

**TRADE MARKS ACT 1994**

**IN THE MATTER OF:**

**APPLICATION No. 81880**

**IN THE NAME OF THE HEBREW UNIVERSITY OF JERUSALEM**

**FOR REVOCATION OF TRADE MARK REGISTRATION No. 1339408**

**IN THE NAME OF CONTINENTAL SHELF 128 LIMITED**

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**DECISION**

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Registered Trade Mark No. 1339408

1. Pinwise Limited applied on 23 March 1988 to register the designation **EINSTEIN** as a trade mark for use in relation to *'articles of clothing included in Class 25'*. The application proceeded to registration on 10 August 1990. Continental Shelf 128 Limited was recorded as proprietor of the trade mark on 10 April 2002 pursuant to an application filed at the Trade Marks Registry on 26 February 2002 in respect of an assignment dated 31 August 2000. In this decision I shall refer to Continental Shelf 128 Limited as *'the Proprietor'*.

Revocation Application No. 81880

2. On 5 October 2004 The Hebrew University of Jerusalem (*'the Applicant'*) applied for revocation of the trade mark registration under section 46(1)(b) of the Trade Marks

Act 1994. The application was made on the basis that investigations had *'established no incidences of use of the mark by the Proprietor or with its consent in the UK within the five year period between 19 July 1999 and 19 July 2004'*. There were alleged to be *'no proper reasons for non-use'*. It was contended that even if there had been use of the trade mark during the relevant five year period *'the specification for registration 1339407 should, in any event, be restricted in accordance with the provisions of section 46(5) of the Trade Marks Act 1994'*.

3. In its counterstatement filed on 25 January 2003 the Proprietor maintained that the trade mark had been *'put to genuine use in the UK within the past 5 years by the Registered Proprietor or with its consent. Attached hereto as Exhibit 1 is a Witness Statement made on behalf of the Registered Proprietor which evidences use during the years 2002 and 2003 of the Mark in respect of the goods for which it is registered'*. The Registrar was requested to reject the application for revocation in its entirety.

#### The Evidence

4. The evidence given in the Witness Statement attached to the Proprietor's counterstatement was as follows:

1. I, Lalji Khimji, of 2-16 Bury New Road, Manchester, Lancashire M8 8FR, am the Sales Executive of Hornby Street Limited (My Company), a sister company of Continental Shelf 128 Limited (the Registered Proprietor) and I have held this position for ten years. All facts stated in this witness statement are within my own knowledge or taken from My Company's records.

2. I understand that the Applicant has applied to revoke the Registered Proprietor's registered trade mark 1339408 EINSTEIN (the Mark) on the basis that:

i. it has not been used for a period of 5 years between 19 July 1999 - 19 July 2004;

ii. that no use of the Mark has taken place by the Registered Proprietor or with its consent for an uninterrupted period of 5 years;

iii. that the protection for the Mark should be restricted.

3. The allegation of non-use on the grounds stated is denied. In support of this, I attach a folder labelled EXHIBIT A containing:

a. Swing labels

b. Sew-in labels

c. Invoices

d. Representations of articles of clothing corresponding to the invoices

4. EXHIBIT A shows the way in which My Company has used the Mark in the UK during the period 2000-2003 with the permission of the Registered Proprietor. The Mark has been used in respect of all of the goods for which it is registered by My Company with the Registered Proprietor's consent within the past 5 years.

5. I believe the facts stated in this witness statement are true.

6. It is requested that:

a. the request for revocation of the Mark be refused; and

b. that an award of costs be granted to My Company

5. The Applicant elected to file no evidence in support of its application for revocation. The Proprietor was allowed 2 extensions of time within which to file further

evidence in support of its position. The first extension of time was obtained on the basis that:

The Registered Proprietor is in the course of collecting further evidence in support of its registration. The majority of the evidence showing actual use and the way in which it has been used has already been filed but we are hopeful that more detailed information can be provided. The information dates back several years and is proving more difficult to obtain than anticipated but we expect to be able to file further evidence before the end of the period now requested.

The second extension of time was obtained on the basis that:

The Registered Proprietor is still collecting further evidence in support of its registration but delays have arisen due to the nature of the material. It is anticipated that the further information on the use will be ready soon and only a short period longer should be required to put the evidence in a form acceptable to the Registry.

The Registry was eventually notified by letter dated 3 November 2005 that the Proprietor would not be filing any further evidence.

#### Written submissions in lieu of hearing

6. There was no request for cross-examination in relation to the Witness Statement filed on behalf of the Proprietor in January 2003. Both parties opted for determination of the revocation application on the basis of the papers on file. Each side filed written submissions in support of its contentions.

7. The Applicant maintained that the evidence on file was insufficient to disprove the allegation of non-use:

What the registered proprietor must establish in its evidence of use is that the trade mark has been put to genuine use in the United Kingdom by the proprietor or with the consent of the proprietor in relation to the goods for which it is registered. We do not believe that the evidence that has been filed achieves this purpose.

The Proprietor was criticised for not filing 'direct' evidence as to use of the trade mark by its 'sister' company (Hornby Street Limited) with its consent:-

The Witness Statement is given by a Sales Executive, that is to say, an employee not an Officer of a company called Hornby Street Limited. Mr Khimji indicates that Hornby Street Limited is a sister company of the registered proprietor and Hornby Street Limited and there is nothing to show that, if the evidence proves use that such use is with the registered proprietor's consent. There is no direct evidence from the registered proprietor at all in the proceedings.

Various points were made with regard to lack of detail in the evidence. The Applicant's position, in summary, was:

For all the foregoing reasons, we believe that only very little weight should be given to the evidence that has been submitted. We think that the timing of the filing of the evidence is significant in that it would appear from the correspondence which we had with the Registry in January 2005 the evidence was only completed on the very last day for so doing. The disclosure of amended, rather than original invoices and the lack of substantiation of a relationship between the registered proprietor and the company on whose behalf the Witness Statement has been prepared, would all indicate that the evidence is inadequate for showing that there has been use such as would constitute genuine use for the purposes of these proceedings.

8. The Proprietor adopted the position that:

... the Form TM8 and counterstatement was duly filed, together with a Witness Statement made by Mr Lalji Khimji, sales executive of Hornby Street Limited, a sister company of the Registered Proprietor and authorised user of the Registered Trade Mark. In the Witness Statement, Mr. Khimji verified that use of the Registered Trade Mark had been made by the Registered Proprietor or with its consent during the Relevant Period and provided examples of such use ... the examples of use provided were swing labels, sew-in labels, sample invoices and representations of the articles of clothing on which the Registered Trade Mark was used.

