

THE EFFECTS OF TRADEMARKS ON FRANCHISING

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Abstract: The authors of the paper discuss the use of a legal institute of trademark in a franchise business concept. Besides addressing the economic aspects, the relevant institute is mostly analysed from the perspective of the needs of the EU Single Market and in the light of Brexit. In the article is devoted special place to the European Union Trademark (EUTM), where the author examines the most appropriate means of designation of goods and services in franchising within the territory of the EU.

Key words: Franchising, Trademark, European Union trademark, The EU Single Market, Brexit

1 INTRODUCTION

A trademark is the most essential tool for identification of goods and services provided in the franchise system, therefore it can be seen as one of the basic attributes of franchising.¹ First and foremost, within distributional franchising a franchiser mainly sells goods and services designated by a franchiser's trademark.² Goods and services are basis of successful business conceptions and thanks to a trademark they become distinguishable for consumers, because the trademark designates goods and services in a clear way.³ A franchisor's trademark is the key in business strategy, because it contributes essentially in the definition of goods' image and reputation in consumers' eyes whose often relate a trademark to the quality of provided goods or services.⁴ Indeed, trademark value should increase as the number of people using it expands. When a trademark has been successfully franchised for several years, a franchisor no longer needs to signal the value of his network to potential new franchisees, which should make franchising easier.⁵ For a franchisor to use his disposing and property rights related to a trademark via licensing a trademark for use, i.e. a franchisee's rights to use a franchisor's trademark, it is necessary that a trademark is exclusively owned by a franchisor. A trademark's license is part of a franchise agreement.⁶ Apart from private legal aspects of the transfer of right to use a franchisor's trademark, the license has public legal aspects in the form of registra-

¹ UNIDROIT: Guide to International Master Franchising Agreement, second edition. Rome : UNIDROIT, 2007, p. 118.

² A trademark only exists in connection with the specific products which it identifies or with particular services provided under this mark.

³ „Trademark rights have a fairly significant role in the market economy and have an irreplaceable role in combating competition. These rights contribute to creating a good competitive position against other competitors. Within the European Union, trademark rights are an important tool for regulating free movement of people, goods and services.“ VOJČÍK, P. et al. Právo duševního vlastnictví. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2012, p. 297.

⁴ MALY, J. Obchod nehmotnými statky. Praha : C. H. Beck, 2002, p. 257.

⁵ PFISTER E. et al. Institutions and contracts: Franchising. In European Journal of Law and Economics, Volume 21, Issue No. 1 (2006), p. 62.

⁶ Some authors explicitly designate a franchise contract as a special kind of license agreement, e.g: TELEČ, I. Přehled práva duševního vlastnictví. Brno : Doplněk, 2002, p. 108.

tion in the public register of country where a trademark will be used by a franchisee.⁷ The registering obligation related to a trademark in the respective country is prerequisite to a franchise agreement. When considering international franchise cooperation granting a license for using a trademark is determined by the law of country where a trademark will be used by a franchisee.⁸

Taking into account international franchising cooperation, the most essential issue to solve is the question of trademark's territoriality,⁹ because trademarks are protected only within the registered territory of a respective country or trademarks are protected by a different way of registration.¹⁰ Consecutive content and way of protection is therefore governed by the national law of the country. It follows from law that a franchisor is obliged to register a trademark under the national law of country where he wants to franchise before granting license to a franchisee. After the registration of a trademark, the granted license can be registered into the national trademark register. From the point of international franchisee this process greatly complicates franchising.

