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**Issues in the Contractual
Regulation of the Ownership of
Commercially Valuable Trade
Marks**

Register a Trade Mark ®

- **National mark – eg in UK - TMA 1994 – based on EU TM Directive (2008/95)**
- **Community Trade Mark (“CTM”) – for the whole EU via Regulation 207/2009 (OHIM)**

Article 4 Reg. 207/2009

- “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.**”

Traditional Marks

- **Words / Letters**
- **eg Mercedes or BMW for motor vehicles**

- **Designs / Logos**

Function of TMs

- **Origin**
- Distinctive of the goods or services of one undertaking: indicates the quality of goods
- protects business reputation and goodwill and protects consumers from deception

- **Non-origin**
- Symbolises and protects brand identity

Why register a trade mark

Trade Marks – Advantages

- Clarity in legal title – notice to the world & easier to licence
- Certainty - register before use, no goodwill needed, unlimited term if use & renew every 10 years
- Monopoly right - public warning through registration
- Simpler, faster & cheaper enforcement
- Criminal sanctions may be possible in some jurisdictions

Protect the mark

- Art 15 Reg 207/2009:
 - use it or lose it -
 - genuine use within 5 years and
 - no uninterrupted non-use for 5 years.
 - Exception – proper reasons for non-use
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- eg in UK *Willie Wonka* 2005 for toys

TM as Property

- **Art 9 Reg. 207/2009:**
- **A Community trade mark shall confer on the proprietor exclusive rights therein...**
- **Property rights of prop'r dealt with by Arts. 16 – 23.**
- **Include: insolvency provisions (Art 21) and licensing ie contracts for use (Art 22)**

The Proprietor - Law

- **Art 5 Reg. 207/2009:**
- **Any natural or legal person, including authorities established under public law, may be the proprietor of a Community trade mark**

The Proprietor - Practical

- Not easy to decide as must predict the future & consider tax implications:
- With the trading company. Investors like this as company owns and no licence needed.
- With the designer or inventor. Control over the rights but business less attractive.
- In a holding company. Designer/inventor and the trading company holding shares in the holding company

Losing Control - What May Happen ?

- **Insolvency** - Assets sold to highest bidder
- **Sale** - Lose right to your own name ?
- ***Emanuel v Continental Shelf 128 Ltd*** (Case C-259/04) 2006
- Elizabeth Emanuel - famous dress designer
- TM cannot be prevented from reg'n or revoked because the named individual was no longer involved in the manufacture of the goods bearing that mark unless actual deceit or a sufficiently serious risk of consumer deception. Goods still from same undertaking

Marketing

- **Why Licence?**
- **No resources to develop / risk**
- **Lack of knowledge / capacity:**
 - **new territory**
 - **different field of use e.g. film / band and merchandise**
- **Generate income - one off payment / royalties?**
- **Wide market penetration & faster success – time frame often narrow ?**

Contractual Licence Terms

- Some / all of the goods / services for which registered (eg field of use)
- Whole or part of the [Community] (eg national licensees)
- Exclusive or non-exclusive
- Duration – inc. renewal options & early termination eg failure to sue, payments, breach of conditions.
- Payments – lump sum, minimum sum, royalties – calculation

Contractual Licence Terms 2

- Very flexible for commercial negotiation
- **Possible Downside:**
- need consent of prop'r to bring legal action unless an exclusive licence and prop'r does not bring action after formal notice : Art 27(3)

Licensing & TM Control – Rolls-Royce Case Study

- Rolls-Royce Limited made jet engines and cars
- Nationalised in 1971 due to insolvency
- 1973 Rolls-Royce Motors sold and in 1980 bought by Vickers. TM licensed to RR Motors and now used by 2 companies.
- BMW supplied engines and parts for RR Motors. They also had joint ventures with Rolls-Royce plc who made the jet engines

Rolls-Royce Case Study

BMW v VW

- **1998:** VW outbid BMW (£430 million v £340 million) for RR Motors.
- Got rights to Spirit of Ecstasy mascot and the distinctive radiator grille.
- But TM RR name and logo on licence from Rolls-Royce plc jet engine maker.

Rolls-Royce Case Study

BMW v VW 2

- RR plc & BMW had joint business ventures.
- BMW paid £40m to license the Rolls-Royce name and "RR" logo
- Result - Neither BMW or VW had full rights.
- Tie-breaker: BMW could withdraw engine supply on 12 months notice. VW needed more time to design their own engines.



Rolls-Royce Case Study

BMW v VW 3

- **VW says it only wanted Bentley as it outsold RR two to one.**
- **Negotiations:**
- **1998 to 2002 BMW supply engines & licence VW to use RR name / logo.**
- **From 2003 only BMW can call cars RR. VW switch to Bentley**

Group Lotus v Team Lotus

- [2011] EWHC 1366 (Ch.)
- Full case available at:
<http://www.bailii.org/ew/cases/EWHC/Ch/2011/1366.html>

Conclusion

- Commercial exploitation of trade mark involves some degree of loss of control
- Names used as trade marks for two or more activities which are separated or disposed of with a business could end up being used for purposes which the originator or “joint” user disagrees with.
- This should be considered as part of drafting the terms of relevant contracts or how to acquire competing rights on a company acquisition as part of due diligence process
- Where joint use exists satisfactory conclusions are a matter of commercial strength and judgment – often requiring negotiation (and possibly litigation too).