exclusive right to make copies of the sheet music, to make an arrangement of the music etc. and this right arises automatically on the creation of the works. In other cases, the right depends on the completion of an application and registration procedure, patents and trade marks being examples of such rights. The subject matter of intellectual property is very wide and includes literary and artistic works, films,

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<sup>3</sup> See Sherman and Bently *Intellectual property law*, 2000

computer programs, inventions, designs and marks used by traders to distinguish their goods or services from those of other competitors. The law deters others from copying or taking unfair advantage of the work or reputation of another and provides remedies should this happen. There are many other rights, but because of the limited length of this paper, only the general overview about the main forms of intellectual property rights is given.

Historically, national governments were largely free to define intellectual property, the scope of intellectual property rights, and the ways and means to enforce such rights, as a matter of domestic law. Over the past few decades, the range of discretion permitted to a national government in defining intellectual property has increasingly become a subject of concern among industry and artist groups, and efforts have been made to harmonize these definitions in the international and regional organisations, such as the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO) and the European Union. In European Union legislation, there is no formal definition of intellectual property. Therefore, in explaining the meaning of intellectual property it should be followed by traditional concept of intellectual property accepted in most industrialised nations.

According to it, intellectual property comprises:

- patents (and related industrial design right);
- trademarks (and related service mark);
- copyrights (and related neighbouring rights).

By tradition and under international conventions, the first two of these three categories are referred to as industrial property and the third one as copyright. In order to understand the components of the three categories mentioned above, each of them shortly is described below.

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<sup>4</sup> Under English law, a right may be regarded as a form of property

### **2.1.1 Patents**

A patent right, because it gives its owner a monopoly, is the form of intellectual property *par excellence*. Patents are granted in respect of inventions, i.e. technological improvements, which contains at least some inventiveness over what is previously known. This very strong form of protection is reserved for inventions that satisfy rigorous standards (for example, novelty and inventiveness) and application for a patent has to be drawn up precisely and accurately stating the scope of the invention and the claims made in respect of it for which protection is sought. A patent may be for a product such as a new type of longer lasting light bulb or a new type of ignition system for a petrol engine or it may be for new industrial process.

The standards now operating in much of Europe are the following:

- Patents are issued from a State or regional patent office after a substantial examination of their validity;
- last for a maximum of 20 years from application;
- require that the invention be publicly described in the patent specification.

The right which they give to the holder of the patent is to prevent all others – imitators, independent devising of the same idea- from using the invention for the duration of the patent. This main conception reveals a great deal about why invention patents are the most basic, the most valuable, and to the competitors the most dangerous of all types of intellectual property. Patents can be assigned and licences may be granted in respect of them. The owner of a patent is the person who is registered as the proprietor.

### **2.1.2 Designs – registered and unregistered**

A new product or article may be designed but which is not sufficiently novel or inventive to satisfy the exacting requirements for the grant of a patent. Designs can be registered designs and unregistered. The registered design consists of three key elements: the “representations”, the statement of novelty, and the definition of the article. In many ways the application for registered design, and when granted, the registered design, perform similar role to that which is performed by a patent. The design documentation explains the scope of the given monopoly and the nature of the design that is registered.<sup>5</sup> The registered design usually lasts for up to twenty-five years, initially granted for five years and then subject to renewal every five years.

The EU adopted a directive on the legal protection of designs<sup>6</sup>. The directive approximates the laws of the member states with respect to design protection, requiring each member state to adopt a system of protection meeting certain criteria established by this directive. According to this directive, “design means the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation.” (Art.1(a)). Under the EU directive, the term of the design right would be a total of twenty-five years. The TRIPS Agreement (Art.25) obliges Members to protect industrial designs that are new or original for a period of ten years.

The unregistered design right is applied when a registered design system is too slow and costly. For the whole EU it was replicated by creation of a Community Unregistered Design Right (UDR) with the three-year term. Where a design has to be launched as soon as production is possible, yet it will have a life of several years, the Community UDR provides protection during the initial stage before the registration is actually applied for. The informal UDR is intended to provide an adequate bridge, while leaving the registration system to supply the real backing for the longer term. It is worth

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<sup>5</sup> During the drafting of a design is important to define the scope of protection

mentioning that the unregistered design system exists in the United Kingdom.<sup>7</sup> The right protects designs of shapes whether or not they are functional or attractive. This right is a hybrid displaying characteristics both of copyright and registered design law. The purpose of unregistered design right is to provide limited protection against unfair misappropriation of the time, skill, and effort expended by the author of the design in the creation of his work. The protection, which arises automatically on creation of the design is confined to copying. The protection usually lasts for ten to fifteen years.

### **2.1.3 Trade marks**

A trade mark is a sign used on goods or in connection with the marketing of a product, including goods or services. Where a trade mark is used in connection with services, it is sometimes called a “service mark”. Service marks are used for example, in connection with the operation of hotels, airlines, banks, insurance companies or travel agencies. Trade marks are important in an industrial and commercial sense. Trade marks are closely associated with business image, goodwill and reputation. Goods and services are often requested by reference to a trade mark and the public rely on marks as indicating quality, value for money or origin of goods or services. By association with a successful product or service, or by persistent advertising or even the vagaries of fashion, a mark may be built into an asset of prime value to a business. Trade marks are traditionally conferred nationally either by virtue of formal registration, or because of a reputation generated by actual trading.

The protection of trademarks is unlimited. Trade marks are registered in respect of certain classes of goods or services. Registrations for trade marks may be renewed indefinitely. All registered marks must be used and they can be revoked if they are not used for seven or more years under the terms

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<sup>6</sup> European Parliament and Council Directive 98/71/EC of 13 October 1998 on the legal protection of design

<sup>7</sup> Established under Part III of the 1998 Copyright Designs and Patents Act

of the TRIPS Agreement<sup>8</sup>. A basic principle is that a trade mark should be capable of distinguishing goods or services of one “undertaking” from those of other undertakings. Trade mark laws confer on the proprietor the exclusive right to prevent all third parties not having the consent of the owner from using in the course of trade any sign which is identical with the trademark or any sign whose similarity to the trademark is such that there exists a likelihood of confusion on the part of the public between the sign and the trademark.

From an international point of view, the concept of national trade marks protection leads to the partitioning of international or regional markets. In the context of European Union it is seen as the main problem relating to the free movement of goods in internal market.

#### **2.1.4 Copyright**

Copyright is granted to authors and artists to protect their creative expression against unauthorized copying or reproduction. Unlike a patent, the copyright does not establish a monopoly relating to the contents of the creation; ideas and thoughts remain in the public domain and can be freely used in different forms of expression. A person who independently creates a work identical or similar to that of the first author is entitled to produce and distribute his or her independent creation. The copyright covers virtually all the forms of creative expression – such as books, paintings, films, recordings and performances. The author of a work is the person who creates it and normally he is the owner of the copyright, which will normally last until 50 years after the author’s death<sup>9</sup>. Copyright gives the owner the right to do certain things in relation to the work, which includes making a copy, broadcasting or giving a public performance. Anyone else, who does any of these things without the permission of the owner, infringes copyright and may be subject to legal action taken by the owner for that

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<sup>8</sup> Article 18

<sup>9</sup> European Union legislation harmonizes the term of copyright for the life of the authors plus 70 years.

infringement. Copyright does not protect ideas, only the expression of an idea (that is, its tangible form), and it is free to others to create similar, or even identical, works as long as they do so independently and by their own efforts. In other words, copyright does not create a monopoly in a particular work. Copyright gives rise to two forms of rights – the *economic rights* in the work, for example the right to control copying and the *moral rights* which leave the author, who may no longer be the owner of the copyright, with some control over how the works is exploited in the future. These rights cannot be waived or released and they are not subject to sale or transfer.

International protection of copyright works is effected mainly through two international conventions: the Berne Copyright Convention<sup>10</sup> and the Universal Copyright Convention<sup>11</sup>, both of which lay down minimum standards of protection to be attained and for reciprocity of protection between those countries that are signatories to the conventions. Further harmonisation has taken place throughout the European Community as a result of a number of harmonising Directives.<sup>12</sup>

## **2.2 Intellectual property under the European Union law**

Intellectual property is not referred to as such either in the Treaty establishing the European Community or in the Treaty of the European Union. However, there is a reference in the EC Treaty to “commercial and industrial property”<sup>13</sup>; and this has been interpreted by the Court of Justice<sup>14</sup> to be equivalent to the term, “intellectual property”, which has

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<sup>10</sup> The Berne Convention for the Protection of Literary and Artistic works

<sup>11</sup> See *Bogsh The Universal Copyright Convention (3<sup>rd</sup>, 1972)*

<sup>12</sup> Study for the Commission by Dietz on the prospects for harmonizing the copyright in literary and artistic works

<sup>13</sup> Article 30, EC Treaty.

<sup>14</sup> The Court has expressly recognized, as forms of “industrial and commercial property”, patents (for example, in Case 15/74, *Centrapharm v Sterling Drug*), trade marks (for example, in Case 119/75, *Terrapin v Terranova*), copyright (for example in Case 62/79,

been generally used in industrialized countries since at least 1967.<sup>15</sup> But the very nature of the reference to commercial and industrial property, in one of the Treaty provisions on the free movement of goods, emphasizes that in this context intellectual property law is subordinated to the laws designed to implement the specific objectives of the European Community and, in particular, the objective of creating an internal market.

Legislation and case law on intellectual property in the European Union are not the same as in individual states. They are governed by special considerations dependent on the prior requirements of the Treaties. Laws at the European Union level are not primarily concerned with the substance of intellectual property law, but rather with the contribution which those branches of the law may make to the political, economic and social objectives of the European Union. Regulations and Directives on intellectual property law have to be justified by reference to the requirements of the Treaties and in particular to the principles of free movement of goods and services.