2 THE TRADEMARK PROTECTION IN EUROPEAN UNION

2.1 The history and advantages of European Union trademark

The solution of trademark protection in the EU stems from special character of EU legal system which through harmonization and unification gradually overcame the principle of territoriality typical for Trademark Law. The need of unified trademark legislation came from basic community aims – when created the internal market as economic space with free movement of goods, services, people and capital.¹¹ The territorial character of national trademark protections created a hurdle for the internal market. According to art. 295 of Treaty establishing the European Community (further “TEC”) provisions of the Treaty are not related to the legislation of property relationships in Member States. Although the article does not mention specifically Intellectual Property Rights, it is

⁷ According to the Slovak law, pursuant to paragraph 509 of the Commercial Code, the execution of trademark rights granted under a license agreement requires registration in the trademark register. The registration duty arises directly from art. 20 sec. 3 of Act no. 506/2009 Z.z. on Trade Marks, in the form of determining the condition for validity of the license agreement with third parties on the day of its registration in the trademark register. The license agreement shall be effective between the contracting parties on the date specified by the contracting parties and shall not be bound by its entry in the trademark register. So the registration only has effects on third parties, so the purpose of registration is mainly to protect the rights of third parties.

⁸ The trademark law has the nature of immediately applicable (imperative) regulations that do not permit the use of another right within the scope of the subject matter (KUČERA, Z. *Mezinárodní právo soukromé*. Brno : Doplněk, 2004, p. 283).

⁹ The basic principle in the protection of industrial rights beyond the boundaries of a given state is the principle of territoriality. According to this principle, the question whether in a particular state and, where appropriate, under what conditions the protection of intangible property rights is granted to individual rights, is governed in principle by the national law of that state. This principle applies not only to rights the creation or duration of which is subject to the fulfillment of certain conditions laid down by the law of that country but also to the right to individual results arising informally (JEŽEK, J. et al. *Prosazování práv z duševního vlastnictví*, 2003, p. 84. Available at <<http://www.dusevniivlastnictvi.cz/images/dokumenty/prosazovanipravdusevniivlastnictvi.pdf>>. [q. 2018-05-29].).

¹⁰ The European continental system of trademark protection is based on the registering principle where a mark becomes a trademark by a formal registration in the trademark register. On the other hand, the Anglo-American system of protection is based on an informal principle where the creation of a trademark and its protection is linked to the moment of the first genuine use of a mark.

¹¹ Article 2 of the Treaty establishing the European Community.

necessary to classify it under the article. It results that Member States governed protection of Intellectual Property Rights in their national legislations. Separate legislations meant different national legislations and the exclusivity of protection granted by the Member States solely for the territory of respective state. A separate legislation was also directly related to the entitlement of industrial property rights' holder for restriction or exclusion of imported goods and services by other legitimate related rights' holders from a different Member State which contradicts the nature of creation and existence of single internal market.

This way the intellectual property rights' holder built an intrinsic legal monopoly in the market of free movement of goods and services, because only he was entitled to grant a territorially limited consent for use of these goods and services. As a result, these goods and services re-created borders among Member States.¹² Harmonization of Trademark Law in the EU resulted in the form of Directive 89/104/EHS from 21. December 1988 to approximate laws of the Member States relating to trademarks (further "Directive"), but its implementation into national legislations did not reach expected goal. Although implementation converged national legislations of Member States closer, the negative effects of territoriality principle was not surpassed. Overcoming the territoriality principle required to adopt a uniform legislation for all Member States which is possible to achieve only through legislation in the form of regulation.

The unification of Trademark Law in the EU was feasible after determination of legal basis. A solution was found where missing legislation was causing the most important problem. In this case, article 308 of TEC was used as missing legal foundation. The article allows the Council on the Commission's proposal, acting unanimously after consulting the European Parliament, to take appropriate measures to achieve some of the objectives of the Community in the functioning of single internal market, provided that the TEC does not provide the necessary powers. The aim of Community was to remove obstacles of proper functioning of single market inflicted by trademarks in the form of volume limitations for export and import which are prohibited according to articles 28 and 29 of TEC among Member States. Despite the provision of first sentence of art. 30 of TEC based on which effects of articles 28 and 29 of TEC are limited in case of industrial property rights' and business ownership's protection, the second sentence of art. 30 rules that prohibitions under articles 28 and 29 of TEC cannot be means of arbitrary discrimination or hidden limitation of business among Member States. When the exclusive right of trademark's owner to grant license for the use of trademark can be misused to limit business among Member States, for proper functioning of the single internal market the trademark's owner has to bear restrictions of ownership to a trademark. The unification process resulted in the adoption of Council Regulation No. 40/94 of 20 December 1993 on the Community Trademark (further «Regulation»), thereby creating the uniform protection system of trademarks for entire territory of the EU.

