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***“Treatment of intellectual property rights -
trademarks - in cross-border insolvency. Protection
and harmonisation through supranational statutory
mechanisms and EUIPO best practices”***

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INTRODUCTION

- Trademark - complex asset class that can add considerable value to a company in insolvency.
- Whether the business is rescued, sold on as a going concern, or IPs are sold on liquidation, trademark rights are key issues for insolvency practitioners to deal with.

CHALLENGES

- Unpredictability and inconsistency of national insolvency or restructuring proceedings to the treatment of intellectual property rights.
- Relation between cost and value to protect intellectual property rights.
- Fragmented cross-border and multiple litigations related to trademark rights - disincentivising factor for companies to hold trademark assets and enforce them at international level, especially for small and medium-sized companies in financial distress or groups of companies.



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THE ROLE OF THE EUROPEAN UNION

INTELLECTUAL PROPERTY OFFICE (EUIPO) – GENERAL PRINCIPLES

- Responsible for the registration of European Union trademarks (**EUTM**) and registered Community designs, providing uniform protection.
- Cooperation with international organisations active in the field of IP and with other EU Agencies.
- The EU basis for **the owner's exclusive rights to use or sell, promote or negotiate licences of other cooperation agreements.**
- The Office deals with registration procedures (including the examination of applications for absolute grounds for refusal and, where an opposition has been raised regarding an EUTM application, for relative grounds for refusal)
- The Office maintains the public registers and decides on applications for those rights, once registered, to be declared invalid.



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REGULATIONS AND GUIDELINES

- **EUTMR** – European Union trademark regulation (EU) 2017/1001
- **EUTMDR** – European Union trademark delegated regulation (EU) 2018/625
- **EUTMIR** - European Union trademark implementing regulation (EU) 2018/626
- **The Guidelines on EUTMs** - bring together, systematically, the principles from the jurisprudence of the European Court of Justice, the case-law of the Office's Boards of Appeal, the decisions of the Office's Operations Department and the outcomes of the Office's convergence programmes with EU IP offices.



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SPECIAL EUTMR PROVISIONS RELEVANT FOR INSOLVENCY

1. Registration of insolvency proceedings or similar proceedings – Art. 24 EUTMR

Definition of insolvency (EUIPO Guidelines)

- *“Collective proceedings that entail the partial or total divestment of a debtor and the appointment of a liquidator. They may include winding up by, or under the supervision of, a court, creditors’ voluntary winding up (with confirmation by the court), administration, voluntary arrangements under insolvency legislation and bankruptcy or sequestration.”*

Rules

- The **competent national authority** for insolvency may request EUIPO to register and publish information in the EU Trade Marks Bulletin. **No fee is required.**
- Entry in the EUTM Register of the opening, modification and closure of insolvency proceedings **is not compulsory.**
- The procedure for registering the opening, modification or closure of insolvency proceedings or similar proceedings, regulated by Art. 21(1) EUTMR, Art. 3(1) Regulation (EU) 2015/848 on insolvency proceedings. All other provisions are covered by national law - Article 19 EUTMR.



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LAW FIRM

SPECIAL EUTMR PROVISIONS RELEVANT FOR INSOLVENCY

1. Registration of insolvency proceedings or similar proceedings – Art. 24 EUTMR

Advantages of registration – Art.27 and 57(3) EUTMR

- Article 27(4) EUTMR, for third parties with EUTM Register entries incompatible with the **registered insolvency** - the effects are governed by the law of the Member State in which insolvency proceedings are brought.
- Registering insolvency proceedings - important particularly in the event of *inter partes* proceedings.

Liquidators should inform the Office of the withdrawal, surrender or transfer of EUTMs subject to insolvency proceedings prior to the final winding up.



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SPECIAL EUTMR PROVISIONS RELEVANT FOR INSOLVENCY

2. Cancellation or Modification of the Registration – Art. 29(1) EUTMR

- Applicant - proprietor of the EUTM or liquidator, the relevant national authority or court.
- Proof - the final decision of the competent authority.