Intellectual property questions encounter two sets of principles in the European Community's evolving single market. First, intellectual property intersect Community interests in the free movement of goods to the extent that it enables copyright, patent and trademark owners to partition markets. The conflict in these cases frequently centres on Article 28 (ex.Art.30) of the Treaty of Rome, prohibiting "[q]uantitative restrictions on imports and all measures having equivalent effect," and Article 30 (ex.36), excepting from this prohibition those restriction justified on grounds of "the protection of industrial and commercial property". A second potential conflict between national law and the European Union's program to "approximate" -

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*Coditel v Cine Vog*), rights akin to copyright (in Case 56/64, *Consten v Grundig*) and designs (for example, in Case 144/81, *Keurkoop v Nancy Kean Gifts*).

<sup>15</sup> According to Dr Klaus Pfanner, at the time when he was Deputy Director-General of the WorldIntellectual Property Organisation, the term had been used for some years by the Swiss Patent Office, before it gained formal international recognition in the 1967 Stockholm Convention establishing the World Intellectual Property Organisation.

harmonise – the intellectual property laws of Member States<sup>16</sup>. The premise behind harmonisation is that investment and trade patterns will be more fluent in the single market if such important aspects of intellectual property protection as protectible subject matter, scope of rights and terms of protection are substantially similar, if not identical, from country-to-country

Three particular issues mark the impact of the European community on intellectual property law:

- 1) the drive towards greater harmonisation of the laws of individual member states;
- 2) the move to Community-wide intellectual property rights;
- 3) the impact of the Treaty of Rome on the use and abuse of intellectual property rights.

The conflict between a Common Market and IPRs that interrupted the free movement of goods was recognised by lawyers immediately after the entry into force of the Treaty of Rome. It was thought that obstacles to the aims of the Common Market could be eliminated solely by means of the harmonisation of intellectual property laws. Examination of the founding Member Countries' laws provided several solutions as to how to reconcile intellectual property with the freedom of goods and services and the competition laws of the Community. From its first decision on the early 1960s in *Consten & Grundig*<sup>17</sup> to the present day, the ECJ has developed principles that delineate the relationship between Community law and national intellectual property rights. The most important principle is that an IPR owner cannot exercise his rights to prevent the subsequent circulation of a product that has been placed on the market in the E.C. by him or with his consent. This principle is called “right of exhaustion”.

There are more differences than similarities between any two categories of intellectual property rights. Still many features are common to intellectual

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<sup>16</sup> Directives for the harmonization of national rights have in practice to be made under non-specific provision of Art.95 of EC Treaty

property rights. All categories of intellectual property have a common feature, namely that creativity existing in some form or another. In patent law, the tests are “novelty”<sup>18</sup> and the presence of an “inventive step”. In trade mark law, the test is that of “distinctiveness”, trademarks that do not have a distinctive character cannot be registered.<sup>19</sup> In copyright law, the test is “originality”.<sup>20</sup>

In all fields of intellectual property law the traditional method of enforcement of rights is by way of an action for infringement. Much of the case law in the EU has originated in infringement actions designed to prevent imports from other Member States. At European Union level, there are means of enforcing intellectual property rights against pirates and counterfeiters seeking to import goods from outside the territory of the European Union.

The Community has introduced a Regulation that provides for a unitary Community-wide Community Trade Mark, which confers on the owner the exclusive right to use such a mark throughout the Community. Similarly a Community-Registered Design has been adopted. Article 95 of E.C. Treaty does not provide the legislative basis for such rights, as they are not concerned with the harmonisation of national laws of Member States, but rather for creating new rights superimposed on national rights. Instead, such Regulations must be enacted in accordance with Article 308 (ex. Article 235), which states that:

“If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.”

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<sup>17</sup> Case 56/64 Establishments Consten & Grundig v. E.C. Commission (1996) E.C.R. 299

<sup>18</sup> Member States belonging to the European Patent System follow in this respect the provisions of Articles 52 to 57 of the European Patent Convention.

<sup>19</sup> Art.3(1)(b), Council Directive, EEC/104/89

It would be ideal if identical intellectual property rights were recognised and given effect through the European Community. Work has been done towards this in respect of patent law and trade mark law. A Community Patent Convention was produced in 1975<sup>21</sup>. The Community patent differs from a patent under the European Patent Convention in that the Community patent system will be a unitary system, granting patents that will take effect throughout the Community, whereas a grant obtained under the European Patent Convention gives a bundle of national patents.

## **2.3 International aspects of intellectual property**

The importance of proper intellectual property protection to the economies of European countries has meant that almost all are members of the fundamental intellectual property conventions, namely the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the Madrid Agreement and its Protocol concerning the International Registration of marks, the Patent Co-operation Treaty concerning the obtaining of international patents, the European Patent Convention and the International Convention for the Protection of New Varieties of Plants. In most fields of intellectual property laws, there exist international conventions administered by the World Intellectual Property Organisation (WIPO) that have either harmonised substantive laws of IPRs or provided an international procedure for obtaining intellectual property rights in a number of designated countries.

Whether or not any international convention confers rights on individual is a matter for the laws of Member States. Rather, they are agreements between

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<sup>20</sup> Article 1(3), Council Directive EEC/48/93

<sup>21</sup> Convention for the European Patent for the Common Market (76/76/EEC), OJ, L401, 30.12.89, p.1.1

Contracting States requiring those States to amend their domestic laws in accordance with the convention. In countries that have a dualist tradition, international conventions only form part of the law of a Member State when incorporated via an act of the national legislature. Monist States recognise international conventions as forming part of their domestic legal order without further need for legislation. The above mentioned conventions mean that in many respects, intellectual property laws in European countries have been harmonised and that obtaining the intellectual property rights has become easier and less costly. As international conventions signed by Contracting States, they rely upon such States to implement them into domestic law.

Pursuant to Article 310, of the EC Convention, the E.C. can sign up and ratify agreements with non-Contracting States and also sign and ratify certain international Conventions. It is clear that the E.C. may conclude agreements with non-Contracting States and sign and ratify international conventions. The Court of Justice has held that where provisions of international agreements, concluded between Community institutions and third parties, confer clear rights on individuals, then such provisions are directly effective. The Court of Justice also held that the lawfulness of a Community instrument does not depend on its conformity with an international agreement to which the Community is not a party, such as the EPC.

Most of the mentioned conventions are intended either to harmonise national laws on intellectual property or to provide for an easier and simpler system of obtaining internationally protected IPRs. The interpretation and enforcement of rights is left to the individual States. Even the EPC, which both harmonises Contracting States' patent laws and provides for a centralised patent application system, does not provide for a patent appellate court responsible for the interpretation of the Convention nor provide for a central enforcement procedure of a European patent against potential infringers. In this respect, they must be considered less profound and

integrative than Community measures such as the Community Trade Mark, the Community Plant Variety Right and the proposed Community Patent, whereby obtaining, enforcement and interpretation are intended to be both centralised and have effect throughout the Community.

Apart from the 1968 Stockholm Conference that adopted the revised Berne and Paris Conventions and created the World Intellectual Property Organisation, the TRIPS Agreement is the most significant international Convention in the field of intellectual property in the twentieth century. Like the Paris Convention, it affects a wide variety of IPRs. With the failure of States to establish new intellectual property standards in the GATT framework, a new impetus for harmonisation of intellectual property laws of countries was given by the Uruguay Round of Multilateral Trade Negotiations. The primary objective of the TRIPs Agreement is to strengthen and harmonise, on a global scale, the protection of intellectual property. This agreement is extremely wide in scope, since it covers both literary and artistic property and industrial property, excluding, however, new varieties of plants<sup>22</sup>. The TRIPs Agreement lays down a minimum standard of protection for intellectual property on the basis that adequate and effective protection must be given in such a way that the enforcement of intellectual property rights does not create barriers to legitimate trade.<sup>23</sup> There is an obligation on members to comply with certain parts of the Paris Convention for the Protection of Industrial Property, the Berne Copyrights Convention, and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the Washington Treaty on Intellectual Property in Respect of Integrated Circuits.<sup>24</sup> The second part of the Agreement sets out the standards relating to copyright and related rights, trade marks, geographical indications of origin, industrial design, patents, layout designs of integrated circuits, protection of undisclosed information and the control of anti-competitive

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<sup>22</sup> Article 1 (2) of TRIPs Agreement

<sup>23</sup> Article 41(1), TRIPs Agreement

practices in contractual licences. The TRIPS agreement came into force on 1 January 1995. This is the most important international initiative in the field of intellectual property since the Paris Convention of 1883. However, TRIPS does not have a direct effect.<sup>25</sup> Members are permitted to grant more extensive protection than that set out in TRIPS provided that it does not conflict with the other provisions of TRIPS.

As has already been mentioned, TRIPS does not have direct effect in Member States. However, where national laws relate to the protection of IPRs falling within a field to which TRIPS applies and in respect of which the Community has already legislated, national courts of Member States are required to interpret such provisions as far as possible in the light of the wording and purpose of the relevant provisions of TRIPS.

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<sup>24</sup> A basic principle concerning the nature and scope of obligations under the TRIPS Agreement is that members must give effect to the provisions of the Agreement and according the treatment provided for in the Agreement to the nationals of other Members

<sup>25</sup> Where there is Community legislation on a subject, the effect of TRIPS is to be determined by the Court

### 3 EUROPEAN ENLARGEMENT AND COMMUNITY TRADE MARK (CTM)

Supranational efforts to standardise trade mark law in Europe and to make acquisition of trade marks cheaper and easier have come from two sources: the EU Commission and WIPO. On the international side, WIPO has secured the adherence of all EU countries and most other European countries to the Madrid Agreement and the Protocol, which are treaties designed to centralise and simplify the filing for trade marks worldwide and both of which are now in force.