The rationale for the adoption of this Regulation proclaims the need for adoption of uniform protection which will be effective throughout the Community,¹³ where the formally acquired trademark in a single process registration system removes barriers to the free movement of goods and services and creates suitable conditions for companies. As result the uniform protection will enable companies within its economic activities connected to production or distribution of goods and services in the EU to use a single trademark validated for the whole territory of EU. The Regulation

¹² TICHÝ, L., ARNOLD. R., SVOBODA, P., ZEMÁNEK, J., KRÁL, R. *Evropské právo*, 2. edition. Praha: C. H. Beck, 2004, p. 441.

¹³ Article 1, sec. 1. (2) of Regulation (EU) 2017/1001 of the European Parliament and of the Council.

overrides the territoriality principle because the European Union trademark is directly applicable in all Member States, independently of trademarks that are in the national treatment regime of the Member States. The existence of the European Union trademark thus creates, in the EU, alongside national and international trademarks, the third regime of trademark protection. We can state that it is an optional tool of trademark protection in European Law which functions alongside trademark protection regimes at WIPO level and national protection level.¹⁴

The two most prominent multi-filing applications are the European Union Trademark system (formerly known as the European Community Trademark system) and the Madrid Protocol system. Pursuing a multi-filing application can save time and money. Franchisors that apply using the European Union Trademark system through the European Union Intellectual Property Office (“EUIPO”) have the benefit of filing a single application in the twenty-eight European Union member countries at a cost equivalent to filing directly in four or five countries. Franchisors that apply using the Madrid Protocol system through the World Intellectual Property Organization (“WIPO”) have the opportunity to receive trademark protection in up to ninety-eight countries with a single filing.¹⁵

In addition to the abovementioned overriding principle of territoriality, it was necessary to address the issue of parallel imports of goods bearing its trademark, in particular the question of whether the proprietor of a trademark may prevent parallel imports of such goods, in order to restrict the proprietor’s trade mark’s exclusivity. Under Article 13 (1) of the Regulation, the European Union trademark does not entitle the proprietor to prohibit its use for goods which have been marketed in the Community under such a trademark when they have been put on the market by the proprietor of trademark himself or with his consent. However, it does not apply if the status of the goods changes or deteriorates after their placing on the market or the further commercialization of the goods is prevented. In that case, under Article 13 (2) of the Regulation the exhaustion of rights under article 13 (2) would not have been applied. The registration of a franchisor trademark at the European Union level brings benefits which arise, in particular, from its unified nature. A properly registered European Union trademark is effective in all EU Member States, which means for the franchisor to obtain protection in a simpler registration process than if he would have to register his trademark in each country separately.

2.2 The impacts of Brexit on European Union trademarks

The advantages of EUTM validity across all EU Member States is diminished by Brexit.¹⁶ The most significant effect of Brexit on international franchisors will be in terms of brand protection strategy for the U.K. and Europe. It is likely that EU rights, such as registered and unregistered community designs and EU trademarks (formerly referred to as Community Trade Marks or CTMs), will no longer have effect in the U.K. and there will be questions about what will happen to the “U.K. portion” of such rights obtained before Brexit. If existing rights automatically reduce in geographical scope to exclude the U.K. their value will diminish, which will have a commercial impact on the rights holder.

¹⁴ Also in recitals of the Regulation, it is emphasized that European union trademark law does not replace the trademark law of Member States, as the EU is aware of the lack of legitimacy to require companies to register their trademarks as European union trademarks. National trademarks are necessary for companies which do not need protection at EU level.

