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The “burden of proof” of a trade mark to defend its distinctiveness

The Court of Justice will soon pass a decision on the preliminary ruling submitted by the Austrian Court of Patents and Trade Marks, in a case of trade mark revocation for the loss of its distinctiveness (case C-409/12 Backaldrin Österreich The Kornspitz Company GMBH against Pfahni Backmittel GmbH). These notes are written according to conclusions already presented by the Advocate-General.

a) Pursuant to article 12, paragraph 2, letter a), of the Directive 2008/95/CE, it will be possible to revoke a trade mark, as a consequence of acts or inactivity of its proprietor, it has become the common name in the trade for a product or service in respect of which it is registered.

b) In Austria, the baked goods sold under the trademark «Kornspitz» are really famous among the end consumers, and they are very widely distributed: according to their own information, Backaldrin supplies its powdered mix for the preparation of the dough to 1.200 of the 1.500 bakery companies in Austria, as well as to many others abroad. The majority of end consumers considers that the term «Kornspitz» is the name of a specific baked good, not an indication that this product is coming from a specific company. On the other hand, the competitors and the

bakers know that it is a registered mark. The bakers to whom Backaldrin supplies this powdered mix to prepare the dough don't usually inform their clients about the origin of the contested baked good prepared by using a mix made by Backaldrin.

c) Pfahnl sought the revocation of the trade mark «Kornspitz», not only for the baked goods, but also for the corresponding semi-prepared goods. Pfahnl based its claims on the fact that, for manufactures, as well as for consumers and traders, «Kornspitz» has become the name of a baked good based on a flour resulting from a high grade of milling and whose ends are spiky. That's the reason why, in Pfahnl's judgment, the sign does not serve anymore to distinguish the goods of Backaldrin from those of other bakers.

d) In relation to the registration of the trade mark for raw materials and intermediate goods, Backaldrin responds that the mere fact that bakers and food traders still understand the term «Kornspitz» as a trade mark prevents its revocation. Regarding the registration for final goods, Backaldrin denies that bakers, food traders or consumers understand the trade mark as the generic term thereof. For Backaldrin, even if consumers are not so far aware of the fact that «Kornspitz» is a registered mark, the fact that the bakers and the food traders are aware thereof prevents it from becoming the generic term of this good. In Backaldrin's opinion, another fact that excludes the possibility of revoking the trade mark is the existence of alternative ways to name the good, such as «Knusperspitz», «Kerni», «Bio Urkornweckerl», «Kornstange», «Kornweckerl» or «Alpenspitz». Furthermore, Backaldrin alleges that the non-justified revocation of the trade mark will be an interference in its basic right to property.

e) The Austrian national Court makes a difference when determining if the contested trade mark has become a common name of the good, between the different goods for which the mark is registered. It considers that, to the extent that it is registered for raw materials and

intermediate goods, the trade of the good is mainly constituted of bakers and food traders, who are aware of the fact that the name is a registered mark, excluding therefore the possibility of revocation and, not considering necessary for that purpose to lodge a claim for a preliminary ruling, declaring that the revocation of the trade mark is not appropriate. On the other hand, in regard to registration of "baked goods" and "pastry goods", the National Court informs that the trade is mainly constituted by the end consumers. Pursuant to first instance ruling –refused in this regard by Backaldrin–, the end consumers considered that «Kornspitz» is the name of a specific type of baked good. The said national Court considers that the landmark ruling of the Court of Justice does not clarify if it is possible for a mark to develop until becoming a generic term when consumers understand the sign as the generic term thereof, but traders and intermediary agents do not so. The referring Court establishes that the doctrine in German and Austrian jurisprudence oppose to such possibility.

f) The national Austrian Court brings up the European Union Court of Justice the following preliminary questions:

1) Has a trade mark become 'the common name ... for a product or service' within the meaning of Article 12(2)(a) of Directive 2008/95/EC, where

(a) Although traders know that the mark constitutes an indication of origin they do not generally disclose this to end consumers, and

(b) (inter alia) on those grounds, end consumers no longer understand the trade mark as an indication of origin but as the common name for goods or services, in respect of which the trade mark is registered?

2) Can the conduct of a proprietor be regarded as 'inactivity' for the purposes of Article 12(2)(a) of Directive 2008/95/EC simply if the proprietor of the trade mark remains inactive notwithstanding

the fact that traders do not inform customers that the name is a registered trade mark?

3) If, as a consequence of acts or inactivity of the proprietor, a trade mark has become a common name for end consumers, but not in the trade, is that trade mark liable to be revoked if, and only if, end consumers have to use this name because there are no equivalent alternatives?

g) Preliminarily, the Advocate-General reminds that the essential function of protection of trade marks is based in the so-called "indication-of-origin function" (the trade mark permits that the end consumer or user identifies the origin of the good). According to this, it is logical that only the signs being appropriate to distinguish the goods of a company from those of other companies can constitute a trade mark. That is the reason why in case a sign lacks distinctiveness, it cannot be registered (it is denied *ab initio*), but also in case this sign registered in the beginning as a mark loses afterwards its distinctiveness, so that for the pertinent public it is not longer understood as an indication of origin, it will be revoked when some of those requirements are satisfied.

h) In order for a mark to be revoked pursuant to article 12, paragraph 2, letter a), of the Directive, it is necessary that an objective requirement (that the trade mark has become the common name in the trade of the good or service for which it is registered) and a subjective requirement (that the result thereof has been caused by the acts or inactivity of the proprietor of the mark) coincide.