On the European side the Commission's efforts in the trade mark field have largely removed the barrier of territoriality that variation in the trade mark laws have historically caused, and have standardised the acquisition and enforcement of trade marks. It has issued a harmonising trade mark Directive<sup>26</sup> whose intention is broadly to standardise trade mark law throughout the Member States of the Community and a Regulation for a Community Trade Mark (CTM)<sup>27</sup> that is of unitary effect throughout the Community.

The CTM has been a great success. It has attracted a very large number of filing for CTMs, in particular, from the United States, Spain, the United Kingdom and Germany. However such success has not come without problems. The remarkable degree have arisen from that fact that it is much more difficult for a party to find a mark which does not conflict with registered or unregistered marks in the whole of the European Community. Prior to the introduction of the CTM, companies could protect their trade

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<sup>26</sup> Council Directive **89/104/EEC** of 21 December 1988 to approximate the laws of the Member States relating to trade marks

<sup>27</sup> Council Regulation (EC) No **40/94** of 20 December 1993 on the Community trade mark

marks throughout the European Union in two ways: nationally and internationally. Registration at national level involves registering identical trade mark in each Member State of the European Union. Registration at international level makes it possible to obtain a number of trade marks, the validity of which is limited to the country party to the Madrid Agreement. The Community trademark offers the advantage of uniform protection in all countries of the European Union with a single registration procedure with the OHIM. Each of the three types of trade mark offers a level of protection limited to the market of single country. The CTM offers protection for the entire market within EU. The international trade mark meets the particular needs to obtain protection also in the countries outside the European Community.

### **3.1 The Community Trade Mark system**

The CTM is governed by three basic principles:

- 1) Unitary character – the CTM has effect throughout all Member States and can only be assigned as a whole,
- 2) Coexistence – the CTM coexists with national trade marks of Member States,
- 3) Equal value – the CTM and national trade marks in Member States are of equal value.

The Regulation (E.C.) No.40/90 on the Community Trade Mark was made under Article 308 (ex. Article 235) of the European Community Treaty and is directly applicable in all Member States of E.U. It has been in force since 1994. The Office for the Harmonisation of the Internal Market (OHIM) was established in Alicante, Spain and commenced accepting applications on 1 January 1996. Only marks that can have effect throughout the entire Community are accepted.

A CTM may not be registered, transferred or surrendered, or be subject to a decision revoking the proprietor's rights or be declared invalid, neither shall its use be prohibited save in respect of the whole Community.

The first requirement that sign must satisfy to be registered is that to comply with the definition of a trade mark in section 1(1) Article 4 CTMR. The article gives a definition of "trade mark":

"A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings"<sup>28</sup>

Failing to comply with those requirements means that the sign will not be registered.

The proprietor of a CTM may be a national of a member state, a national of a Paris Convention country, or a person domiciled or having real and effective industrial or commercial establishments in the European Community or any Paris Convention country, or if that person's country otherwise gives reciprocal protection to nationals of European Community states.

There are absolute and relative grounds for refusal of registration in Articles 7 and 8 of the Regulation. The absolute grounds will be satisfied even if the objection relates only to part of the Community. A word mark may be distinctive in one country but not in other. For example, French words might be used for marks for perfumes which would be capable of distinguishing in the UK or Sweden but which would be devoid of distinctive character in France.

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<sup>28</sup> Article 4

A precondition for the relative ground for refusal applying for a CTM is that they depend upon the proprietor of an earlier trade mark opposing the application. Earlier trade marks include CTMs, trade marks registered in member states, trade marks registered under international arrangements that have effect in member states, application for such trade marks and well known marks within the meaning of the Paris Convention. Article 43(2) of the CTM Regulation provides that the earlier mark should, if necessary, be shown to have been put to genuine use in the previous five years.

The relative grounds of objection relation to “earlier trade marks” can be divided into three categories:

- 1) Where the marks being compared are identical and the goods or services are also identical, no likelihood of confusion need be shown.
- 2) Where the goods or services are only similar and not identical; or the marks are only similar (for identical or similar goods or services), it must be shown, that there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.
- 3) Where the marks are identical or similar, but the goods or services are not, an “anti-dilution” provision operates.

The effects of CTMs are governed exclusively by the Regulation, but according to Article 14 in other respect infringement is to be determined by the application of national laws. The duration of registration in accordance with Article 46 is ten years.

The CTM gives its proprietor protection against reproduction or imitation of his trade mark throughout the EU. It is also transferable and may be licensed. The CTM gives its proprietor the right to prohibit third parties from using identical or similar signs to those covered by the trade mark without his consent throughout the EU. Similarity is judged by reference to the likelihood of confusing the public, including the likelihood of association between the sign and the trade mark. The prohibition from using identical or similar signs is extended to goods or services which are not

similar to those for which the trade mark is registered if such use takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. Where the proprietor of the trade mark has proceeded or agreed to market goods under this trade mark in a Member State of the EU, he cannot prohibit their free movement in the EU. This limitation on the rights conferred by the CTM is derived from the rule of exhaustion of those rights within the Community, which is also applicable to national and international trade marks of Member States of the European Union.

The CTM courts has to be designated in each Member State of the European Union following an infringement proceeding sanction infringement of the rights conferred by the CTM. The plaintiff may choose between two courts: the court of the Member State in which the infringement was committed or the court of the Member State in which the defendant is domiciled. The advantage of having only a small number of CTM courts with exclusive jurisdiction for ETM infringement actions is that the judges are highly specialized. Decisions of these courts may be enforced in the other Member States of the EU by having recourse to the simplified enforcement procedure introduced by the 1968 Brussels Convention on jurisdiction and enforcement of judgments in civil and commercial matters.

Throughout a trade mark's life, the right of its proprietor may be revoked following a revocation proceeding or he may have his trade mark declared invalid following an invalidity proceeding. Failure to use the trade mark genuinely for five consecutive years, development of the mark into a generic name and the misleading nature of the trade mark resulting from its use are the main grounds for bringing an action for revocation. The CTM is subject to the same obligation of use as marks registered in the Member States of the EU and international trade marks having effect in those States. Any person may invoke absolute grounds. An action of invalidity on relative grounds may be based only on earlier rights.

The CTM may be obtained for a sign that is either through the direct application at the OHIM or through a national office. A newly created sign may be protected directly by applying for first registration as CTM at the OHIM. A national trade mark or series of national trade marks may be registered as a CTM irrespective of their age. Opting for the CTM does not imply the abandonment of national trade marks. The seniority of a national mark may be claimed at the OHIM, even if the national trade mark is subsequently cancelled or surrendered in favour of a CTM. In the event of refusal to register an application, or the revocation or annulment of a CTM, applications for national trade marks may be made in all countries of the EU in which there are no such grounds for refusal, revocation or annulment.

### **3.2 Legal consequences for the holders of Community Trade Marks**

Ten new Member States will join the European Union on 1 May 2004 and thus will enter the Trade Mark Regulation system without any transitional provisions whatsoever. After this date the system will be applied in the whole newly enlarged EU. The most significant and striking feature of the CTM system is its unitary character.

The newly inserted Article 142a in the CTMR covers the basic five points agreed for the CMTs in negotiations:

- the automatic extension principle <sup>29</sup>;
- the grandfathering of pending applications vis-à-vis new absolute grounds for refusal <sup>30</sup>;
- the grandfathering of pending CTMs vis-à-vis conflicting earlier rights, save for the exceptional opposition right against CTMs filed within a period of six months before accession <sup>31</sup>;

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<sup>29</sup> Article 142a (1)

<sup>30</sup> Article 142a (2)

<sup>31</sup> Article 142a (3)

- the grandfathering of registered CTMs vis-à-vis absolute and relative grounds for invalidity<sup>32</sup>;
- the mechanism to solve conflicts of rights by means of prohibiting the use of extended CTMs under certain conditions<sup>33</sup>.

The accession process is on the assumption that when CTM automatically extends to new Member States it will present problems to the CTM and the new Member states in terms of:

- 1) Absolute grounds for refusal or invalidity of registration existing in the new Member States;
- 2) Conflicting earlier rights;
- 3) Bad faith registrations leading into periods up to accessions;
- 4) Workloads on the Community Trade Mark Office (OHIM), the European Court of Justice and the Translation Service of the EU.

CTM applications filed after the date of accession will be examined taking into account all European Union languages, and oppositions can then be brought on the basis of earlier rights existing in any of the 25 Member States. The Community trade mark system also supposes a number of interfaces with the national trade mark systems. In order to implement the CTM system properly, national legislations will have to be adapted on a number of points. One of these is the creation of CTM courts that is compulsory under the Regulation. These courts will have to be created in the new Member States and one will have to make sure that their designation has taken place before accession.

The amended Community trade mark (CTM) regulation provides that CTM registrations and applications existing (or claiming priority) before 1 May 2004 will automatically extend to the new member states. An automatically extended CTM registration cannot be invalidated or an application refused

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<sup>32</sup> Article 142a (4)

<sup>33</sup> Article 142a (7)

registration because of an earlier national right, or by absolute grounds (such as descriptiveness) that apply only in new member states.

Registration of a CTM application filed (or with a priority date) before 1 November 2003 cannot be opposed on the basis of an earlier right in a new member state. CTM applications filed between 1 November 2003 and 1 May 2004 may be opposed, provided the earlier national right was acquired in good faith and pre-dates the filing date (or priority date) of the CTM application. However, the proprietor of a national right acquired in good faith in a new member state that pre-dates 1 May 2004 can prevent the use of a CTM in that member state. This creates a potentially significant problem for CTM owners. A CTM owner with business in an accession state, but no national rights, might consider an urgent application for national protection to pre-empt the possibility of such an application being made by a third party before May 2004. After 1 May 2004, it may be more difficult to register a CTM. There will be a larger pool of potentially conflicting national rights and a greater chance that the mark is descriptive or generic in the language of one member state, as the number of EU languages will increase from 11 to 21.

