



Food for thought...

ECJ Decides on Retail Services

First published in *Trademark World*, Dec./Jan. 05/06

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In a ground-breaking decision, the European Court of Justice (ECJ) has now allowed the registrability of trademarks of retail services throughout the countries of the European Union, provided the goods retailed are specified. The Court issued its judgement in the *Praktiker Bau- und Heimwerker-Märkte AG case (C-418/02)* on July 7, 2005, subsequent to a reference for a preliminary ruling by the German Federal Patent Court (the Patent Court). Background to this reference was an appeal of the German retailer Praktiker, against the refusal of the German Patent and Trademark Office (the German PTO) to register the trademark "Praktiker" in relation to the services "Retail trade in building, home improvement, gardening and other consumer goods for the do-it-yourself sector".

Disharmony in the EU

The traditional stance taken by the German PTO was that retail services as such are not registrable, as they do not denote independent services with their own economic significance and are hence of ancillary nature. From this followed that protection for "retail services" could only be obtained by applying for registration of a trademark in respect of the distributed goods themselves. Conversely, in other countries of the European Union, for example, the United Kingdom, France, Austria, applications for registration of certain services ancillary to the sale of goods are accepted, provided that the content of those services was clearly specified. Likewise, the Office for Harmonization in the Internal Market (Trademarks and Designs) (OHIM) also accepts the registration of "retail services". A scenario was thus conceivable where a trademark might be registered as a Community trademark with legal effect in all Member States, but its enforceability in some countries was doubtful, given the dissenting practice there.



On appeal before the Patent Court, Praktiker essentially argued that "Retail services" as such ought to be eligible for protection by service trademarks given that the consumer's purchasing decision would increasingly be influenced not only by the availability and price of a product, but also by other aspects such as the variety and assortment of goods, their presentation, the service provided by staff, advertising, image and the location of the store. Such being the case, they could not be considered as merely being ancillary. Praktiker further noted that retail services were accepted for registration not only by OHIM, but also by the majority of the Member States, so that a harmonized assessment of this question within the Community was imperative for a level playing field.

Questions of the Patent Court

The Patent Court put the following questions to the ECJ for a preliminary ruling:

- Does retail trade in goods constitute a service within the meaning of Art. 2 of the Directive?

If the answer to this question is in the affirmative:

- To what extent must the content of such services provided by a retailer be specified in order to guarantee the certainty of the subject matter of trademark protection that is required in order to:
 - fulfill the function of the trademark, as defined in Art. 2 of the Directive, namely to distinguish the goods or services of one undertaking from those of undertakings, and
 - define the scope of protection of such a trademark in the event of a conflict?
- To what extent is it necessary to define the scope of similarity (Art. 4 (1.) (b) and Art. 5 (1) (b) of the Directive) between such services provided by a retailer and
 - other services provided in connection with the distribution of goods, or
 - the goods sold by that retailer?

In its grounds for the reference, the Patent Court, in essence, conceded that there was a necessity to grant "Retail services" trademark protection, as the bringing together of goods from a variety of undertakings to form a range and offering them for sale from a single distribution entity was indeed to be seen as an independent service having autonomous economic significance. According to the Patent Court, it was, however, vital from the perspective of legal certainty to determine with sufficient precision the subject matter of the protection conferred by trademarks registered in respect of "retail services". Specifically, mere restrictions



regarding the specific goods distributed left open the question of what services are covered, apart from the mere sale of those goods. Insufficient precision would have substantial ramifications as to the interpretation of a likelihood of confusion in Art. 4 (1) (b) and Art. 5 (1) (b) of the Directive and would raise further questions as to the scope of protection of such marks.

View of the ECJ

In its ruling, the ECJ first of all emphasized that the definition of "Services" is a substantive issue rather than being merely a matter of a procedure concerning registration - as was professed by the European Commission -, given that the nature and content of the service eligible for protection was to be determined. As a consequence, it was up to the ECJ to supply a uniform interpretation of the concept of "Services" within the meaning of the Directive. The Member States were not free to decide for themselves whether and on what terms to protect trademarks with regard to retail services.

In that context, the ECJ noted that the objective of retail trade was to allow the sale of goods to consumers also encompassing other related activities such as the selection of the range of goods and the rendering of services aimed at inducing customers to buy from one specific retailer rather than from a competitor. The ECJ held that there was no overriding reason to be found either in the Directive or based on other general principles of Community law which would support the contention that such ancillary services were not protectible. This consideration was underpinned by the explanatory note to class 35 of the Nice classification which contained the definition: "The bringing together, for the benefit of others, of a variety of goods enabling customers to conveniently view and to purchase those goods".

As a consequence, the ECJ ruled that the concept of services within the meaning of the Directive includes "retail services". All Member States had to provide the necessary provisions to allow protection in respect of such services. As to the question to what degree such services should be specified, the ECJ took the position that any distinction within the various categories of services provided would prove artificial in the light of the reality of the important economic sector represented by retail trade. A specification as to the individual services would reduce the protection of such service trademarks and, admittedly, result in fewer conflicts involving such marks. However, such reasons were not sufficient for justifying a restrictive interpretation. The ECJ held that problems arising from the registration



of trademarks for retail services could be resolved on the basis of the ECJ's case law stating that the likelihood of confusion must be assessed globally, taking into account all the factors relevant to the circumstances of the case. When undertaking such a global assessment, the particular feature of the concept of the retail services at issue would have to be taken into consideration.

The ECJ concluded that it is hence not necessary to specify in detail the service(s) for which registration is sought. Rather, to identify those services, it is sufficient to use general wording such as the bringing together of a variety of goods, enabling customers to conveniently view and purchase those goods. Details should be provided with regard to the goods or types of goods to which those services relate.

Comment

The implications of this decision are far-reaching, and it will obviously be hailed as a boon by the retail trade. The business designations of traditional retail undertakings, operations of mail order or e-commerce will now be uniformly accepted as registrable trademarks in all countries of the European Union, the only limitation being that the goods or types of goods retailed are to be specified.

The judgement puts an end to the, in part, contradictory prevailing practices of the Member States. The times when a multinational retailer was confronted with a disarray of approaches in the Member States have gone. It will remain to be seen whether the concern aired by the German Patent Court as to the scope of protection of such marks will bring the ECJ more food for thought in the future.

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