¹⁵ EMERSON W. R., WILLIS R. C. International franchise trademark registration: legal regimes, costs and consequences. In *Wake Forest Law Review*, vol. 52 (2017), p. 12.

¹⁶ Brexit is an abbreviation for “British exit,” referring to the UK’s decision in a June 23, 2016 referendum to leave the European Union. Available at <<https://www.investopedia.com/terms/b/brexit.asp>>. [q. 2018-05-29].

This is something that franchisors with EU trademarks need to keep an eye on as it may at some point mean that they have to re-apply for some of their trademarks in the U.K.¹⁷ However, it is clear that transitional provisions are required to preserve EU trademark owners' existing rights in the UK from the date of Brexit, and the UK Chartered Institute of Trade Mark Attorneys (CITMA) has already been working hard on the details of those provisions. CITMA is currently discussing its proposals with the UK Intellectual Property Office. In summary, CITMA is considering in detail two options whereby existing EU Trademarks will be entered onto the UK Trade Mark Register as corresponding national rights upon the UK's exit from the EU. The first option ("the Montenegro model") would allow all existing EU Trademark Registrations to be automatically entered onto the UK Register as UK Trademark Registrations. The second option ("the Tuvalu model") would require EUTM owners to file a form to request extension of their existing EUTM Registrations to the UK.¹⁸ The European Union trademark regime is established by the EU legislation and European Union Trademarks (EUTMs) give protection in every Member State of the European Union. When Brexit comes into effect, existing EUTMs will cease to cover the United Kingdom.¹⁹ The European Union trademark is currently also of interest to the franchisor in terms of registration fees,²⁰ since the enjoyment of protection at the same time in all Member States through the European Union is the cheapest.²¹

The franchisor may register the European Union trademark through the European Union Intellectual Property Office²² in one of the 23 official languages, thus also in the Slovak language. In the application, the applicant is required to indicate also a second language, which is one of the five languages²³ of the Office²⁴ used in the applicant's communication with the Office in cases of

¹⁷ Available at <<https://www.franchise.org/how-does-brexit-impact-international-franchisors-with-franchisees-in-the-eu>>. [q. 2018-05-29].

¹⁸ ATKINS, R. UK: European union trademarks and Brexit. In LexisNexis, 6. 3. 2017.

¹⁹ TRAUB F., HALEEN I., CLAY A. Brexit – what next for Intellectual property rights? In *The Licensing Journal* (2016), p. 11.

²⁰ Regulation (EU) 2015/2424 of the European Parliament and of the Council, amending the Community Trade Mark Regulation (the amended regulation), entered into force on 23 March 2016, amended the fee system. The registration fee for EUTM in the first class is 850 euros, for the second class the fee is 50 euros, for third class the fee is 150 euros and for each additional class the fee is 150 euros.

²¹ The Community trade mark included protection for three classes, with the cost of the electronic application being EUR 900 and EUR 1 050 per paper application. The Amendment to Regulation (EU) 2015/2424 states that the European Union Intellectual Property Office goes into the system of one class for a fee of EUR 850 for an electronic application. In paper form, the application is charged for one class of EUR 1000. This means that in practice applicants will pay a lower fee if they only apply for one class, almost the same fee if they apply for two classes (50 euros more), and a higher fee if they apply for three or more classes. Renewal fees are substantially reduced in all cases and set to the same level as the application fee, and there are also reductions in opposition, cancellation and appeal fees.

²² The Amendment to Regulation (EU) 2015/2424 establishes the European Union Intellectual Property Office as the only place where it is possible to register an EU trademark from 23. 3. 2016. Prior to the amendment, the places of filing of the application were the relevant national offices conducting the trademark agenda (in the case of the Slovak Republic it was the Industrial Property Office in Banská Bystrica).

²³ Under Article 146, sec. 2 of Regulation (EU) 2017/1001 of the European Parliament and of the Council are the languages of the Office English, French, German, Italian, Spanish.