### **3.2.1 Existing CTMs and pending CTM applications**

With regard to acceding new Member States to the European Union, the most important principle regarding CTM is the “automatic extension”. This means, that Community Trade Mark registrations granted an application pending on the accession date will be extended *automatically* to all Member States without taking any administrative interventions as steps, measure, applications, fees and etc. All the candidate countries are signatory states to the Paris Convention. The most important provisions of the Paris Convention are the right to priority. The automatic extension principle applies also to the applications pending a valid priority claim from a date before the accession date.

The legal basis of such an extension is Article 142a (1), which provides that:

“...a Community trade mark registered or applied for pursuant to this Regulation before the date of accession shall be extended to the territory of those Member States in order to have equal effect throughout the Community.”

Owners of registered and unregistered Community designs will equally benefit from the automatic extension of their rights in the new Member States and they will be able to enforce their rights before the Community designs courts established in those countries. The automatic extension of the Community trademark to new member states has been adopted in order to ensure that the Community trademark system is not threatened either by the addition of ten new member states in this enlargement of the EU or in any potential future enlargement. But obviously, this blanket extension might lead to difficulties and problems for owners of existing rights in new member states.

For example, a candidate Member State may wish to invoke absolute grounds for refusal against the extension to its territory of a CTM. This could happen when a CTM consists of a word that is generic, immoral or otherwise objectionable in one of the languages of the newly accessed Member State. Member States have no power to refuse a CTM application on absolute grounds. They may only act when the CTM has been converted to a national application under Articles 108-110 of the CTMR.

### **3.2.2 Possible conflicts between the extended CTMs and earlier national rights**

What are the earlier rights? Articles 8 and 52 of the CTM Regulation define “earlier rights” so far as CTM is concerned. Those rights are:

- earlier CTM registrations and applications;

- earlier national (EU Member State) trade mark registrations and applications;
- Madrid (both Agreement and Protocol) registrations or applications valid in a State;
- well-known marks (Article 6bis of the Paris Convention);
- unregistered marks and similar rights as detailed in Article 8 (4) CTMR, which are used on course of trade and are of more than mere local significance;
- other earlier rights then, in the national law of a Member States, has the effect of prohibiting the use of a mark, e.g. a right to name, a right of personal portrait, another industrial property right, usually a design-type right.

The meaning of “earlier” concerning the new Member States is that a trade mark right will be earlier if the relevant trade mark was registered or applied for before the accession date or if filed after it but claims priority from a date to it. As for unregistered earlier national rights are concerned, they will be accepted as being “earlier” if they have been acquired in accordance with the national law in good faith before the accession. The main problem arises how to preserve the unitary principle of CTMs and at the same time to respect valid pre-existing national property rights. From the point of view of an earlier right in a new Member State, Articles 106 and 107 CTMR come to the rescue. The proprietors of earlier national rights, as defined in the national law, will have *the right to prevent the use* of the automatically extended CTM within the territory of the newly acceded Member State. It worth to note that this is limited by the principle of "acquiescence" as laid down in Article 53 CTMR. By virtue of Article 53(2) the effect is that the proprietor of the earlier right will not be able to enforce the prevention of use of a later CTM if the proprietor has acquiesced for five successive years to the use of the later CTM while being aware of such use. This right of earlier national right-holders is balanced by an immunity of the proprietors of automatically extended CTMs from opposition of any automatically extended pending CTM application or invalidation of any automatically

extended CTM registration. This is qualified for only a brief initial period. But the earlier right must be valid. If it is revoked or declared void, then the proprietor of such earlier right will no longer be able to prevent use in the territory of the new Member States of an automatically extended CTM.

In a case where two conflicting trademarks – one national and one a CTM – have been obtained in good faith, there seems to be no reason why one of the two owners should be deprived of his rights solely on the ground that the relevant country has now become a member of the EU. It would be inequitable and morally wrong to remove the valid rights of the holder of an earlier but conflicting prior national right without any reason. Under the current situation he would have had the possibility of opposing under Article 8 and he will still have the right to apply for the invalidity of the CTM under Article 52. In order to ensure legal security, both for the CTM owner as well as for the owner of a confusingly similar prior national right there should be a specific procedure which would allow the owners of prior conflicting earlier national rights to make their objections known to the OHIM. During a specific transition period, there should be an obligation upon the parties involved in the dispute to settle their differences with the CTM owner, either by agreeing to live and let live, or by an outright purchase by one of the other's trademark, or by cross-licenses, or by some other means. If no such amicable agreement can be reached in this time then the matter will have to be adjudicated, perhaps by the courts, perhaps by the Office, perhaps by the Boards of Appeal. Apart from any such specific cases, the new Member States should not have the power to prevent *ex officio* the extension of a CTM on relative grounds.

Under the Article 142(a) the CTM owner can be prohibited from using the CTM in the country in question. But the owner of the conflicting right cannot request cancellation of the CTM. Owners of earlier national rights can only choose to prohibit the use of CTM in the country where the right exists, and not seek for the cancellation of the CTM altogether. To safeguard the right of owners of national rights in the new Member States, they can

prohibit the use of the extended CTMs in the territory covered by the right. The extended CTM would be valid and enforceable in the entire EU, including the new Member State, but not against an earlier conflicting national right. The holder of the earlier national right will have the possibility to sue the user of the extended CTM before national courts. National law determines all the determination of the competent court, the procedural rules as well as the substantive provision applicable.

Regarding the pending CTM applications, the owners of earlier rights in the acceding countries can oppose these only if they were filed during the last six months prior to accession, that is, on or after 1 November 2003. The earlier right in the new Member State must be earlier in absolute terms. The opposed CTM (meaning that the national trade mark or right must have an earlier filing date or priority date (or earlier date of acquisition) than the opposed CTM application) and must have been acquired in good faith. The opposition may be filed within the period of three months following publication, provided for by Article 42 CTMR. This exception is applicable irrespective of the point in time on which such CTM applications are published.

### **3.2.3 "Bad faith" applications**

Both the EU and candidate countries acknowledged that all possible measures should be used to minimize possible conflicts between CTM and national trade marks. One of the requirements is that an earlier national trade mark has to be acquired in the good faith. In this context, the "bad faith applications" will constitute those filings made in order to obtain trade mark registrations which are identical or confusingly similar to trade marks registered in other jurisdictions, with a view to prevent market access, to claim pecuniary compensation or to take profit from the reputation of another's trade mark.

At the moment there is not yet an authoritative definition of "bad faith" from the European Court of Justice. There are numerous decisions of national courts and of OHIM Cancellation Division, but an authoritative ruling from the ECJ is highly desirable. The European Court of Justice has not specifically ruled on the meaning of "bad faith" in the context of trade mark law. But there is an ECJ ruling of, in the author's submission, considerable relevance in a neighboring field. Regulation (EC) 2081/92 concerns the protection of geographical indications and designations of origin. Article 14(2) of that regulation deals with the interaction of geographical indications and trade mark law and contains the phrase "use of a trade mark...which was registered in **good faith** before the date on which application for registration of a designation of origin...was lodged...".

The meaning of "good faith" was considered by the ECJ in *Consorzio per la Tutela del Formaggio Gorgonzola v. Käserei Champignon Hofmeister GmbH & Co. KG*<sup>34</sup>. Without extensive discussion, the Court endorsed the Advocate-General's opinion that "good faith" means that the applicant "took all reasonable steps at the time of registration to satisfy himself that use of the mark was compatible with the national law (including any applicable international provisions) then in force", a kind of "reasonable and prudent businessman" test.

The issue of bad faith applications is basically a problem of reconciling two autonomous trade mark systems, the CTM and each national system of the EU accession countries. As it was already discussed in a previous chapter, once the accession takes place, both systems will recognize earlier trade marks for the purposes of opposing the registration of conflicting signs.

The "bad faith applications" may lead to the two types of scenario:

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<sup>34</sup> Case C-87/97; *Gorgonzola/Cambozola* [1999] E.C.R. I-1301 and [1999] E.T.M.R. 454.

1) bad faith applicants may register before OHIM trade marks identical or confusingly similar marks to trade marks already registered in the new Member States;

2) bad faith applicants may register before the IP Offices of the new Member States trade marks identical or confusingly similar to CTMs.

In asserting that the application was made in bad faith, the onus should rest with the applicant for cancellation/opposition to registration. Proof of existing bad faith can be difficult if the trade mark applicant acting in bad faith denies any knowledge of a prior trade mark, or can be more difficult if the trade mark applied for in bad faith is confusingly similar and not identical.

Lack of genuine use of the trade mark is not in itself sufficient to consider that the applicant acted in bad faith. Under Article 15.3 TRIPS, Contracting Parties may consider use as a requirement for registration but it is not a condition for filing applications. From the date of application, the applicant counts on three years period for “intended use” to take place. Otherwise, the application may be refused. Therefore, only lack of use or intended use of the trade mark during the period of three years cannot be considered as sufficient evidence of bad faith conduct. When the trade mark is filed by someone without any genuine business activity, it is more likely that the bad faith situation would exist and the registering of the mark was made only for the purpose of stockpiling the mark with the expectation of extracting money.

In general, the bad faith consists of violation of basic civil law principles, according to which rights can be obtained in good faith only. It is also found that an exceptional conduct opposite to “normal” good faith conduct constitutes bad faith.

The concept of bad faith is broader than the concept of unfair competition, because bad faith may also occur in situations where there are no

competitive relations between the legitimate holder of the trade mark and the bad faith applicant.