It maintained with reference to Exhibit A to Mr. Khimji's Witness Statement that:

... the Registered Trade Mark was clearly in use during the relevant period on goods which have already been marketed. The invoices which are attached as Exhibit A and the accompanying representations illustrate the sale of goods within the UK and show the goods to which the invoices relate. This can be seen by the product code (or "style no") which is indicated on the invoice and on the design drawing ...

The Registered Trade Mark is used in relation to the goods not only by way of the textile labels sewn into the clothing but also on swing labels. The Registered Trade Mark is also displayed on the exterior of some of the items of clothing themselves, such as shorts and t-shirts (see above). The Registered Trade Mark is usually displayed in block lettering in text, on the labels, on swing tickets and on the clothing but occasionally appears in a stylised manner.

#### The Hearing Officer's Decision

9. The application for revocation succeeded for the reasons given in a written decision issued on 7 March 2006 under reference BL O-059-06 by Mr. David Landau

acting on behalf of the Registrar of Trade Marks. His decision is now reported at [2007] ETMR 6, p.95. The trade mark registration was revoked in its entirety with effect from 19 July 2004. The Proprietor was ordered to pay £900 as a contribution towards the Applicant's costs of the Registry proceedings.

10. The Hearing Officer found on the basis of the evidence given by Mr. Khimji that there had been genuine use of the trade mark during the relevant five year period in relation to goods fairly and properly describable for the purposes of section 46(5) of the 1994 Act as '*casual outer clothing for men in Class 25*' (paragraphs 22 to 25). He nevertheless held that the evidence was insufficient to justify retention of the registration for such goods in the absence of verification from the Proprietor that the relevant '*casual outer clothing for men in Class 25*' had been marketed with its consent and under its control (paragraphs 12 to 18). In the concluding paragraph of the section of his decision dealing with 'Consent' he held that '*owing to the failure to establish consent the application for revocation succeeds*' (paragraph 18).

11. With regard to verification from the Proprietor, he decided as follows:

No evidence has been filed by the proprietor. The evidence filed has been by Mr Khimji of Hornby. ... It is for the proprietor to file the evidence. The proprietor has not filed any evidence. (paragraph 12)

It may be argued that Mr Khimji's statement should be taken as proof of use with the consent of the proprietor as the application was served on Shelf but Hornby replied. I don't consider that is the case. That is a matter of fact that has to be established by evidence and not a matter of conjecture and speculation. (paragraph 14)

The issue of consent cannot be left to probabilities or suppositions; if the proprietor wishes to maintain the registration it needs to cross t's and dot the i's to establish the consent. In this case the proprietor has been silent. (paragraph 15)

The onus is upon Shelf. It has filed no evidence. The evidence that has been filed by a third party does not go anywhere in establishing consent to use of the trade mark. (paragraph 16)

If consent should be read as control, the case for maintaining the registration is even weaker. I have deliberately written 'the case for maintaining the registration' rather than Shelf's case as, of course, Shelf has made no case. It has put in no evidence. (paragraph 17)

12. With regard to control by the Proprietor, the Hearing Officer decided as follows:

Mr Khimji states that Hornby is a 'sister company' of Shelf. I assume he means that there is a relationship between the companies, but he does not explain what the relationship is. There is no evidence as to the relationship between the companies. There is nothing to indicate or suggest, for example, that Shelf has effective control of Hornby or vice versa. Laddie J. commented on the meaning of effective control in Sanofi-Synthelabo SpA v. 3M Healthcare Ltd [2003] ETMR 45 at paragraph 26 ... . (paragraph 13).

The requirement for control seems to be in keeping with the European Court of Justice's statements as to the purpose of a trade mark. ... It is difficult to envisage how a trade mark can serve its purpose, as defined by the ECJ, without control; the bare licence is not enough. Taking account of Article 19(2) of TRIPs and the pronouncements of the ECJ it seems to me that control has to be established rather than mere consent. There is nothing to indicate Shelf's control in the use of the trade mark by Hornby. (paragraph 17)

13. The grounds upon which the Hearing Officer found the evidence on file to be deficient went well beyond those raised in the written submissions filed on behalf of the



Applicant. They were also pursued to a conclusion without giving the parties an opportunity to deal with them in submissions in advance of the decision. In addition, his statements to the effect that the trade mark should be shown to have been used under the control of the registered proprietor departed from the Registrar's approach as previously reported in SAFARI Trade Mark [2002] RPC 23, p.497 at paragraphs 11 to 18. They also required the registered proprietor to prove more than the CFI had apparently regarded as sufficient in paragraphs 15 to 29 of its Judgment in Case T-203/02 The Sunrider Corp. v. OHIM [2004] ECR II-2811. The Hearing Officer referred to the Sunrider case, but found it to be of no assistance:

In that case the evidence was furnished by the proprietor/opponent. The issue of consent was raised neither with the Opposition Division nor the Board of Appeal (case nos B41196 and R1046/2000-1). So it was not a matter with which the CFI was seized. I note that the CFI stated in that decision:

'25 As to the truth of what that implies, it is evident that, if the use of the earlier trade mark, as shown by the invoices produced to OHIM, was without the proprietor's consent and consequently in breach of the proprietor's trade-mark right, it would have been in Industrias Espadafor SA's interests, in the normal course of events, not to disclose evidence of such use to the proprietor of the trade mark in question. Consequently, it seems unlikely that the proprietor of a trade mark would be in a position to submit proof that the mark had been used against his wishes.'

I would suggest that in this statement the CFI has not addressed the question; it is not a matter of whether a trade mark has been used against the wishes of the proprietor but whether it has been used with his consent. Otherwise, acquiescence becomes synonymous with consent.

## The Appeal

14. The Proprietor gave notice of appeal to an Appointed Person under section 76 of the 1994 Act contending, in substance, that its trade mark registration had been wrongly revoked for non-compliance with a non-existent requirement for verification from the Proprietor that the '*casual outer clothing for men in Class 25*' marketed by Hornby Street Limited had been marketed with the consent and under the control of the Proprietor. The notice of appeal contained a request for permission to adduce further evidence on appeal in the form of a Witness Statement of Mr. Kashif Ahmed, Managing Director of the Proprietor.

## Application to Intervene

15. The notice of appeal was filed on 13 April 2006. On the same day Hornby Street Limited applied to intervene in the proceedings under rule 35 of the Trade Marks Rules 2000. This was done with a view to heading off any attempt by the Applicant to rely on the line of argument floated by the Hearing Officer in paragraph 12 of his decision:

It is for the proprietor to file the evidence. The proprietor has not filed any evidence. I doubt that Hornby was in a position to file evidence without applying to be an intervener as per rule 35:

- (1) Any person, other than the registered proprietor, claiming to have an interest in proceedings on an application under rule 31, rule 32, rule 33 or rule 34 may file an application to the registrar on Form TM27 for leave to intervene, stating the nature of his interest and the registrar may, after hearing the parties concerned if so required,

refuse such leave or grant leave upon such terms and conditions (including any undertaking as to costs) as she thinks fit.