²⁴ Article 2 of the Regulation (EU) 207/2009 establishes the Office for Harmonization in the Internal Market (hereinafter "the Office" or "OHIM"), established in Alicante, Spain, which has become an independent administrative body of the Community with legal personality and executive power conferred by this Regulation operating under Community law within the framework of Community law, without encroaching on the powers of other Community bodies, while making the applications subject to review in the light of the absolute grounds for refusal (Articles 7 and 38); otherwise, it rejects the Community trademark application only on the basis of objections (Article 8) or, if the absolute or relative grounds for invalidity are given, declare the mark invalid or not used as canceled (DAUSES, M.A. et al. *Příručka hospodářského práva EU*. München : Verlag C. H. Beck oHG, 2002, Praha : ASPI, 2002, p. 148).

notice of objection, cancellation or invalidation of the trademark.²⁵ In case of seamless registration, the applicant is the only party to the proceedings which means that the applicant uses only the language of proceedings as the language of submitted application, any official language of the European Union.

2.3 The challenges of European Union trademarks

The European Union trademark in the role of a legal remedy that is effective for all EU countries also has its own weaknesses which concern, in particular, the registering capacity. In the light of the absolute grounds for refusal of registration, the descriptive character of a trademark within the meaning of article 7 (1) (c)²⁶ and the customary designation referred to in article 7 (1) (d)²⁷ Regulation (EC) 2017/1001 for the lack of ability to distinguish can be particularly disputable. The assessment of ability to distinguish is strongly shaped by the ECJ case law. For example, in the case of the BABY-DRY designation²⁸ of a baby diaper manufacturer that he wished to register for his products, the ECJ found that, despite the fact that the designation obviously consists of two English terms, where each word separately has a descriptive character and both terms designate the purpose of using the product, these words have a sufficient degree of distinctiveness in their connection.

According to its settled case-law, when assessing the descriptive character of a trademark, the ECJ states that “*obtaining a distinctive character through the use of a trademark requires that at least a significant part of the relevant public, through that trademark, recognizes that the concerned goods or services come from a specific undertaking*”.²⁹ Two years after the “BABY-DRY” decision, the ECJ reaffirmed its conclusions in case C-191/01,³⁰ dubbed “DOUBLEMINT”. Despite above mentioned results, the “ecoDoor” sign, which EUIPO refused to register because of the descriptive character of the sign,³¹ produced a different result.

²⁵ Article 146, sec. 3 of the Regulation (EU) 2017/1001.

²⁶ According to Art. 7 sec. (1) (c) of Regulation (EC) 2017/1001 on the European Union trademark „*trademarks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value of the geographical origin or the time of production of the goods or the provision of services other characteristics of goods or services*“ shall not be registered in the register.

²⁷ According to Art. 7 sec. (1) (c) of Regulation (EC) 2017/1001 on the European Union trademark „*trademarks which consist exclusively of signs and indications which have become customary in the common language or in good faith and in the commercial practice used*“ shall not be registered in the register.

²⁸ ECJ judgment C-383/2001 of 20 September 2001.

²⁹ – Judgment of the Second Board of Appeal of 12 July 2007 in Case T 141/06, Glaverbel v. OHIM, action brought against the decision of OHIM of 1 March 2006 (R 0986 / 2004-4), concerning the registration of the Community trademark consisting of a representation of the structure of the surface of the glass;
– ECJ judgment of the European Union of 4 May 1999 in Cases C 108/97 and C 109/97, Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) against Boots- und Segelzubehör Walter Huber (C-108/97) and Franz Attenberger -109/97), application for a preliminary ruling on the interpretation of Art. 3 sec. 1(c) and Art. 3 sec. (3) of Directive;
– ECJ judgment of 7 July 2005 in Case C 353/03 Société des produits Nestlé SA v Mars UK Ltd, application for a preliminary ruling on the interpretation of Art. 3 sec. 3 a Art. 7 sec. 3 of Directive;
– ECJ judgment of 18 June 2002 in Case C 299/99 Koninklijke Philips Electronics NV v Remington Consumer Products Ltd, application for a preliminary ruling on the interpretation of Art. 3 sec. 1 and 3, Art. 5 sec. 1 and Art. 6 sec. (1) (b) of Directive.