Another evidentiary circumstance is often the filing of a trade mark application for a multitude of entirely different goods and services at the same time when there does not appear to be a reason for it in view of the business enterprise of the trade mark applicant or when a trade mark strategy cannot be concluded from the actual specification of goods and services. There can be a case of well-known persons, when an applicant might be treated as lacking good faith is where the mark incorporates the name or image of a well-known person without his or her agreement. Sometimes the bad faith applicants may start attacking the legitimate trade mark owner by trying to block the commercial use of the mark on the basis that the bad faith trade mark is registered for goods such as “packing materials”, or services such as advertising, transportation, wholesaling or retail.

As to awareness, that the applicant knew or had to know what he was doing, this condition alone should not be sufficient for a finding of bad faith. It is clear that if a user becomes aware of a conflicting trade mark later than the filing date, he has not acted in bad faith. The standard could be referred to a trade mark which, at the time of application, was being used by another party and the applicant was aware thereof when he filed his application. If the earlier national trade mark in a new Member State has a filing or priority date which is earlier than that of the conflicting CTM, the good faith of the applicant can not be questioned only on the basis that there is a later CTM.

The fact that the trade marks are identical does not constitute itself a bad faith also. For example, whether the simple knowledge of use by another is sufficient to establish bad faith or needs also to be proven the intent to obstruct. Whether or not a presumption is made, the applicant may have a justification for his action, and therefore a rebuttal must be allowed.

The Accession Treaty provides that an earlier national right can only be invoked in oppositions against CTM applications filed during the six months before the date of accession, or held against the use of the CTM in the acceding country in question, if it was acquired in good faith. The important questions are how the national courts in acceding countries and the OHIM will interpret the concept of “bad faith”, and who bears the burden of proof. The national courts have to deal with this in event of infringement actions brought in an acceding country against the use of an extended CTM, and the oppositions mentioned above will be heard by OHIM.

Article 142(a) says that an acquisition in good faith is a positive requirement for prohibiting the use of extended CTMs in an acceding country or opposing CTM applications under the special circumstances commented on above. It should be assumed that the burden of proof that bad faith is not involved falls on the person holding a right in the acceding country. In fact, OHIM, in its bad faith case study of 31 January 2003<sup>35</sup>, states that the burden of proof is on the party asserting bad faith. A compromise solution that is likely to find some approval would be to put the initial burden of proof on the CTM owner, but once prima facie evidence has been submitted that the other party may have had knowledge of the CTM, the burden of proof goes to that party who should then prove that the national right was actually acquired in good faith.

The "bad faith" can exist among natural or legal persons, both within existing EU Member States and in the candidate countries. There were some commentaries made implying that commercial morality in the candidate countries is *necessarily* lower than within the existing EU Member States. "Bad apples" exist everywhere. The entities in the accession countries will not rush in to register in bad faith the trade marks existing in a present Member countries, neither the entities of those Member countries will try to pick the most attractive trade marks owned by entities in the candidate

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<sup>35</sup> Published on the OHIM website at <http://oami.eu.int>

countries and try to register them as CTMs before the accession date. Only common sense applied to any country and to any trade mark owner to recommend that protection for valuable marks should be obtained at the earliest possible opportunity. It is recommended that, with the increased commercial importance of the national markets of the accession countries, trade mark owners outside those countries should make sure that their trade marks are protected there by whatever means considered appropriate, i.e., via CTMs, national applications or "Madrid" marks so as to protect their new and more accessible markets in the candidate countries. The candidate countries have "opened up" their registers and it is now possible to search their databases on the Internet providing the on-line national trade mark registers at <http://oami.eu.int/EN/enlargement/tmsearch.htm> and onward.

In conclusion it is worth to mention that acceding countries' courts and trade mark office have already dealt with national trade mark filings made in bad faith. There was a case in the Czech Republic, when trying to register its trade mark "Pentium" there, the company "Intel" has faced a prior trade mark "Pentanium", registered from the same type of goods. This time "Intel" was able to show that "Pentium" had been an accepted brand generally recognized in the Czech Republic before and after the filing date of "Pentium" and so achieved the deletion of "Pentanium" for bad faith filling. Despite all the measures taken within the cooperation of OHIM, accession countries and present Member States, it will not be possible to avoid these types of cases in the nearest future.

### **3.2.4 Absolute grounds for refusal**

Concerning the absolute grounds for refusal, the two kinds of situations must be distinguished. Article 7(1) CTMR, sub-paragraphs (a) to (j) can be grouped into sub-groups (a) to (e) and (f) to (j). These sub-groups can be named respectively "new" and "old" absolute grounds. A typical "old" ground is that the trade mark applied for would offend the provisions of Article 6<sup>ter</sup> of the Paris Convention (protection of State or inter-

governmental emblems, etc.). The typical "new" ground of refusal is a trade mark that is devoid of any distinctive character.

Taking as an example a point in time before *Hungary* accedes to the EU, the word "FEKETE", meaning "black", could have been registered validly as a Community trade mark in respect of coffee and will remain valid after it. By virtue of Article 7(2) CTMR, that word would not be possible to register after Hungary's accession date because it would offend against Article 7(1)(b) or (c) in respect of coffee. What the accession arrangements provide in respect of "new" absolute grounds is that a registration or application dated before the accession date cannot be refused or invalidated on a "new" absolute ground, even after accession, by Hungary. However, to protect the free use by all of such an obviously descriptive or non-distinctive word in Hungary, the provisions are that any person in the relevant Member State may invoke Article 12 CTMR as a defence to any infringement action. That is to say, such a Community trade mark shall not entitle the proprietor to prohibit a Hungarian party from using in the course of trade indications such as "FEKETE" that concern the kind, quality, etc. or other characteristics of the goods or service, provided that such use by the Hungarian party is in accordance with "honest practices in industrial or commercial matters".

Also, on the above-cited Article 106(2) CTMR, where the "new" absolute ground consists of the mark being deceptive or misleading or being against public policy or morality in the new Member State, the use of that mark may be prohibited in that Member State. For instance, the Italian word meaning "pine-cone" in English is spelled exactly the same way as a very rude Hungarian word. Imagine that a registration of that Italian word in a context unrelated to pine-cones or pines could be accepted as valid (non-descriptive), yet would offend morality in Hungary.

Absolute grounds for refusal applicable in an acceding country cannot affect existing CTM registration and applications filed before the date of accession. After accession, however, all CTM applications will be examined

with a view to the entire EU territory including the new Member States. The rule for the examination on absolute ground and cancellation actions on such grounds that only the situation existed prior to enlargement will be taken into account (meaning that absolute ground for refusal/invalidity which become applicable merely because of accession will not be taken into account). This is irrespective of when the examination or the cancellation action actually takes place. CTMs filed before enlargement will only be examined for absolute grounds on the basis of the current situation, for example regarding their meaning by taking into account the current eleven official languages of the European Union.

Ground for refusal which become applicable solely as a result of the enlargement, such as the descriptive meaning of a word in a language of one of the new Member States, will not be applied in relation to extended CTMs. The extended CTMs do not confer on their owners any additional rights in the new Member States vis-avis such descriptive or non-distinctive indications. The use of such indications in the new Member States potentially to be accused of infringement will be able to rely on Article 12 CTMR to defeat such an infringement action. An extended CTM can also be deceptive or contrary to public policy or morality in a new Member State. Such situations are addressed in Article 106 (2) of CTMR. Consequently, the use of such trade marks in the respective new Member State may be prohibited in accordance with the law of that state.

### **3.2.5 Exceptional Opposition Rights**

A special provision is made in respect of pending CTM applications with a filing date or priority date falling in the period of six months prior to the accession date. Proprietors of earlier national rights in the newly acceded State do have the right to oppose the registration of such an application on any of the grounds mentioned in Article 8 CTMR.

This exceptional right is also qualified by the "bad faith" provisions, i.e. that the opposition right is voided if the earlier right was acquired in bad faith in relation to the automatically extended CTM application (as opposed to acquisition bad faith in relation to a third party right).

### **3.2.6 Seniority and conversion**

*Seniority.* CTM owners will be able to claim seniority for identical national registrations that they might possess in an acceding country dating from before accession. The unique Community Trade Mark concept of seniority is set out in Article 34 CTMR. Applicants who seek registration of a CTM may claim the seniority of earlier national registrations of the same mark of which they are the proprietor. Seniority can be claimed either before or after registration of the CTM.<sup>36</sup> To apply for seniority, an applicant must be able to show that the earlier national mark is for the same sign, the same goods and services, and has the same proprietor as the CTM.<sup>37</sup> Seniority is the way to encourage a proprietor of national mark to use the Community system and to consolidate the management of their national marks.

It follows from the entire theoretical framework of accession that after the accession date of a given Member State, the seniority of an earlier identical registration for the same goods and/or services owned by the same proprietor must be claimable and national legislation must make provision accordingly. It will be interesting to see how the different Member States will track, in their national registers, seniority claims accepted by OHIM and the possible consequent abandonment/non-renewal of national registrations: the current situation in the existing Member States is far from satisfactory. The result of a seniority claim is that even if earlier national trade marks for which seniorities have been claimed are not renewed and their rights will be maintained. It allows the CTM owner to let the national

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<sup>36</sup> CTMR Art.35

<sup>37</sup> CTMR Art.34(1) ("triple-identity rule")

registration lapse without being prejudiced in any way.<sup>38</sup> This system means that the Office itself will have to take measures to cope with seniority claims of national rights in accession countries. In other words in the case of abandonment of a national trade mark in a new Member State seniority claims will have to have their full effects.