3. Registration procedure and publication – Art. 113(3)(i) and 116(1)(a) EUTMR

- The insolvency proceedings are registered in the EUTM Register and published in the EUTM Bulletin.
- The liquidator's contact details are recorded as the EUTM proprietor's "*correspondence address*", and third parties may consult the full details of the insolvency proceedings.



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SPECIAL EUTMR PROVISIONS RELEVANT FOR INSOLVENCY

4. Applicant prevented from continuing the proceedings before the Office owing to legal reasons (e. g. bankruptcy) – Art. 106(1)(b) and Art. 72(3)(b) EUTMR

- Article 106(1)(b) EUTMR applies when the party is no longer entitled to dispose of the procedure, its assets, **until a liquidator or trustee is appointed by national authority.**
- If the representative does not give any information regarding a liquidator or trustee, the Office declares an **interruption of the proceedings.**
- It is not up to the Office to investigate who the liquidator is, with the aim of resuming the proceedings.



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PRACTICAL CASE

T-173/20 Case. Judgment of the EU General Court of 22 September 2021

EUTM - Revocation of decisions or cancellation of entries – EUTM involved in insolvency proceedings – Registration of the transfer of the mark – Effects for third parties.

Facts:

- 2012 – Registration of **EU trademark MARINA YACHTING**. Transfers.
 - 2014 – Registration of the owner **I. Sp. Co. SRL**.
 - 2017 - **I. Sp. Co. SRL** was declared insolvent by **Tribunale di Venezia, Italy**.
 - 2017 – Registration of EUTM transfer from **M. Srl** to **S. H. SARL**.
 - 2017 - **The appointed liquidator of the I. S. Co. Srl** requested:
 - **Registration of I. Sp. Co. SRL bankruptcy proceedings**
 - **Cancellation of transfer's registration of EUTM to S. H. Sarl**
- Applications were admitted by the EUIPO.



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PRACTICAL CASE

T-173/20 Case. Judgment of the EU General Court of 22 September 2021

Facts:

- 2018 - **M. Y. B. M. Co. Ltd** - application for registration of EUTM transfer to itself. Application was admitted by the EUIPO.
- 2019 - **the liquidator** - application for registration of 2019 Tribunale di Venezia judgement, authorising judicial seizure of EUTM, on account of the invalidity and fraudulent nature of transfers.
- 2019 - **M. Y. B. M. Co. Ltd** - two appeals for cancelling EUIPO registrations referring to EUTM transfers to I. S. Co. Srl and S. H. SARL.
- **10 February 2020** - the EUIPO Board of Appeal dismissed the appeals of **M.Y. B. M. Co. Ltd**. An action was made against this decision before Court of Justice, General Court.



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PRACTICAL CASE

T-173/20 Case. Judgment of the EU General Court of 22 September 2021

Decision - The EU General Court (Ninth Chamber) dismissed the action by Decision of 22 Sep. 2021.

Findings:

- The **Italian law governs** the insolvency proceedings in which the EUTM is involved, the effects vis-à-vis third parties, the rules regarding the nullity, annulment, or unenforceability of legal acts prejudicial to the credal mass (Art. 24(1) of EUTMR and Art. 7, 19, 27(2,4) EIR).
- It is not for EUIPO to consider the validity of EUTM transfer under the Italian law, but the examination implies to **consider facts capable of legal implications for registration of a transfer, including the existence of insolvency proceedings, to guarantee their effectiveness**, whether the existence, validity or certain date of that transfer is disputed by the insolvency practitioner.
- The EUIPO had the obligation to suspend the registration of transfers to M.Y. B. M. Co. Ltd until the national court examines the case.
- **Article 27(1) EUTMR of Regulation 2017/1001 is intended to protect any person who has, or may have, rights in the EUTM, as the creditors of an insolvent company.**



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EUIPO trademark protection and enforcement procedures

1. Application for registration – Examination proceedings

Starting point:

- Filing to publication of EUTM application.

Purpose:

- Enable proprietors to register rights valid in the EU, provided it does not impinge on the rights of others.