i) The question about determining which are the stakeholders to be taken into account as a relevant or pertinent point in order to evaluate if the mark no longer indicates the business origin of the goods and has become the common name of the goods, concerns the objective requirement or circumstance of art. 12, para.2, letter a) of the Directive and its raised in the first and third preliminary questions in the preliminary questions lodged by the Austrian Court. Nevertheless, before dealing with

the issue of the stakeholders, whose point of view has to be taken into account, the Advocate-General considers appropriate to refer to one of the pleadings lodged in this context by Backaldrin and the Federal Republic of Germany, whose pleadings are in our judgment important. Backaldrin and the Federal Republic of Germany defend that, analysing the development to which the trade mark is subject in order to become a common name, it must not only be taken into account its indication-of-origin function, but also its quality or guarantee function, i.e., if the stakeholders link specific features and a constant quality of traded good to the said mark. However, the Advocate-General considers in his conclusions that the quality function is not relevant when making the present appreciation. This conclusion is based on an appropriate comprehension of the quality function itself. Marks permit the companies to invest on the quality of a good. This is possible because, thanks to the mark, the consumer can identify the company responsible of the good manufacture and, together with its experience, reward the quality manufacturer by selling the good and punish the less quality manufacturers by not doing so. In this sense, the mark serves as a sign identifying the constant quality of a good. Therefore, the fulfilment of the quality condition by a trade mark depends on whether it is fulfilling the indication-of-origin function. In this respect, the Advocate-General Jacobs properly observes that, "because of its indication-of-origin function, trade marks are really valuable asset of the goodwill of a company (or one of their specific goods)". Trade mark gives protection to the expectations that a good in a company, and not an expression to be understood a generic term, creates on the consumer. When a mark stops accomplishing the indication-of-origin function for having become a common name, it also stops executing its quality function.

j) Stakeholders, whose point of view has to be taken into account. The Court of Justice took responsibility for the said ruling in the case *Björnekulla Fruktindustrier* declaring "that, when intermediary agents take part in the distribution to end consumer or user of a good under a registered mark, the interested sectors, whose point of view has to be

taken into account in order to determine if the said mark has become the common name in the trade of the product in question, are the end consumers or users and, depending on the features of the trade of the good in question, the professionals taking part in the commercialization of the good.

k) When selling a good, the mark provides information about the origin thereof. Therewith, the trade mark, as well as the general language, constitute a communicative process, in this case between the buyer and the seller. The said good comes to fruition, and the trade mark accomplishes its function justifying its existence, only if the two actors taking part in the communication "understand" the mark itself, i.e., if they are aware of its indication-of-origin function. If one of the two groups understands it as a generic term, the information that was supposed to provide the trade mark fails. In order for the intermediary agent to be relevant when determining if the trade mark has become a generic term, despite the fact that the buyer unknowns that it is a registered mark, it is necessary to prove if it causes a determining influence on the purchasing decision and, in this way, the idea that the said agent has about the indication-of-origin function of the trade mark makes the communicative process successful.

That is what happens when, in the trade in question, the intermediary agent gives usually advice significantly influencing the purchasing decision, or when it is the agent himself who decides for the buyer about the purchase, which is the case of pharmacists and doctors in relation with the drugs subject to medical prescription. However, in the contested case there is not such determining influence on the purchasing decision of the good as it happens in the last case. The clients of a bakery make their own decisions about the purchase without being advised by an agent, or even without being influenced on the decision thereof.

l) When analysing the following preliminary question, which is about knowing if, in order for the revocation of a trademark to take place,

due to the acts or inactivity of its owner, a trade mark has become a common name for end consumers, but not for traders, it is necessary to find the lack of alternative or equivalent designations, and due to that reason, the end consumer has only that name to make reference to the product.

The General-Advocate, in his conclusions, suggests to the Court of Justice to answer that it is not necessary to determine if there are in the trade alternative or equivalent names for the good. Through revocation, the law satisfies the general interest of the sign to be freely used ("requirement of availability"). Nevertheless, what the law requires for a trade mark to be revoked is not that it is proved the existence of such general interest in the use of the sign (interest that can be inferior if there are other signs fulfilling the same purpose). The only thing that the law demands is that it has become the common name of the good. Despite all this, this concern has nothing to do with the fact that some synonyms have been incorporated to language.

II) Finally, regarding the subjective requirement or circumstance (that the result has been produced by the acts or inactivity of the proprietor of the trade mark). The national Court would like to know If the conduct of a proprietor can be regarded as 'inactivity' simply if the proprietor of the trade mark remains inactive notwithstanding the fact that traders do not inform customers that the name is a registered trade mark.

The Advocate-General reminds that the proprietor's rights protection is not unconditional, since the proprietor has to be diligent in regard to the protection thereof. In his opinion, this is applicable not only to the defence of trade mark right against any infringement, but also to the risk of the mark to become a common name. The diligence duty compels the proprietor of the mark to perform a monitoring of the trade and to take all the demandable reasonable steps in this specific case to

protect it against the possibility of becoming a common name. Therefore, the second preliminary question has to be answered that there is such inactivity under article 12, paragraph 2, letter a), of the Directive when the proprietor of the mark does not take the demandable reasonable steps to protect it against the possibility of becoming a common name. All this includes to influence if necessary its licensees.

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