*Conversion.* The main principle of it that if a CTM has been refused, cancelled or is not being renewed, the owner or applicant may convert his Community trade mark into national trade mark applications. This is a CTMR concept that the new Member States must adopt. The Community law on conversion is set out in Articles 108 to 110 CTMR. A CTM that is invalid in one EU Member State can be converted into national registrations in all Member States where it is not invalid, without loss of the filing date. From the date of accession, the provisions on conversion (Articles 108-110 CTMR) will also apply in relation to the acceding countries. These allow the conversion of rejected or withdrawn CTM applications or CTMs that have lost their effect into national applications. The acceding countries must adopt provision in their national laws allowing for such conversion claims. The conversion of a former CTM or CTM application into a national application will confer on the latter the filing or priority date of the CTM application according to Article 108(3) of CTMR. Yet for the acceding countries, these provisions have to be interpreted in accordance with Article 142a(1) CTMR: as the relevant date for the automatic extension of CTMs and CTM applications is the dated of accession, this will be the effective date given to national applications resulting from conversion of extended CTMs in the acceding countries.

### **3.2.7 Changes in language regime and work of OHIM**

The OHIM task is to promote and manage trade marks and designs within the EU. It carries out registration procedures for titles to Community industrial property. It shares with the courts in Member States of the

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<sup>38</sup> CTMR Art.34(2)

European union the task of pronouncing judgment on requests for invalidation of registered titles.

As is well known, currently OHIM accepts applications in any of the eleven national languages of the current 15 Member States but has five official languages (English, German, French, Spanish and Italian) of which the Applicant for registration must specify one. Registrations are published in all eleven languages. However, all pre-existing CTM registrations and all applications pending on the accession date, which are therefore "automatic extension" cases, will not be translated into the official(s) of the new Member States, irrespective of whether the CTM applications or registrations have been published by OHIM at the accession date. However, after the accession date, the normal language rules of the CTMR will apply. An applicant for a CTM from a new Member State may file his or her application in the official language(s) of that country and subsequently such applications will be published in all the official languages.

These five official languages will remain unchanged. After accession applications can be made in all official languages of the European Union. The additional languages after the enlargement will be Czech, Estonian, Hungarian, Latvian, Lithuanian, Maltese, Polish, Slovak, Slovenian and possibly Turkish as the second official language of Cyprus. As CTM applications must be published into all EU official languages, all publications of CTM made after accession will require translation into all languages. As all translations are prepared centrally in Luxembourg, this may lead to a considerable delay in the application process.

Regarding the searches, the Council is currently presented with a proposal from the Commission to amend the CTMR that includes a proposal for the abolishment of searches. Enlargement will result in substantial additional costs for OHIM, resulting in particular from translations and national searches. At the same time, significant additional revenue through accession is not expected and the CTM does not become much more attractive because

of the EU covering a larger territory. But at the same time the enlargement does not represent a factor that slows down trademark and design procedures.

The changes on the work of OHIM requires also other measures such as training of the staff on enlargement, profiles of new Members States, consequences for the office and the CTM and CD systems.

After the EU enlargement the popularity of the CTM instead of increasing can decreased and trademark owners can turn instead to Madrid Protocol.

It is likely that the fees payable for the registration of CTMs will increase as OHIM (the Community trade mark office) is likely to incur increased translation costs. It is also possible that the CTM registration process may take longer if there is a big influx of applications to OHIM from the new member states.

# 4 European Union enlargement and the Community Design (CD)

## 4.1 The Community Design system

In 1991, the Commission published a Green Paper on the Legal Protection of Industrial Design. The Commission had long recognised that national law on design in the Member States was unsatisfactory. Firstly, they failed to provide adequate protection for designs as they only protected effectively the ornamental features of a design rather than the salient features of a contemporary industrial that it described as “the enhanced functionality of a product by way of its design”.<sup>39</sup> Secondly, the Commission was concerned about the disparate protection of designs in Member States and the effect that had on creation of an internal market. It proposed in the Green Paper the introduction of a Community Design Regulation accompanied with a harmonisation directive of Member States’ registered design laws. As result of this, in December 1993, the Commission put forward a draft Community Design Regulation and a Design Directive. The Design Directive was adopted on October 13, 1998. The EU Council adopted the Community Design Regulation on December 12, 2001. It was published on January 5, 2002 and came into force on March 6, 2002. The Directive harmonises the laws of Member States in the field of registered design. By corresponding Designs Directive, national Registered Designs must adapt to the standards for the CDR.

The Community Regulation provides for a unitary Community-wide Community Design capable of protection for twenty-five years. Unregistered Community Design has a maximum term of three years. The protection of the unitary design under the Community Design Regulation will be discussed further.

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<sup>39</sup> Green Paper, page 2

The Regulation provides for a CD that is effective throughout the entire Community. In this respect, it is similar to the CTM. The CDR provides a two-tier form of protection - one being an unregistered design right and the other being as longer term registered design right. For the first time, a single CD registration will be available to protect the design throughout the EU and a CUR right provides limited protection for designs across the EU without registration. However the rights for unregistered design extend to prevent the copying of the design.

The CUD right became available on March 6 of 2002 and the CRD system, which is administered at the Community Trade Mark Office (OHIM), officially accepts filings from April 1 2003. It consists of a single inexpensive registration procedure. There will be no substantive examination.

A Community design registration protects designs for the appearance of the whole or part of a product, resulting from not only its shape or ornamentation, but also its colours, textures or materials<sup>40</sup>. Incorporation of the design into any product, not just that for which the registration is procured falls within the right. Previously the design had to be registered for each product separately. The product may be any industrial or handicraft item. It may also be the packaging or “get-up” of a product and graphic symbols and typographic typefaces can now be registered as designs. This introduces some overlap with trademark rights and allows trademark owners to obtain design registration in respect of shapes, logos and packaging.

In order to obtain registration, a design must be new and possess individual character and novelty.<sup>41</sup> A design is considered new provides that no identical design, or any design whose features differ only in immaterial details, has already been disclosed to the public.

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<sup>40</sup> Article 3 (a) Council Regulation (EC) No 6/2002

<sup>41</sup> CDR Articles 5-7

A CDR will last for a maximum of twenty five years from its filing date, with renewal fees being payable every five years. The owner of a CDR has the exclusive right to make use of the design and to prevent others from using it without permission, whether they have done it deliberately or unintentionally.

To possess an unregistered design right, a design must fulfil the same requirements as those described above for registration of a design. CUD right comes into existence automatically when a design is first made available to the public within the European Union. As the Community unregistered design right lasts for only three years from the date the registration would provide much stronger and longer-lasting protection.

The CDR is not intended to affect other intellectual property laws applicable to designs that Member States have. In particular, it is not intended to affect the law of unregistered design right. At the present, protection of designs in Europe greatly varies. Protection is afforded by means of registered designs, unregistered design rights, copyright, trade mark and unfair competition law.

## **4.2 Rules applicable to the Community designs after the EU enlargement**

Regarding CDs, the negotiations took the CTM model as a basis. As well as the Community trade marks, earlier Community designs i.e. those filed before enlargement or in the case of unregistered designs those made available to the public within the Community before the enlargement will equally be automatically extended to the territory of the new Member State. All the CDs registered, protected or applied for before the date of accession will be automatically extended to the territories of the ten new Member

States<sup>42</sup>. This procedure will not involve any administrative intervention by OHIM, national authorities or will require the request from the owner of CD.

As with CTMs, there are provisions for dealing with the existence with earlier conflicting national rights in new Member States. Owners of national rights that have been registered applied for or acquired in good faith before 1 May 2004 may oppose the use of the Community design failing under Article 25(1)(d), (e) or (f) in the relevant new Member States.<sup>43</sup> The meaning of “bad faith” was explained in the previous chapter.

The accession of new Member States does not change the situation as regard ground for non-registrability of designs. The limited “substantive examination” of design applications will not be affected. The definition of a design do not change after the enlargement nor does the assessment in general of whether a design is or not contrary to public policy or morality.

Regarding the grounds for invalidity, the accession only affects the validity of registered designs in a limited number of situations, e.g. a prior design protected in a new Member State before accession was disclosed after the filing of a RCD. In these situations where the ground for invalidity becomes merely applicable because of accession, Article 110a(3) of CDR will safeguard the extended Community design.

On the grounds for non-registrability, all the pending CD applications filed before accession will not be examined on ground for non-registrability which applicable merely because of accession of new Member States. The real examination of CD will not be affected by the enlargement, because unlikely there are any grounds merely applicable because of the accession .

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<sup>42</sup> Article 110a Council Regulation (EC) No.6/2002 of December 2001 on Community Designs (OJ L 3, 5.1.2002, p.1)

<sup>43</sup> Article 110a (4)

Automatically extended CDs may be enforced from the date of enlargement in the new Member States pursuant to Articles 10 and in accordance with Title IX of the CDR. Pursuant to Article 80 of CDR, Community Design courts will need to be established in acceding countries no later than 6 of March 2005. The same applies for the current Member States.

#### **4.2.1 Automatic extension and grounds for invalidity and non-registerability**

Therefore, the main rule applied to the extended CDs that they couldn't be invalidated on the following grounds

1) grounds for non-registrability listed in Article 47(1) if these grounds became applicable merely because of the accession of a new Member State. (Art.110a, (2))

2) grounds when a Community design as referred to in paragraph 1 is declared invalid pursuant to Article 25(1) if the grounds for invalidity became applicable merely because of the accession of a new Member State (Art.110a (3)).