(2) Any person granted leave to intervene (the intervener) shall, subject to any terms and conditions imposed in respect of the intervention, be treated as a party to the proceedings for the purposes of the application of the provisions of rules 31 to 31B, rules 32 to 32B, rules 33 to 33B or rule 34 (as appropriate).

So it is possible that account should not be taken of the evidence filed by Hornby. This has not been argued by University and so I will base my decision upon the premise that the evidence of Hornby could be accepted into the proceedings without a request for intervention.

### Decision

16. Section 100 of the Act establishes that:

If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it.

In relation to applications for revocation on the ground of non-use, it is further provided in rule 31(3) of the Trade Marks Rules 2000 (as amended) that:

The proprietor shall, within three months of the date on which he was sent a copy of Form TM26(N) and the statement by the registrar, file a Form TM8, which shall include a counter-statement, and be accompanied by -

- (a) two copies of evidence of use of the mark; or
- (b) reasons for non-use of the mark;

otherwise the registrar may treat him as not opposing the application.

There is nothing in any of these provisions or in the law of evidence more generally which either obliges the proprietor of a trade mark to rely on evidence of use from 'internal' witnesses or prevents him from relying on evidence of use from 'external' witnesses. The evidence filed on behalf of the Proprietor consisted of the Witness Statement and Exhibit of Mr. Lalji Khimji of Hornby Street Limited. His evidence was not contradicted by any evidence filed on behalf of the Applicant or challenged by way of cross-examination. It was not open to the Hearing Officer to disregard the evidence of consent given in Mr. Khimji's Witness Statement. That evidence had to be taken for what it was worth.

17. No one argued for any other approach at the hearing before me. It was therefore unnecessary for Hornby Street Limited to pursue its application to intervene in the proceedings.

18. In relation to claims raised adversarially in inter partes proceedings the Registrar is required to adjudicate fairly and impartially on the matters in issue. He should not become embroiled in the presentation of either side's case against the other: see The President of the State of Equatorial Guinea v. The Royal Bank of Scotland International [2006] UKPC (27 February 2006) at paragraphs 12, 13 and 28. If he considers that an argument on one side or the other needs to be explored in more detail, he should invite the parties to make representations on the point(s) on which he requires further assistance. That happens quite naturally in cases where the parties present their arguments orally at a

hearing. It can only happen in cases where the parties have opted for determination on the basis of written submissions if the Registrar's hearing officer writes to both sides informing them of the point(s) of concern and giving them an opportunity to respond. Irrespective of whether submissions are made orally or only in writing, the Registrar's decision should not be based on a point of substance which did not, before the close of submissions, form part of the case that the parties were required or invited to address.

19. I do not accept that the Hearing Officer can simply be taken to have been addressing points subsumed within points put forward by the parties when he raised the matters that he did in relation to 'Consent' (see paragraphs 11 and 12 above). By raising and ruling on those matters without giving both parties an opportunity to deal with them fully in submissions he took too much of the conduct of the case into his own hands. The remedy requested by the Proprietor was the opportunity to adduce further evidence directed to those matters. In effect, reinstatement of its right to file evidence in support of its trade mark registration under rules 31A(3) and (4)(b) of the Trade Marks Rules 2000 (as amended). I decided at the hearing of the appeal (see Transcript pp.52 to 54) that the Proprietor should, in the interests of justice and fairness, be permitted to adduce the further evidence contained in paragraphs 1 to 4 of the Witness Statement of Kashif Ahmed dated 4 April 2006:

1. I, Kashif Ahmed of 2-16 Bury New Road, Manchester, Lancashire M8 8FR am the managing director Manager of Continental Shelf 128 Limited (My Company) and I have held this position since its incorporation. All facts stated in this witness statement are within my own knowledge or are taken from My Company's records.

2. I understand that the Hebrew University of Jerusalem (the Applicant) has applied to revoke My Company's UK trade mark registration no. 1339408 (the Trade Mark) on the basis that it has not been used by My Company or with My Company's consent for an uninterrupted period of five years at some time between completion of the registration procedure and the filing of the application for revocation by the Applicant. I can confirm that there has been no such period of non-use of the Trade Mark.

3. My Company has licensed the use of the Trade Mark to Hornby Street Limited (the Authorised User). The Authorised User is connected to My Company in that the same shareholders own 100% shares of both of My Company and the Authorised User. Accordingly, My Company controls all use of the Trade mark by the Authorised User.

4. I refer to the Witness Statement of Mr Lalji Khimji dated 12 January 2005 which was filed in the course of the revocation proceedings before the Registry on My Company's behalf. I can confirm that the evidence was filed with the permission of My Company. The use evidenced by the Witness Statement was with the consent of, was under the control of and to the benefit of My Company.

20. The question to be resolved on this appeal is whether that evidence, together with the evidence previously given by Mr. Khimji, can be regarded as sufficient to justify retention of the trade mark registration for '*casual outer clothing for men in Class 25*'. The Applicant maintains that the evidence as a whole should still be regarded as deficient for lack of proof as to effective control by the Proprietor of Hornby Street Limited's use. The appeal proceeded on the basis that I would determine that issue without making an order for reference to the ECJ under Article 234 of the EC Treaty or an order referring the matter to the court under section 76(3) of the Act. I have done so on the basis that I am not a tribunal of last resort and may therefore proceed without making an order for reference under Article 234 (see Maasland NV's Application for a Three-dimensional

Trade Mark [2000] RPC 893 at 900, 901) and also because it appears to me that the scale of the dispute from a commercial point of view is legitimately reflected in the common desire of the parties to have the appeal determined by this tribunal.

21. Article 10(3) of Council Directive 89/104/EEC (*'the Directive'*) and Article 15(3) of Council Regulation 40/94 (*'the CTMR'*) establish that use of a trade mark registered at the national or Community level *'shall be deemed to constitute use by the proprietor'* if it is *'with the consent of the proprietor'*. It follows that use by a third party with authority to use the mark equals use by the proprietor for the purpose of defeating an application for revocation on the ground of non-use: Case C-40/01 Ansul BV v. Ajax Brandbeveiliging BV [2003] ECR I-2439 at paragraph 37. The same is true for the purpose of claiming protection defined by reference to use: Case C-486/04P The Sunrider Corp. v. OHIM (11 May 2006) at paragraphs 42 to 47.