Motives:

- The Office examination of **Absolute Grounds for Refusal** - Article 7 EUTMR
- *Non-distinctive trademark.*
- *Descriptive trademarks.*
- *Customary signs or indications*
- *Shapes or other characteristics with an essentially technical function, substantial value or resulting from the nature of the goods*

EUIPO trademark protection and enforcement procedures

1. Application for registration – Examination proceedings

Motives:

- *Trademark contrary to public policy or acceptable principles of morality*
- *Deceptive trademark*
- *Trademark in conflict with flags and other symbols*
- *Trademark in conflict with designations of origin and geographical indications*
- *Trademark in conflict with traditional terms for wines*
- *Trademark in conflict with traditional specialities guaranteed*
- *Trademark in conflict with earlier plant variety denominations*
- *Acquired distinctiveness through use*
- *Essentially Technical Function, Substantial Value or Resulting from the Nature of the Goods*

Effects:

- Registration and publication of EUTM



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EUIPO trademark protection and enforcement procedures

2. Opposition proceedings

Who:

- Third party request to reject a EUTM application or an international registration, based on the earlier rights.

Motives:

Inter partes proceedings based on likely conflict with earlier rights.

Purpose - to decide whether the application may proceed to registration or not.

The Office examination of **Relative grounds** for refusal - Article 8 EUTMR

- *Double identity and likelihood of confusion*
- *Unauthorised filing by agents of the TM proprietor*
- *Trademark with reputation*



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EUIPO trademark protection and enforcement procedures

2. Opposition proceedings

General principles:

- Comparison of Goods and Services
- Relevant Public and Degree of Attention
- Comparison of Signs
- Distinctiveness of the Earlier Mark
- Other Factors
- Global Assessment

Effects:

- If successful - refusal of the registration of the opposed EUTM application

Who decides:

- EUIPO Opposition Division

EUIPO trademark protection and enforcement procedures

3. Register operations

- **Changes in a Registration**
 - **Conversion**
 - **Transfer**
 - **Renewal**
 - **Inspection of Files**
 - **Other Entries in the Register**
 - **Counterclaims**
 - **International Marks**
- **EUTMs and RCDs as Objects of Property -
Licences, rights in rem, levies of execution –
Art. 19 to 29 EUTMR**
 - Definitions (EUIPO Guidelines)
 - Applicable law – Art. 19 EUTMR
 - Advantages of registration – Art.27 and 57(3)
EUTMR
 - Procedure for Cancellation or Modification
of the Registration – Art.29(1) and 117(1)
EUTMR

EUIPO trademark protection and enforcement procedures

4. Revocation of Decisions and Cancellation of Entries in the Register

Art. 103 EUTMR Art. 70 EUTMDR

Who:

The party to the proceedings or the Office on its own motion.

Motives:

1. Obvious errors attributable to the Office
 - substantial procedural violations and the obvious distortion of facts (not errors of substance)
 - example - any breach of the right to be heard
2. Correction of errors in decisions and other notifications
3. Correction of technical errors



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EUIPO trademark protection and enforcement procedures

4. Revocation of Decisions and Cancellation of Entries in the Register

Art. 103 EUTMR Art. 70 EUTMDR

Effects:

- The file is returned to the procedural stage it was at before the erroneous decision or entry was made.

Who decides:

- The EUIPO department or unit that made the entry or took the decision.
- With appeal under Article 66(2) EUTMR.

EUIPO trademark protection and enforcement procedures

5. Revision

Art.69 EUTMR (In *ex parte* cases)

When:

- An appeal has been lodged against a decision for which the Boards of Appeal

Who:

- The Boards of Appeal sends the appealed decision back to the department that took the decision to be revised.

Motives:

- To avoid the Boards of Appeal ruling on appeals against decisions for which a need for rectification has been recognised by EUIPO Division.

Effects:

- Rectification of the Office decision

Who decides:

- The Division of the Office whose decision is appealed.



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EUIPO trademark protection and enforcement procedures

6. Cancellation proceedings

- Art. 58 to 60, Art. 62 and 64 EUTMR, Art. 12 to 20 EUTMDR
- Proceedings in the Office concerning the revocation or invalidity of a registered EUTM.