The accession only will affect a validity of registered designs in a limited number of situations, such as a prior design protected in a new Member State before accession was disclosed after the filing of a registered Community designs or it will be in conflict with an earlier trade mark protected in an new Member State and etc. In these situations where the ground for invalidity will become merely applicable because of accession, Article 110a (3) of CDR will “grandfather” the extended Community design. Such a grounds as the definition of design, lack of novelty or entitlement to be a holder of CD will not invalidate the existing CDs. But if design incorporates a distinctive sign, constitutes an unauthorised use of a work protected under copyright law of a Member States<sup>44</sup> or if the design constitutes an improper use of any of the items listed in Article 6ter of the

“Paris Convention” for the Protection of Industrial Property<sup>45</sup>, these grounds will not be considered as the grounds “merely applicable because of the accession of a new Member States”. The owner of the earlier right or item can only invoke such grounds.<sup>46</sup> Article 25 makes no distinction between a CRD and UCD. Thus, in proceeding for infringement of a UCD, the defendant should counterclaim for a declaration of invalidity of the UCD on the basis of prior right that he owns.

Holders of earlier rights acquired or applied for before accession in good faith will be allowed to oppose the use of a given extended CD on the territory of the new Member State through an action before a national court.

Finally, Article 11 of CDR is qualified by the new Article 110a (5) of CDR which provides that pursuant to Article 11, an unregistered design which has not been made public within the territory of the Community shall not enjoy protection as an unregistered Community design.

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<sup>44</sup> Article 25.1(f)

<sup>45</sup> Article 25.1(g)

<sup>46</sup> Article 25 (2)

# 5 Patent protection after the EU enlargement

## 5.1 The European Patent System

The idea of developing a harmonised or unified patent system in Europe originated as early as 1949 with the Council of Europe. The general wish was to contribute to harmonizing national law to better understanding and improve relations between the peoples of Europe. It seemed unreasonable that the inventor, in order to get protection for the same invention in several countries, had to file separate application in each country and that these patent applications had to be examined by different patent offices under different standards using different procedures.

In the early 1970's in order to avoid difficulties in formulating a unified patent system, the European Community and its Member states have opted system for the patent protections. With the national patents existing together with European patents and with the establishment of the unified Community-wide patent, the patent system has become highly complicated in Europe. The main purpose of the new system was the grant of European patents having effect in all member states through a common granting authority, the European Patent Office, under European rules and standards of patentability.

The European system of patent protection consists of three main elements:

- 1) The *European* patent system created by the European Patent Convention which was adopted in Munich 1973;
- 2) The *Common Market patent system* created by the Community Patent Convention, adopted at Luxembourg in 1975;
- 3) The harmonisation of national patent systems in Europe.

The most important element is the European Patent Convention, which provides for a uniform patent granting procedure. This procedure begins with the filing of a European patent application and ends, after novelty research and examination, with the granting of a European patent through a common administrative authority, the European Patent Office. However, this European patent does not provide uniform legal protection in all contracting states. It leads to a bundle of national patents with effects and rights having their substantive legal basis in the national laws of the individual contracting states.

The basis for the second element of the overall European patent protection system is the Convention on the European Patent for the Common Market, also referred to as the Community Patent Convention. The territorial effect of this instrument is limited to the Common Market. This patent enjoys uniform protection in all EU countries and cannot be used to split up the Common Market. It can only be filed, granted, transferred, and cancelled for the whole territory of all the member states of the Common Market.

The third element of the European patent system consists of a harmonisation of national patent laws. In adopting the new patent system, no member states was obliged to abandon its own system of patent protection. But after agreeing on the new European patent system, each contracting state realised that it would be unwise to leave the national patent laws unchanged. This has led to a far-reaching harmonisation of the national patent laws in Europe during the last decade. Each contracting state has simultaneously adapted its national patent legislation to the main rules of European Patent Convention and to a large extent, to the rules of Community Patent Convention, which are not yet in effect.

## **5.2 An effect on the European patent system after the enlargement**

When the Community patent system is introduced in the near future it will cover the enlarged EU. At the present time, the enlargement of the EU next year will not directly affect the current national patent systems in member states. It will not affect the European Patent Convention through which a single “European patent” application can lead, with single prosecution procedure, to the grant of national patents in 31 countries at the moment. The EPC is separated from EU law, although all present EU member states are signatories to the EPC. Of the new member states, six are signatories (Cyprus, the Czech Republic, Estonia, Hungary, Slovakia, Latvia, Lithuania, Poland and Slovenia). Malta has not yet signed the Convention. As far as EPC is concerned all EU enlargement states except Malta, will be member states of it by 1 May 2004.

## **5.3 Implications for the pharmaceutical industry in the context of enlargement**

### **5.3.1 Supplementary protection certificates**

One of the issues concerning the patents is a subject to change after the EU enlargement – a supplementary protection certificates (SPCs) for medical products. What is SPC and how it will be influenced after the expansion of the EU?

Most countries have a regulatory framework for the testing of pharmaceuticals prior to they being placed on the market. When a pharmaceutical is the subject of a patent, this reduces the effective term of protection and often would make its exploitation uneconomic.

In the 1980s, several countries introduced the legislation providing for the restoration of the patent term for pharmaceuticals. The Commission proposed that a regulation conferring supplementary protection for pharmaceuticals should be enacted. The Council Regulation (EEC)

No.1768/92 introducing supplementary Protection Certificates (SPCs) was passed.

SPCs are IPRs that are based on and are similar in nature to patents. SPCs operate to extend patent protection where it has not been possible for the patent proprietor to take full advantage of their patent rights over the period of the grant. In particular, they compensate the owner where they have not been able to market the patented product because of delays in obtaining regulatory approval.<sup>47</sup>

The regulation does not extend the life of the patent as such. It provides for the grant of a *sui generis* SPC that is deemed broadly to have the same effect as a patent. It is only available for patents relating to the active ingredients of medical or veterinary products used in human or animal healthcare.

The certificate confers the same rights as conferred by the basic patent and is subject to the same limitations and the same obligations. The protection is more narrow than that of the patent as it is restricted to the:

“...product covered by the authorisation to place the corresponding medical product on the market and for any use of the product as a medical product that has been authorised before the expiry of the certificate.”<sup>48</sup>

For a SPC certificate to be granted for a particular product, the product must be inter alia “protected by a basic patent in force”. The certificate takes effect at the end of the lawful term of the basic patent. The duration of the SPC may not exceed five years from the date on which it takes effect.<sup>49</sup> The aim of SPC is to provide compensation for the delays in getting pharmaceutical products to the market, inherent in the process of regulatory

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<sup>47</sup> Relevant regulatory authorities are the Medicines Control Agency, the Veterinary Medicines Directorate, and the European Agency for the Evaluation of Medicine Products, and the Pesticides Safety Directorate.

<sup>48</sup> Article 4

approval requiring that the quality, safety and efficiency of the product be established by means of evidence, before marketing authorisation can be granted. In order to receive an SPC, a person must apply to the national patent office and not to EPO. The application must be made within six months of receipt of authorization to market the medicinal product or plant protection product in the country concerned.<sup>50</sup> At the time of application, the applicant must be the proprietor of a basic patent that is in force.

### **5.3.2 Changes for obtaining SPC in accession countries**

The accession of 10 new Member States to the EU will have a profound impact on a wide range of areas affecting the pharmaceutical industry. Legislation covering pharmaceutical marketing authorisations must be transposed across the enlarged EU. Each accession country has already transposed the Directives on pharmaceutical products for human use and for veterinary use. Currently patents can be obtained either nationally or through an application for a “European Patent” under the European Patent Convention (EPC). The latter in effect is the grant of a bundle of national patents through a single application. Most of the accession countries have already ratified the EPC. Special provision will apply for patents for pharmaceutical products, in relation to all the accession countries apart from Malta and Cyprus. A mechanism will be put in place whereby the holder of a patent of supplementary protection certificate in an “old” Member State may invoke its patent rights for the duration of the patent to prevent the importation into the state of a product made or marketed in one of the accession states if patent protection was not available in that accession country at the time the product was put on the market in that country. This will include products that may have been placed on the market of the accession state by or with the consent of the patentee.

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<sup>49</sup> Article 13(2)

<sup>50</sup> SPC(MP) Rge. Art 4

Holders of patents in the accession countries will be able to obtain Supplementary Protection Certificates (allowing a prolongation of the patent term for up to 5 years) for products for which the first marketing authorisation was obtained prior to the date of accession, subject to certain conditions relating to when the first marketing authorisation was obtained and when the application for an SPC was made.

As far as the Supplementary Protection Certificate Regulation is concerned (SPC which is a prolongation of the patent term) the EU requested that the SPC be applicable retroactively so that all patented pharmaceutical products with market authorization should be eligible for SPC action of IPR rights within the enlarged Union .

The Council Regulation 1768/92 on SPC was amended. The final wording of the Accession Treaty, amending Regulation 1768/92 shows that the relevant provisions have been agreed on individual basis with all the candidate countries and have been inserted as Article 19a in the Regulation.

### **5.3.3 “Specific mechanism” for derogations from the principle of Community –“exhaustion of rights” principle**

Since the 1997, when the accession negotiations have started with the first new candidate countries, the major concern in pharmaceutical field of European Community was the significant possibility of parallel imports once these countries will join the Community.

Although the new Member States will provide the proper patent protection for pharmaceuticals, the fact that the price level of drugs is lower approximately 30 %, cannot be denied. In order to avoid the flow of great quantities of cheap medicines from new member states, during the negotiations with candidate countries, there was accepted “specific mechanism” providing for derogations from the principle of free movement

of goods. This mechanism will be put in place whereby the holder of a patent or supplementary protection certificate in an “old” Member State may invoke its patent rights for the duration of the patent to prevent the importation into the state of a product made or marketed in one of the accession states if patent protection was not available in that accession country at the time the product was put on the market in that country. This will include products that may have been placed on the market of the accession state by or with the consent of the patentee. There will be a requirement to notify the right holder of the intention to parallel import a product from an accession country and the patent holder will have one month in which to object and take action to prevent the import. In this case the provisions relating to principle of “exhaustion of rights” in the Community will not necessarily apply.