22. The rule stated in Article 10(3) of the Directive and Article 15(3) of the CTMR is reflected in the provisions of Article 7(1) of the Directive and Article 13(1) of the CTMR relating to exhaustion of rights. The latter Articles provide for exhaustion of the rights conferred by registration of a trade mark in circumstances where goods are *'put on the market under the trade mark by the proprietor or with his consent'*. I do not see how use of a trade mark in relation to goods *'put on the market'* in the United Kingdom *'by the proprietor or with his consent'* could be sufficient, in principle, to satisfy the requirements for exhaustion without also being sufficient, in principle, to support a claim for protection defined by reference to use or to defeat an application for revocation on the

ground of non-use. I therefore think it is appropriate to adopt and apply the same basic concept of use *'by the proprietor or with his consent'* in all three contexts.

23. That brings into consideration the Judgment of the ECJ in Case C-9/93 IHT International Heiztechnik v. Ideal-Standard GmbH [1994] ECR I-2789, where the concept of use *'by the proprietor or with his consent'* was explained, in the context of exhaustion, in the following terms:

34. ... This principle, known as the exhaustion of rights, applies where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked. A number of situations are covered: products put into circulation by the same undertaking, by a licensee, by a parent company, by a subsidiary of the same group, or by an exclusive distributor.

...

37. In the situations described above (paragraph 34) the function of the trade mark is in no way called in question by freedom to import. As was held in *HAG II*:

For the trade mark to be able to fulfil [its] role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality (paragraph 13).

In all the cases mentioned, control was in the hands of a single body: the group of companies in the case of products put into circulation by a subsidiary; the manufacturer in the case of products marketed by the distributor; the licensor in the case of products marketed by a licensee. In the case of a licence, the licensor can control the quality of the licensee's products by including in the contract clauses requiring the licensee to comply with his instructions and giving him the possibility of verifying such compliance. The origin which the trade mark is intended to guarantee is the same: it is not defined by reference to the manufacturer but by reference to



the point of control of manufacture (see the statement of grounds of the Benelux Convention and the Uniform Law, *Bulletin Benelux*, 1962-2, p.36).

38. It must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control. Accordingly, a national law allowing the licensor to oppose importation of the licensee's products on grounds of poor quality would be precluded as contrary to Articles 30 and 36: if the licensor tolerates the manufacture of poor quality products, despite having contractual means of preventing it, he must bear the responsibility. Similarly if the manufacture of products is decentralised within a group of companies and the subsidiaries in each of the Member States manufacture products whose quality is geared to the particularities of each national market, a national law which enabled one subsidiary of the group to oppose the marketing in the territory of that State of products manufactured by an affiliated company on grounds of those quality differences would also be precluded. Articles 30 and 36 require the group to bear the consequences of its choice.

24. It is clear from paragraph 38 of the Judgment in Case C-9/93 IHT International that the proprietor will be taken to have approved the quality of the relevant goods by allowing the person with whom he is '*economically linked*' to sell them under his trade mark. There is no requirement for participation (still less any particular degree of participation) in any process of quality control. It should, in my view, follow that the proprietor of a trade mark can claim protection defined by reference to use and also defeat an application for revocation on the ground of non-use by relying upon the fact that goods have been sold under his trade mark by a person (such as a licensee) with whom he is '*economically linked*' and can do so without showing that he has exercised control over the quality of the goods in question.

25. I find support for that view in the approach to ‘*consent*’ adopted by the CFI and the ECJ in the Sunrider case. In paragraph 21 of its Judgment in Case T-203/02 The Sunrider Corp v. OHIM [2004] ECR II-2811 the CFI noted that a plea relating to the adequacy of the trade mark proprietor’s evidence of use had been duly raised before it on appeal. The proprietor of the trade mark was an individual, Juan Espadafor Caba. As evidence of use he had filed 6 bottle labels on which the trade mark was displayed and 14 invoices and orders, 10 of which pre-dated the relevant date for determination of his claim to protection. The Sunrider Corp. maintained that the proprietor’s evidence should have been disregarded for the following reasons:

... it is apparent from the invoices produced by the other party to the proceedings before the Board of Appeal that the earlier trade mark was used by the company Industrias Espadafor SA, and not by the proprietor of the earlier trade mark himself, Juan Espadafor Caba. The other party to the proceedings before the Board of Appeal is a natural person whilst the person which used the earlier trade mark is a company. Furthermore ... the other party to the proceedings before the Board of Appeal did not prove that consent to use of the earlier mark had been obtained from it, as proprietor of that mark, for the purposes of Article 15(3) of Regulation No 40/94.

26. The CFI disagreed:

23. As is apparent from the invoices submitted by the other party to the proceedings before the Board of Appeal, sales of products under the earlier trade mark were made by Industrias Espadafor SA rather than by the proprietor of the trade mark, although the latter’s name also features in the name of the company in question.

24. Where an opposing party maintains that the use of an earlier trade mark by a third party constitutes genuine use for the purposes of Article 43(2) and (3) of Regulation No

40/94, he claims, by implication, that he consented to that use.

25. As to the truth of what that implies, it is evident that, if the use of the earlier trade mark, as shown by the invoices produced to OHIM, was without the proprietor's consent and consequently in breach of the proprietor's trade-mark right, it would have been in Industrias Espadafor SA's interests, in the normal course of events, not to disclose evidence of such use to the proprietor of the trade mark in question. Consequently, it seems unlikely that the proprietor of a trade mark would be in a position to submit proof that the mark had been used against his wishes.

26. There was all the more reason for OHIM to rely on that presumption given that the applicant did not dispute that the earlier trade mark had been put to use by Industrias Espadafor SA with the opposing party's consent. It is not sufficient that the applicant argued generally in the course of the proceedings before OHIM that the evidence produced by the opposing party was not adequate to establish genuine use by the latter.

Authorisation sufficient to ensure non-infringement by the company was thus regarded as sufficient to justify a finding of consent for the purposes of Article 10(3) of the Directive and Article 15(3) of the CTMR. It seems to have been recognised that the company was '*economically linked*' to the trade mark proprietor on the twofold basis that his name featured in the name of the company and he was in a position to produce documents from the company's records relating to its use of his trade mark. There was no evidence of any exercise of control by the proprietor over the quality of the goods sold by the company. The Court none the less found that the necessary element of consent was present.

