

Sales of “Own-Brand” Goods Meet The Use Requirements for “Retail Services”

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The Fourth Board of Appeal of the European Union Intellectual Property Office (“**EUIPO**”) in the case of Rituals International Trademarks B.V. v Zheni Aleksieva confirmed that retail trade relating to ‘own-brand’ goods may constitute genuine use of a trade mark registered for retail services in class 35. The decision in a case concerning the RITUALS brand overturned an earlier decision of the EUIPO’s Cancellation Division which held that only retail activities relating to third party goods amount to “retail services”.

The Board of Appeal’s decision removes a serious concern that EU trade marks (“**EUTMs**”) registered in class 35 for “retail services” and used by brand owners in relation to their own-brand retail outlets might be vulnerable to revocation for non-use on the grounds that only the brand owner’s own goods were offered for sale, as opposed to third party goods.

The Nice classification and EUIPO guidelines relating to retail services in class 35

Readers not versed in the mysteries of trade mark law might find the debate perplexing. Practitioners in the field however are familiar with the various challenges presented across many different jurisdictions in relation to obtaining, maintaining and defending trade mark registrations for retail services.

The registration of trade marks for retail services is a relatively recent development in trade mark practice (trade marks having first been granted only to the manufacturers of goods, later on also for service providers such as banks, insurers or professional services and only in modern times the door was opened to register trade marks for retail services). Traditional objections to the registration of trade marks for “retail services” range from the perception that retailers are just traders that do not add value to the goods, to the argument that selling goods is not technically a “service”, and that a trade mark for retail services does not identify the origin of any service, and the practical concern that the category of “retail services” is too vague and would provide excessively broad protection to a registered mark.

Against this background, although it has become commonplace in much of the world to allow such registrations, some jurisdictions still impose hurdles and special requirements when it comes to that category of trade mark protection.

The international Nice classification of goods and services recognises a formulation of retail services which is widely used (often in abbreviated form) in trade mark registrations. It defines the service as: “the bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods; such services may be provided by retail stores, wholesale outlets, through vending machines, mail order catalogues or by means of electronic media, for example, through websites or television shopping programmes”.

The lengthy wording reflects the equivocal attitude to this service category that is still not uncommon – despite the fact that in the ‘real world’ retail brands function much the same as any other consumer brands. The elaborate text adopted by the international classification system can sometimes provide grounds for objections and hair-splitting when assessing such registrations. Such was the case in relation to the question of “own-brand” retail services in the RITUALS case.

The specific words (in the description of retail services in the registered mark) that gave rise to the question in that case were: “the bringing together, **for the benefit of others**, of a variety of goods....” (in particular the words in bold). The EUIPO’s Cancellation Division, based on its interpretation of the Registry Office’s guidelines, held that the element “for the benefit of others” required that the retail service in question should be provided for the benefit of third party manufacturers or suppliers whose products are being sold by the retailer. Hence, the Cancellation Division held that the sale of own-brand goods (that is, the goods of the proprietor or the registered mark itself) does not

amount to genuine use of the mark for “retail services” with the consequence that a mark that was used only in relation to the retail of “own-brand” goods could be revoked for non-use.

EU case law and the Board of Appeal’s decision to reverse

Traditional concerns about the registration of trade marks for “retail services” have been largely set aside in the EU since the 2005 decision of the European Court of Justice (“**ECJ**”) in the PRAKTIKER case. The ECJ was unequivocal in holding that there was no reason why “retail services” should be treated any differently from other categories of services for the purpose of trade mark registration and confirmed that the services do not need to be described in any particular detail.

The ECJ defined the essence of those services as “the sale of goods to consumers” noting that in addition to the sale transaction itself such services include “all activity carried out by the trader for the purpose of encouraging the conclusion of such a transaction” including “selecting an assortment of goods offered for sale” and “offering a variety of services aimed at inducing the consumer to conclude the abovementioned transaction with the trader in question rather than with a competitor”. The Court, thus, described the economic function of a retail brand and relied on that function to explain why retail brands should be protected, and be capable of registration as such (that is, not just as a registration in relation to the goods offered for sale but in relation to the retail service itself).

The ECJ confirmed that the formulation “bringing together of a variety of goods enabling customers to conveniently view and purchase those goods” should be sufficient to describe those services in a trade mark registration. The Court did not preclude describing such services simply as “retail services”. The ECJ made only one qualification to the rule – addressing the question of the potential breadth of protection afforded by the registration – that retail services should be registered in respect of listed categories of goods, or classes of goods, not in abstract.

The Fourth Board of Appeal in the RITUALS case applied the decision in PRAKTIKER, having considered various other decisions of the EU courts that dealt with “retail services”, and followed the same reasoning, to reverse the decision of the Cancellation Division holding that retail trade relating to the trade mark owner’s own goods is eligible to be treated as ‘genuine use’ of the mark.

The Board noted that the Nice classification is there for practical convenience and the law in the EU must be interpreted in accordance with the EU trade mark legislation and the case law of the EU courts. In other words, the particular text used in the Nice classification should not be treated as determinative in what amounts to “retail services” for the purpose of applying the EUTM legislation.

The Board further emphasised that the wording “for the benefit of others” as used in the Nice classification (as well as in numerous trade mark registrations for retail services) should be interpreted to include the benefit of the retail services to consumers

themselves. The Board noted the formulation of the essence of retail services in the PRATIKER decision, which emphasised that it is primarily focused on the sale of the goods to consumers, hence the service is primarily for their benefit (even if it may also be for the benefit of third party suppliers).

What next?

The decision of the Fourth Board of Appeal is a sensible one which reflects the reality of how “own-brand” retailers operate. It is unclear whether the decision will result in a change in practice by the EUIPO and it is yet to be seen if the decision is appealed. The decisions of the EUIPO’s Board of Appeal can be appealed to the European General Court (and a third appeal level can be available, in some cases, to the ECJ), giving an opportunity to the EU’s higher courts to provide further guidance on the questions at issue.

The EUIPO’s Board of Appeal is only an internal appeal instance within the Registry Office and its decisions have only limited weight as legal precedents. Despite the clear guidance given in the ECJ decision in the PRAKTIKER case (which is already 20 years old) it is likely that questions relating to the registration of trade marks for “retail services” will continue to emerge.

The decision of the Board of Appeal does, at least, provide some comfort that own-brand retailers may be able to defend their class 35 registrations for retail services against non-use challenges. Questions as to the nature of the activities that qualify as “retail services” for the purpose of trade mark protection are likely however to continue to be raised and trade mark owners will be in a stronger position to defend their marks if they can show a broad range of activities, apart from the retail sales activity itself – e.g., based on the selection, arrangement and display of goods, promotional activities, in-store consumer experiences, information services and so forth - that have been undertaken with a view to inducing consumers to purchase goods at the trade mark owner’s retail outlet. The more such activities can be framed as “services” benefitting consumers as well as suppliers, the better the chances the trade mark registration can be defended.