Thus according to Annex IV (2) of the Treaty of Accession, the holder, or his beneficiary, of a patent or supplementary protection certificate for pharmaceutical product filed in a Member State, except Malta and Cyprus ,at a time when such protection could not be obtained for that product in the accessing countries, is allowed to rely on the rights granted by that patent or supplementary protection certificate in order to prevent the import and marketing of that product in the Member States or States where the product in question enjoys patent protection or supplementary protection, even if the product was put on the market in the new Member State for the first time by him or with his consent. Also, it provides that any person intending to import or market a pharmaceutical product in fifteen EU countries shall demonstrate to competent authorities in the application regarding that import that one month’s prior notification was given to the holder or beneficiary of such protection. These specific means show that the EU is intended to provide a full protection to the pharmaceutical industries at the present Member States.

Some of the accession countries have to date not provided product protection for pharmaceuticals but only process patents relating to particular

methods of manufacture. They are now introducing patent laws corresponding to current EC provision that will provide product protection but this will mean there are many pharmaceutical products for which protection was sought many years ago at a time when product protection in these countries was not available and obviously is too late to seek such protection now. This could have potentially serious consequences for the scope of protection which pharmaceutical companies will enjoy their products in a significant part of the enlarged EU.

## 6 Harmonisation of legislation on intellectual property in European Union

The one of main aims of the EU is to avoid any barriers to trade within the internal market. National IPRs are deemed to be as one of the dangers to divide it. It became apparent that the sufficient level of harmonisation of national IP laws is required. The European Union has undertaken to harmonise or approximate IPRs laws of its member states. The EC Treaty does not expressly grant the Union organs power to regulate in the field of IPRs. Instead, the Union organs have acted on the basis of their general power to approximate member state laws in order to facilitate the broad goals of the Union – to create a single market in which goods, services, persons and capital move freely. So as it was mention before, the variation in member states laws with respect to IPRs may act to distort trade and investment patterns. The extent to which the Union might act to preamp member state laws in the IPRs field through the power to approximate is not fully settled.

One of the ways to harmonise the laws is that the Council is able to issue directive for the approximation of the laws of member sates directly affecting the establishing and functioning of the common market.<sup>51</sup> The Directives must be implemented into the national laws. This leaves some space to the countries how to implement it, as it does not require a transposing of them word by word. But if a government fails to implement a directive or implements it partially, a number of consequences follow.<sup>52</sup>

Another way is the regulations. In the case of Regulations, the legislation does not need to be implemented to be effective.<sup>53</sup> It has to be applied directly in the member countries. However, where national procedures must

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<sup>51</sup> Article 94, EC

<sup>52</sup> The Commission is likely to bring an action against the non-implmenting country before the ECJ

<sup>53</sup> Article 249 EC

be established (as with the Regulations on Supplementary Protection Certificates, some action must necessarily follow.

The extended European Union will bring ten new member countries with their own laws on intellectual property. The purpose of merging fifteen and very soon twenty five national markets into one Common Market, as outlined by E.C. Treaty, cannot be attained completely as long as national intellectual property rights substantially differ in scope and mode of protection. In the 1960s, the E.C. Commission became concerned about the use of IPRs to prevent trade between Member States. Accordingly, it realised that a programme of harmonisation of national intellectual property laws of Member States was required. This programme has resulted in harmonisation in the fields of copyright and neighbouring rights, industrial design rights, database trade marks, semiconductor rights, plant variety rights and patent rights.

Article 95 (ex. Article 100a) of the E.C. Treaty permits the adoption of legislative acts “for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market”. Community institutions have used this article as the legal basis for issuing a substantial number of harmonising Directives in the field of intellectual property. The Court of Justice following challenges by Member States to the validity of such legislation has considered this legal basis a number of times.

In *Spain v. E.U. Council*<sup>54</sup>, the Kingdom of Spain challenged the validity of the E.C.Regulation that permitted patentees of pharmaceutical drugs to apply for a Supplemental Protection Certificate (SPC). If SPC is granted, it effectively extends the protection of a pharmaceutical patent via *sui generis* protection. Spain and Greece argued that in the allocation of powers between the Community and Member States, Articles 30<sup>55</sup> and 295<sup>56</sup> of the

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<sup>54</sup> C-350/92(1995) E.C.R. I-1985

<sup>55</sup> Art.30 (which is concerned with the free movement of goods)

E.C. Treaty meant that Member States had exclusive sovereignty over industrial property matters, and that the Community had no power to regulate substantive patent law and could only harmonise those aspects relating to the exercise of industrial property rights which are capable of having an effect upon the achievement of the general objectives laid down in the Treaty. The Court rejected the argument that these articles reserved exclusively to Member States the ability to enact new IPRs. The Court held that the adoption of a Regulation conferring an SPC was aimed at harmonising differing national law on the grant of an SPC. By providing for a Community-wide right, the Regulation was aimed at preventing the fragmentation of the internal market whereby the medicine would be protected in some States but not others.

The process of harmonisation of national laws in the field of intellectual property has been proceeding for some time and has not been restricted to the European Community. European Community Directives have been instrumental in changing domestic laws protecting computer programs, semiconductor products, databases and trade marks. Other changes have been made to copyright law and rights in performances. European Community regulations have also had an impact on domestic intellectual property laws.

It is important that EU compatible legislation is not only passed but also has an effective implementation. Acceding countries to the EU face the problem of effective and efficient implementation, and not necessarily the acquisition of the *acquis communautaire*. At the moment all ten future member states are, where necessary, amending their national IP laws in order to implement EU directives relating to trade marks, copyright, registered designs, databases, and data protection.

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<sup>56</sup> Art.295 states that “This Treaty shall in no way prejudice the rules in Member States governing the system of property ownership”

## 7 Conclusion

The enlargement of EU is going to be a significant event for the old and newly accessing Member Countries. On May 2004, the European Union will embark on this historical enlargement by welcoming ten new countries and bringing its membership up from fifteen to twenty-five states. Nations that had been divided ideologically, politically and militarily for most of the past 60 years will be brought together again and reunite the East and West of Europe under the ideal of One Europe, bringing about cohesion, peace and prosperity on the European continent. This is the first time when the European Union has taken on so many countries in one time.

When this phase of enlargement is complete, the EU will have a population of 455 million and cover almost 4 million km<sup>2</sup>. EU citizens will be able to live, move, study and work across the whole EU territory. Businesses will be able to operate on the basis of standard procedures across the world's largest frontier-free market. Concerning the commercial impact, the broadest effect is given by the simple extension of the EU's trade policy regime to the acceding countries. Where there is currently a single trade regime for the EU and a different regime for each of the candidates, after accession there will be one only single set of rules for all twenty-five countries.

The main requirement for the accessing countries applying for membership in the European Union is the acceptance of the Community legal order, the famous *acquis communautaire* as a whole. The new Member States are required to transpose into their national law around 2600 items of legislation. This is the general rule but there are exceptions to all general rules. These exceptions that are intended to reflect and ease the "pains of adaptation" of the applicant country are to be defined at accession negotiations and have to be included in the Accession Treaty concluded after those negotiations. These general principles apply in the field of

intellectual property, too. The level of protection granted for intellectual property has to be similar to that existing in the European Union.

A comparison between the levels of protection should not be made on a provision-by-provision basis. It is the overall legislation on, and enforcement of, intellectual property rights that should be taken into account when assessing whether the level of protection is similar to that existing in the Community. But it should be borne in mind that mere transposing of *acquis communautaire* will not solve the all possible problems that might face new and old member countries of EU.

In the field of trade marks, designs and in other intellectual property areas, the enlargement will present great challenges for owners, users, competitors, legislators and, last but not least, the administrators, namely OHIM. In this thesis touched upon only a general issues concerning the Community-wide systems and specific issues as in a pharmaceutical protection case.

The changes of Council Regulations on the Community Trade Mark and Community Design are just the beginning for changes in intellectual property protection of enlarged European Union. The newly inserted provisions in the Community Trade Mark Regulation, Community Design Regulation and Regulation concerning the creation of a supplementary protection certificate for medical products is considered as technical adoptions. The question arise if those adoptions will help to solve the problems that might happen after the accession of new member states.

At the moment all the main steps towards the preparation intellectual property laws for the EU enlargement are made. The main effects of EU enlargement in the area of intellectual property rights that the new Member States will have to bring their domestic intellectual property laws into line with EU requirements. EU-wide property rights (the Community Trade Mark, the Community Registered Design and Community Unregistered Design right) will all extend automatically to the new Member States. The enlargement will have an immediate impact on the Community trademark

and Community design and also on the Community patent when that system comes into force with many implications for the holders of rights, their representatives, third parties, the national offices and OHIM. The conflicts may arise concerning the community trade marks, community designs and in the patent area, but to see how the system works and its effect can take months or years. And mainly it will develop through the case-law.

EU enlargement neither directly affect current national patent systems nor Community patent system. The enlargement will not affect the European Patent Convention (EPC) as a European patent application may already be extended to all of the accession countries except for Poland and Malta, which plan to accede the EPC in the nearest future.

The research was made searching various opinion, legal advises and suggestions for the holders of CTMs, CDs and owners of national trade marks and designs to make their preparations in order to avoid those conflicts which will potentially arise after the 1<sup>st</sup> of May, 2004. In my view now the all discussions on it have more of hypothetical character, based on predictions and sometimes are too much exaggerated. The key requirement for the accessing countries is to change their intellectual property laws that would comply with the protection of intellectual property in European Union. But the concrete results of it can not be foreseen until the 1<sup>st</sup> of May, 2004 when it starts to be applicable in reality.

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