27. On appeal to the ECJ the Sunrider Corp maintained that it was incumbent upon the proprietor to prove that the company's use of his trade mark had taken place with his consent and since he had adduced no evidence to that effect, there could be no finding to

that effect: Case C-416/04 P The Sunrider Corp v. OHIM (11 May 2006) paragraphs 35 to 37. The Court agreed that it was for the proprietor to prove consent: paragraph 44. It found that the CFI had not, in its assessment of the evidence, relieved him of the need to discharge that burden: paragraphs 45 to 47. It was not open to the ECJ to substitute its own assessment of the facts for that of the CFI: paragraphs 48 and 49. *Moreover it does not appear that, in paragraphs 23 to 25 of the judgment under appeal, the Court of First Instance distorted the facts and evidence submitted to it*: paragraph 50. The Sunrider Corp therefore failed in its attempt to show that the Judgment of the CFI on the question of consent was wrong in point of law. Authorisation sufficient to ensure non-infringement by the company was enough to supply the necessary element of consent.

28. The legislative history of the Community rules relating to authorised use also supports the view that it is not quality control, but authorisation sufficient to ensure non-infringement which determines whether the use in question counts as use by the proprietor of the relevant trade mark. The evolution of the provisions now found in Articles 7(1) and 10(3) of the Directive and Articles 13(1) and 15(3) of the CTMR took place in stages, as summarised in Annex A to this decision. It was evidently accepted by the Community legislature that authorisation (*'consent'*) rather than quality control should result in the permitted use of a trade mark being attributed to the proprietor.

29. This subsequently became the governing principle in Article 5 of the Joint Recommendation Concerning Trademark Licenses adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World

Intellectual Property Organisation (WIPO) at the Thirty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO (September 25 to October 3, 2000):

Use of a mark by natural persons or legal entities other than the holder shall be deemed to constitute use by the holder himself if such use is made with the holder's consent.

As noted in the Explanatory Notes to the proposal from the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (Document ref. SCT/5/4 8 June 2000)

5.03 The effect of Article 5 is that, whenever the question of use becomes relevant, any use of a mark by any person other than the holder must be deemed to be use of the mark by the holder, provided that such use is made with the consent of the holder. No other condition, such as control by the holder of the use of the mark, may be required by a Member State. Consequently, if, in the absence of use of the mark by the holder, a third party uses that mark with the consent of the holder, the mark cannot be invalidated on the ground of non-use. To this extent, Article 5 goes beyond Article 19.2 of the TRIPS Agreement.

5.04 However, Article 5 only deals with the specific question under what circumstances use by natural persons or legal entities other than the holder can be deemed as use by the holder. It does not address the validity of licensing agreements in general. Therefore, the ability of Contracting Parties to require quality control clauses in order for a licensing agreement to be valid remains unaffected.

5.05 Article 5 would apply independently of whether or not a license exists or, if a license exists, whether or not the licence is recorded. Hence, it is sufficient for the holder to consent to the use of his mark in order to benefit from such use whenever the question of use becomes relevant, i.e. in the context of a trademark acquiring distinctiveness or becoming well-known, or for the purpose of maintaining a trademark registration. In essence, any use of the mark by

any third party to which the holder consents must be considered use by the holder.

These documents can be found at [www.wipo.int](http://www.wipo.int) .

30. The TRIPs Agreement was concluded by the Community and the Member States acting jointly. In the field of trade marks (to which TRIPs is applicable and in respect of which the Community has already legislated) the judicial authorities of the Member States are required to apply Community legislation and national legislation implementing Community legislation so far as possible in the light of the wording and purpose of the Agreement in that field: see, in particular Case C-245/02 Anheuser-Busch Inc v. Budějovický Budvar NP [2004] ECR I-10989, paragraphs 41 to 44 and 55.

31. Article 21 of the TRIPs Agreement confirms that:

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

This Article covers both formal and substantive conditions. Members who wish to do so may therefore make the legitimacy of licensing conditional upon the exercise of quality control, with failure on the part of the proprietor to exercise control over the quality of his licensee's goods or services being a reason for regarding the uncontrolled use of his trade mark as at least potentially deceptive, hence contrary to the public interest: see Nuno Pires de Carvalho The TRIPs Regime of Trademarks and Designs Kluwer International (2006) at paragraphs 21.7 to 21.9.

32. Against that background, Article 19(2) of the TRIPs Agreement confirms that:

When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.

This Article makes it obligatory for members to recognise that use subject to the control (not specifically quality control) of the proprietor of a trade mark can be relied on for the purpose of defeating an application for revocation on the ground of non-use. However, it does not prevent the Community from proceeding, either in that connection or more generally, upon the basis stated in Article 5 of the Joint Recommendation Concerning Trademark Licenses adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organisation (WIPO) in 2000: see paragraph 29 above.

33. It follows, in my view, that nothing in Articles 19(2) or 21 of the TRIPs Agreement can be said to require the Community or the Member States to regard authorisation unaccompanied by quality control as insufficient to result in the authorised use of a trade mark being attributed to the proprietor of that trade mark under the Directive and the CTMR. And even if that was not the case, I would not be entitled to resolve any incompatibility between the TRIPs Agreement and the Directive or the CTMR by giving effect to the provisions of the former in priority to the provisions of the latter: Case C-491/01 The Queen v. Secretary of State for Health ex p. British American Tobacco (Investments) Ltd [2002] ECR I-11453, paragraphs 154 to 156.

34. In the ultimate analysis there appears to be no express or implied prohibition in the Directive or the CTMR against regarding a trade mark as an asset which the proprietor may authorise others to exploit on such terms and conditions (if any) as he legitimately sees fit to impose. For the assistance of the proprietor in that connection, Article 8(2) of the Directive and Article 22(2) of the CTMR enable the rights conferred by registration of a trade mark at the national or Community level to be invoked:

against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.

35. It is an altogether separate question whether his trade mark might be found liable to mislead the public (particularly as to the nature, quality or geographical origin of any goods for which it is registered) as a result of the use that may have been made of it '*with his consent*': see Articles 12(2)(b) and 13 of the Directive and Articles 50(1)(c) and 50(2) of the CTMR. In the interests of consumer protection, those Articles provide for the rights conferred by registration to be revoked if and in so far as use of the relevant trade mark in relation to goods or services of the kind for which it is registered is productive of actual deceit or a sufficiently serious risk that the consumer will be deceived: Case C-259/04 Emmanuel v. Continental Shelf 128 Ltd [2006] ETMR 56, p.750 at paragraphs 46, 47. They do not require the licensing of trade marks to be subject to the exercise of quality control, nor do they treat failure on the part of the proprietor to exercise control over the quality of his licensee's goods or services as automatically deceptive or misleading.