Who:

- Never initiated *ex officio* by the Office, but on a third-party application - *any natural or legal person, or any group or body set up for the purpose of representing the interests of manufacturers, producers, suppliers or services, traders, or consumers.*
- **Absolute grounds** – no need to demonstrate an interest (protection of general interest).
- **Relative grounds** – the interested party, entitled under EU or Member State law.



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EUIPO trademark protection and enforcement procedures

6. Cancellation proceedings

Motives:

Legal grounds for Revocation - Article 58 EUTMR

- The EUTM has not been put to genuine use during a continuous period of 5 years.
- The EUTM has become generic due to acts/inactivity of its proprietor.
- The EUTM has become misleading due to the use made by its proprietor or with its consent.

Absolute Grounds for Invalidity - Article 59 EUTMR

- EUTM registered contrary to Article 7 EUTMR
- Bad faith

Relative Grounds for Invalidity - Article 60 EUTMR

- Non-use of the earlier mark

Specific grounds for collective mark or certification mark.



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EUIPO trademark protection and enforcement procedures

6. Cancellation proceedings

Effects:

- Revocation – no EUTMR effects of EUTM from the date of the application.
- Invalidity - no EUTMR effects of EUTM from the outset.

Who decides:

- EUIPO Office
- With appeal before the EUIPO Board of Appeal against EUIPO Office decision.
- With action before the Court of Justice, General Court against decisions of the Boards of Appeal.



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PRACTICAL CASE 2

EUIPO Board of Appeal. Decision of 23 June 2021. Case R1298 / 2020-4

Bad faith. Registration for the purpose of preventing the sale of trademarks in insolvency proceedings and the recovery of debts by creditors. Article 59(1)(b) EUTMR.

Background:

- **2019 – Creditors application against the EUTM proprietor for invalidity, for EUTM “ELLO”, based on Article 59(1)(b) EUTMR.**
- **2020 - the EUIPO Cancellation Division upheld the application, declared the EUTM invalid.**
- **23 June 2021, in the case R 1298/2020-4, the Fourth Board of Appeal upheld the decision of the Cancellation Division.**



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PRACTICAL CASE 2

EUIPO Board of Appeal. Decision of 23 June 2021. Case R1298 / 2020-4

Findings:

- The EUTM was filed in bad faith, as a key part of a coordinated strategy to effectively export the Greek company valuable trademark rights into the form of EUTMs covering essentially the same signs and scope, and then dispose of the original Greek rights, thereby **draining the company of value before applying for insolvency, avoiding that the insolvency practitioner to repay creditors by way of the sale of Greek trademark rights.**
- The EUTM proprietor filed the application with the aim of **transferring the valuable trademark rights out of Greek jurisdiction and thus prevent the creditors of the insolvent company from laying their hands on these rights.**



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PRACTICAL CASE 3

EUIPO Cancellation Division. Case 32421

Cancellation decision. The holder in bankruptcy. Article 58(1)(a) EUTMR.

Background:

- 2019 - the applicant filed against the registered proprietor, in bankruptcy, application for revocation of EUTM registered in 2005.
- **The applicant** argued that the mark has not been put to genuine use in the last five years for the services listed.
- **The proprietor** explained in defense that in 2018 the *Fallement Section of the Court of Monza* authorized the liquidator of the bankruptcy estate to grant the EUTM exclusive use, there was auctioneering of the mark. While the preparatory activities for drafting the licensing contract ongoing, several circumstances led to the **bankruptcy proceedings and suspension of the award of the EUTM.**



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PRACTICAL CASE 3

EUIPO Cancellation Division. Case 32421

31 January 2020 - EUIPO's Cancellation Division admitted the application and the contested EUTM was revoked in its entirety.

Findings:

- Article 58(1)(a) EUTMR - the rights of the Community trademark holder shall be lost by his rights if, within a continuous period of five years, the EUTM **has not been put to genuine use in the EU** for goods or services in respect of which it is registered, and **there are no proper reasons for non -use.**
- **Financial difficulties encountered by a company are not considered legitimate reasons for non -use**, as these types of difficulties constitute a natural part of the management of a company. **The interests of a failed company are taken care of by the bankruptcy practitioner and therefore no absolute inability to use the mark is possible.**



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