36. All of this indicates that it is not appropriate to think of licensing as a ‘bane’ to which the ‘antidote’ of quality control must be applied in order to make it a legitimate exercise of the trade mark proprietor’s rights under the Directive or the CTMR. The law can in that respect be said to have caught up with business practice, having previously lagged behind as comprehensively explained by Lord Nicholls of Birkenhead in paragraphs 12 to 44 of his Opinion in Scandecor Development AB v. Scandecor Marketing AB [2002] FSR 7, p.122.

37. I am aware that in Scandecor the House of Lords made an order referring 4 questions of interpretation to the ECJ under Article 234 of the EC Treaty. Question 1 was as follows:

Is a trade mark to be regarded as liable to mislead the public within the meaning of Article 12(2)(b) of Council Directive No 89/104/EC on the 21st day of December 1988 to approximate laws of the Member States relating to trade marks (the “Trade Marks Directive”) if the origin of goods denoted by the mark is a bare exclusive licensee?

This question adopted the terminology of paragraph 14 of Lord Nicholls’ Opinion:

By a bare licence I mean a licence under which the proprietor of the trade mark has no power to control the quality of the goods sold under the licence. By an exclusive licence I mean a licence under which the proprietor of a trade mark grants to the licensee permission to use the mark, so long as the licence lasts, to the exclusion of everybody else including the proprietor himself.

Whilst the question was in form a question about deceptiveness, it was in substance a question about the legitimacy of licensing without exercising quality control. However,

the order for reference was withdrawn following settlement of the litigation between the parties and the question remained and remains unanswered by the ECJ.

38. With regard to the issue raised by Question 1, I shall proceed on the basis indicated by the Court of Appeal in Reed Executive Plc v. Reed Business Information Ltd [2004] RPC 40, p.767 at paragraph 116 per Jacob LJ: the answer which the House of Lords regarded as correct may be taken to be the settled opinion within the United Kingdom. As to that, Lord Nicholls (with whom the other members of the House agreed) referred with approval to paragraph 4.36 of the paper entitled Reform of Trade Marks Law (Cmnd 1203) issued by the Department of Trade and Industry in September 1990:

Whatever may have been the position in 1938, the public is now accustomed to goods or services being supplied under licence from the trade mark owner. For example there has been the growth of franchise operations. The potential for deception is therefore less. Moreover the strongest guarantee that a proprietor will maintain control over the way in which his trade mark is used is that it is in his own interest to do so. A trade mark is a valuable piece of property, in terms both of its power to attract customers and of the royalties which can be demanded from licensees. Its value is however ultimately dependent on its reputation with the public. If the proprietor tolerates uncontrolled use of his trade mark the value of this property will be diminished. In an extreme case the registration of the mark may become liable to be revoked if it has become deceptive or generic through such use. It is however the responsibility of the proprietor, not the Registrar, to prevent the devaluation of his own property.

He considered that the use of a mark by a licensee under a bare exclusive licence is not objectionable for being inherently likely to deceive. And more generally, as recognised by the Supreme Court of Appeal of South Africa in AM Moolla Group Ltd and others v. The Gap Inc and others [2005] ZA SCA 72 (9 September 2005); [2005] 4 All SA 245 (SCA)

at paragraphs 37 to 40 per Harms JA, the views expressed by Lord Nicholls in Scandecor can be taken as authority for the proposition '*that the current UK Act countenances bare licensing i.e. licensing without quality control*'.

39. In the present case, I hold that it was necessary for the Registrar to be satisfied that Hornby Street Limited used the trade mark **EINSTEIN** with the consent of the Proprietor in relation to '*casual outer clothing for men in Class 25*' during the relevant 5 year period, but unnecessary (for the reasons I have given at length above) for the Registrar to be satisfied that the Proprietor effectively controlled Hornby Street Limited's use. The evidence noted in paragraphs 4 and 19 above is weak, but sufficient in the absence of cross-examination or evidence to the contrary to prove the required consent. The relevant companies can, so far as the evidence goes, be regarded as '*economically linked*' entities by reason of their common ownership and there was, according to the evidence, authorisation from the Proprietor sufficient to ensure non-infringement by Hornby Street Limited. I am therefore satisfied that this is not a case which tests the limits of the concept of consent from the point of view of Community law.

40. In the result, the Proprietor's appeal will be allowed. The Hearing Officer's decision will be set aside. The application for revocation will be remitted to the Registry for further processing upon the basis that it succeeded with effect from 19 July 2004 in relation to all goods for which Trade Mark No. 1339408 was registered other than '*casual outer clothing for men in Class 25*'. In place of the Hearing Officer's order for costs, the Applicant will be ordered to pay £975 to the Proprietor as a contribution towards its costs of the proceedings in the Registry. The Applicant will in addition be ordered to pay £1750

to the Proprietor as a contribution towards its costs of the proceedings on appeal from the Hearing Officer's decision. Both sums are to be paid within 21 days of the date of this decision.

Geoffrey Hobbs QC

28 February 2007

Mr. Doug McCall of Messrs W.P. Thompson & Co appeared on behalf of the Proprietor.

Miss Charlotte May instructed by Messrs Bird & Bird appeared as Counsel for the Applicant.

Mr. Allan James appeared on behalf of the Registrar.

## ANNEX A

41. The main stages in the evolution of Articles 7(1) and 10(3) relative to Article 8 of the Directive and the evolution of Articles 13(1) and 15(3) relative to Article 22 of the CTMR are summarised below.

The Preliminary Draft Convention for a European Trade Mark (1964) prepared by a Working Party of representatives of the six original member countries of the European Economic Community

42. The draft Convention provided for exhaustion of rights on the basis of marketing by or with the consent of: (i) the proprietor of a European trade mark; or (ii) a person in commercial relationship with the proprietor. Thus:

*Article 16 Limitation of rights attached to a European trade mark*

1. The European trade mark does not confer on its proprietor the right to oppose the use in commerce of the trade mark or of a similar mark for goods bearing this trade mark or a similar mark which have been marketed

(a) by the proprietor of the European trade mark or with his consent or

(b) by a person in commercial relationship with the proprietor of the European trade mark or with the consent of such person.

2. A person shall be deemed to be in commercial relationship with the proprietor of a European trade mark if the person can exert a significant influence in respect of the trade mark on the proprietor of the trade mark or if the proprietor of the trade mark can do so on that person or if a

third party can do so on that person and on the proprietor of the trade mark either directly or indirectly.

3. Paragraph 1 shall not apply if the condition of the goods is altered or impaired.

43. Licensing was addressed in the following terms:

*Article 24 Licensing of a European trade mark*

1. A European trade mark may be licensed for the whole or part of the goods in respect of which the European trade mark is registered.

2. A limitation in a licence which does not constitute a limitation with respect to the duration or to a part of the goods in respect of which the European trade mark is registered, is not affected by the provisions of this Convention.

...

44. It was recognised that use by a licensee could be relied upon to prevent loss of protection for non-use:

*Article 110 Lapse of European trade marks because of non-use*

1. The European trade mark shall lapse if the proprietor of the European trade mark or his licensee fails without valid reason to make serious use of the European trade mark within a period of three years from the date of registration in the territory of at least three Contracting States.

2. Notwithstanding the provisions of Paragraph 1 the European trade mark shall also lapse if the proprietor of the European trade mark or his licensee does not make serious use of the European trade mark for an uninterrupted period of five years in the territory of at least three Contracting States.

...

45. It was also envisaged that protection might be lost on the basis that the use of a European trade mark had become deceptive or misleading after a transfer of rights or the grant of a licence:

*Article 112 Lapse of a European trade mark because of danger of confusion*

The European trade mark shall lapse if, after its registration, due to altered circumstances or after a transfer of rights or after the grant of a licence it appears that its use for the goods in respect of which it is entered, may confuse the public in one of the Contracting States.

46. An unofficial English translation of the draft Convention was published by the Department of Trade and Industry through HMSO in 1973. The draft Convention was adopted as the basis for subsequent work on the creation of an EEC Trade Mark.

Bulletin of the European Communities Supplement 8/76. Memorandum on the creation of an EEC Trade Mark. Adopted by the Commission on 6 July 1976.

47. In this Memorandum the Commission presented its views on the creation of a Community system of trade mark law. The aim was to provide for an EEC trade mark enjoying protection on a uniform basis throughout the territory of the common market. The main features of the 1964 draft Convention were taken as the starting point for the Memorandum.

48. Paragraphs 116 and 117 of the Memorandum referred to Article 16 of the draft Convention. The Commission proposed that the rights of the trade mark proprietor should, in principle, be regarded as exhausted in relation to *'goods which have been placed on the market by him or by a firm with which he has commercial relations (such*

*as a subsidiary, a licensee or the like)* and that this should remain the case *'where the trade mark owner or a related company has marketed goods of differing composition or quality under the same trade mark'*.

49. Paragraphs 124 to 129 of the Memorandum referred to Article 110 of the 1964 draft Convention. The Commission proposed in paragraph 129 that *'Use by a firm commercially related to the trade mark owner, under a licensing agreement or in any other way, for example, by means of a subsidiary company should be treated as use by the trade mark owner'*.

50. Paragraphs 149 to 154 of the Memorandum addressed the subject of licensing. It was proposed that the provisions of Article 24 of the draft Convention should be expanded. In paragraph 150 the Commission stated as follows:

There is in addition a case for an express provision governing the conditions under which a trade mark may be legitimately used by another company, pursuant to a licensing agreement or otherwise. It would be sufficient, however, as in the case of assignments, to make the validity of the licence dependent on the absence of deception of the public about the essential qualities of the goods. As a rule, this will require the licensor to exercise an effective control over the quality of the goods and the manner in which the trade mark is used by the licensee.

51. In Commission Working Paper III/D/1294/79 dated October 1979 it was concluded that the Community was competent to legislate for a Community Trade Mark System based on a Regulation and a harmonisation Directive: see [1980] EIPR pp. 120 to 130.



The Proposal for a first Council Directive to approximate the laws of the Member States relating to trade marks. Submitted by the Commission to the Council on 25 November 1980. OJ No. C 351/1 31.12.80.

52. This proposal contained the following provisions:

Article 6

1. The trade mark shall not entitle the proprietor thereof to prohibit its use in relating to goods which have been put on the market under that trade mark by the proprietor or with his consent.

...

Article 7

The trade mark may be invoked against a licensee only if he contravenes a limitation with regard to a part of the goods or services in respect of which application has been made for registration of the trade mark, or contravenes the proprietor's instructions concerning the quality of the goods or services.

Article 11

...

3. Use of a trade mark by a licensee, by a person who is associated economically with the proprietor or by a person who is entitled to use a collective mark or guarantee mark shall be deemed to constitute use by the proprietor.

Proposal for a Council Regulation on Community trade marks. Submitted by the Commission to the Council on 25 November 1980. OJ No. C 351/5 31.12.1980

53. This proposal contained the following provisions:

Article 11

1. A Community trade mark does not entitle the proprietor to prohibit its use in relation to goods which have been put on the market under that trade mark by the proprietor or with his consent.

...

Article 13

...

3. Use of a Community trade mark by a licensee or by a person who is associated economically with the proprietor shall be deemed to constitute use by the proprietor.

...

Article 21

1. Licences may be granted in respect of a Community trade mark for some or all of the goods or services for which it is registered.

2. The rights conferred by a Community trade mark shall not be asserted vis-à-vis a licensee unless he operates his licence beyond the period of time for which it was granted or uses the trade mark in relation to goods or services for which it has not been registered or does not comply with the proprietor's instructions concerning the quality of the goods or services.

3. The proprietor of a Community trade mark shall ensure that the quality of the goods manufactured or of the services provided by the licensee is the same as that of the goods manufactured or of the services provided by the proprietor.

...

Bulletin of the European Communities Supplement 5/80. New trade-mark system for the Community. Proposed Directive and Regulation.

54. The text of the proposed Directive and the text of the proposed Regulation submitted to the Council on 25 November 1980 were supported by explanatory memoranda.

55. In its Explanatory Memorandum relating to Article 11(1) of the draft Regulation (Article 6(1) of the draft Directive), the Commission stated: *'The rule under which the right to a trade-mark is exhausted with the first use of the mark effected or authorized by the proprietor is a direct consequence of its function as an indicator of origin'*.

56. In relation to Article 13(3) of the draft Regulation (Article 11(3) of the draft Directive) it was noted in the Explanatory Memorandum that

The provision in paragraph 3 corroborates the remarks made in the commentary on Article 4: it is proper that the proprietor of a Community trade-mark, who is not obliged to use the trade-mark himself, may invoke the use made of the trade-mark by third parties, and in particular (where the proprietor is a company) by the other members of the group of companies involved. If the Community trade-mark is used by a licensee, the proprietor of the trade-mark may invoke this use even if the licensing contract has not been registered and, for that reason, cannot be pleaded, under Article 21(4), to defeat third parties.

The commentary on Article 4 stated:

... except for the nationality requirement, no other requirement relating directly to the proprietor must be met. He is not required to be the proprietor of an undertaking, nor, where he does actually own one, is there any requirement that the Community trade-mark be intended to identify the goods or services of that undertaking. This is clear from the wording of Article 3. Thus, so far as Community trade-mark

law is concerned, there is nothing to prevent a *société de participation financière* from owning a Community trade-mark, nor, to put it more broadly, is there anything to prevent one member of a group of companies from owning a Community trade-mark which covers all the companies in the group.

57. With reference to Article 21 of the draft Regulation, the Explanatory Memorandum stated:

The proprietor of a Community trade-mark may require a licensee in the Community to provide goods of a specific quality, and he is in fact under an obligation to do so, by virtue of Article 21(3), if he himself supplies the same goods or services as the licensee. This provision helps to protect consumers by preventing the supply of goods or services in the Community of an inferior quality to goods or services legitimately offered under the same trade-mark.

It was also noted that ‘Article 21 does not restrict freedom of contract’.

Opinion of the Economic and Social Committee on the proposal for a first Council Directive and the proposal for a Council Regulation. OJ No. C 310/22 30.11.81

58. The Committee considered that Article 21 of the draft Regulation went too far in relation to quality control:

4.2 The mark proprietor cannot be compelled to ensure that the licensee manufactures goods of the same quality. In many cases national laws and different production and consumption factors necessitate differences in the product.

As licensor the manufacturer can therefore only be obliged to ensure that the production under licence complies with his instructions concerning the quality of the goods.

Amended proposal for a Council Regulation on the Community trade mark Com (84) 470 final. Submitted by the Commission to the Council on 9 August 1984. OJ No. C 230/1 31.8.84.

59. Amendments were put forward as follows:

<u>Original proposal</u>	<u>Amended proposal</u>
<p><u>Article 11</u></p> <p>1. A Community trade mark does not entitle the proprietor to prohibit its use in relation to goods which have been put on the market under that trade mark by the proprietor with his consent.</p> <p>...</p>	<p><u>Article 11</u></p> <p>1. A Community trade mark does not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor with his consent.</p> <p>...</p>
<p><u>Article 13</u></p> <p>...</p> <p>3. Use of a Community trade mark by a licensee or by a person who is associated economically with the proprietor shall be deemed to constitute use by the proprietor.</p> <p>...</p>	<p><u>Article 13</u></p> <p>...</p> <p>3. Use of the Community trade mark with the consent of the proprietor shall be deemed to constitute use by the proprietor.</p> <p>...</p>
<p><u>Article 21</u></p> <p>1. Licences may be granted in respect of a Community trade mark for some or all of the goods or services for which it is registered.</p> <p>2. The rights conferred by a Community trade mark shall not be asserted <i>vis-à-vis</i> a licensee unless he operates his licence beyond the period of time for which it was granted or uses the trade mark in relation to goods or services for which it has not been registered or does not comply with the proprietor's instructions concerning the quality of the goods or services.</p> <p>3. The proprietor of a Community trade mark shall ensure that the quality of the goods manufactured or of the services</p>	<p><u>Article 21</u></p> <p>1. Unchanged.</p> <p>2. The rights conferred by a Community trade mark may be invoked against a licensee only if he contravenes the limits on his licence with regard to its duration or to the licenced scope of the goods or services for which the trade mark is registered or does not comply with the proprietor's instructions in respect of the quality of the goods or services.</p> <p>3. The proprietor of a Community trade mark shall take adequate measures to ensure</p>

provided by the licensee is the same as that of the goods manufactured or of the services provided by the proprietor.

...

that the quality of the goods manufactured or of the services provided by the licensee conforms with his instructions.

...

Amended Proposal for a first Council Directive to approximate the laws of the Member States relating to trade marks. Com (85) 793 final. Submitted by the Commission to the Council on 17 December 1985. OJ No. 351/4 31.12.85.

60. Amendments were put forward as follows:

Original proposal

Amended proposal

Article 6

Article 6

1. The trade-mark shall not entitle the proprietor thereof to prohibit its use in relation to goods which have been put on the market under that trade-mark by the proprietor or with his consent.

...

1. The trade-mark shall not entitle the proprietor thereof to prohibit its use in relation to goods which have been put on the market in the Community under that trade-mark by the proprietor or with his consent.

...

Article 7

Article 7

2. The trade-mark may be invoked against a licensee only if he contravenes a limitation with regard to a part of the goods or services in respect of which application has been made for registration of the trade-mark, or contravenes the proprietor's instructions concerning the quality of the goods or services.

2. The rights conferred by a trade-mark may be invoked against a licensee only if he contravenes the limits on his licence with regard to its duration or to the licensed scope of the goods or services for which the trade-mark is registered or does not comply with the proprietor's instructions in respect of the quality of the goods or services.

Article 11

Article 11

...

...

3. Use of a trade-mark by a licensee, by a person who is associated economically with the proprietor or by a person who is entitled to use a collective mark or guarantee mark shall be deemed to constitute use by the proprietor.

...

3. Use of the trade-mark with the consent of the proprietor or by a third party who is entitled to use a collective mark or guarantee mark shall be deemed to constitute use by the proprietor.

...

First Council Directive 89/104/EEC of December 21, 1988 to approximate the laws of the Member States relating to trade marks.

61. The text of the Directive as enacted contains the following provisions:

Article 7

**Exhaustion of the rights conferred by a trade mark**

1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under the trade mark by the proprietor or with his consent.

...

Article 8

**Licensing**

1. A trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Member State concerned. A licence may be exclusive or non-exclusive.

2. The proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.

Article 10

**Use of trade marks**

...

3. Use of the trade mark with the consent of the proprietor or by any person who has authority to use a collective mark or a guarantee or certification mark shall be deemed to constitute use by the proprietor.

...

The trade mark proprietor thus has the option, but no obligation under these provisions to impose requirements as to quality upon his licensee(s). Use with the consent of the proprietor is taken to be use by the proprietor, thus enabling the quality standards applied by his licensee(s) to be regarded, for better or worse, as those of the proprietor.

Council Regulation 40/94 of December 20, 1993 on the Community trade mark

62. The text of the Regulation as enacted contains the following provisions:

Article 13

**Exhaustion of the Rights Conferred by a Community**

**Trade Mark**

1. A Community trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

...

Article 15

**Use of Community Trade Marks**

...



3. Use of the Community trade mark with the consent of the proprietor shall be deemed to constitute use by the proprietor.

Article 22

**Licensing**

1. A Community trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Community. A licence may be exclusive or non-exclusive.

2. The proprietor of a Community trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.

...

The trade mark proprietor thus has the option, but no obligation under these provisions to impose requirements as to quality upon his licensee(s). Use with the consent of the proprietor is taken to be use by the proprietor, thus enabling the quality standards applied by his licensee(s) to be regarded, for better or worse, as those of the proprietor.