³⁰ ECJ judgment of 23 October 2003 in Case C-191/01 OHIM v Wm. Wrigley Jr. Company.

³¹ OHIM explained the descriptive character of the ecoDoor mark by stating that the concerned public consists of consumers with average English knowledge. For the mark applied for, the public distinguishes both the element ‘eco’, which indicates the meaning of ‘ecological’ and the element ‘door’, which means ‘doors’. Consequently, according to OHIM, the public perceives the mark applied for as something which means ‘environmentally friendly doors’ or ‘doors whose

The ECJ decision has derived from the interpretation of article 7 (1) (c) of Regulation under which the general interest requires that signs or indications which may serve in business to designate the characteristics of the goods or services for which registration is sought may be freely used by all and that provision therefore precludes such signs or data from registration as a trademark. In such case those signs would be reserved to one entity only. Assuming the sign falls under the prohibition laid down in article 7 (1) (c) of Regulation, there must be a sufficiently direct and specific link between the sign and the goods or services in question, where the link in question enables the public concerned to immediately and without further consideration perceive the description of those goods or services, or more precisely one of their characteristics. It follows from the foregoing that the descriptive character of the sign must be assessed, first, in relation to the goods and services for which registration is sought and, secondly, in relation to the perception of the relevant public group made up of the consumers of those goods or services.³²

In case of signs which have become customary in the common language or in good faith and used in the commercial practices, which is the absolute ground for refusal of registration, the assessment of registrability is based on assessment of the distinctive character of sign. The assessment of commonness of sign in common language is based, first, on the assessment of sign in relation to the goods and services applied for and on the assessment of commonness of sign among the target public. This is best explained by the judgment of the ECJ in *Alcon Inc.*,³³ where the manufacturer of pharmaceutical products registered to OHIM (now EUIPO) in 1998 the trademark “BSS” for ophthalmic pharmaceutical preparations and sterile solutions for ophthalmic surgery. The competitor challenged that registration by stating that the trademark was entered in the register contrary to the provisions of the abovementioned art. 7 (1) (d) since, in the field of ophthalmology, the terms “balanced salt solution” and “buffered salt solution” are used to indicate the expression “BSS”. It means that “BSS” is the usual term in the target the public, i.e. ophthalmologists and surgeons consider it to be the usual term. The ECJ upheld the decision of the Board of Appeal of OHIM and the trademark “BSS” was declared invalid.

The assessment of distinctive character of trademark, in the light of the fact that the trademark, having regard to the principle of unity of European Union trademark, must have the same distinctive character in all the Member States,³⁴ may give rise to problems. The EU has 23 official languages, which must also be taken into account when assessing the registrability of a sign, and therefore the

production and operation are ecological. Lastly, in view of the fact that the goods covered by the trade mark may include doors and use of energy, OHIM considered that the trade mark applied for provided information on their energy efficiency and ecological characteristics and was therefore descriptive. (Judgment of the General Court of 15. 1. 2013 – BSH Bosch and Siemens Hausgeräte GmbH v Office for Harmonization in the Internal Market in Case T 625/11, point 7).

³² Judgment of the General Court of the EU of 15. 1. 2013 – BSH Bosch and Siemens Hausgeräte GmbH v Office for Harmonization in the Internal Market in Case T 625/11, point 14 – 17.

³³ ECJ judgment C-192/03 of 5 October 2004.

³⁴ Judgment of the Court of Justice of the European Union of 22 June 2006 in Case C 25/05 August Storck KG v OHIM, appeal against the judgment of the Civil Service Tribunal of 10 November 2004 (T 402/02).

– judgment of 10 March 2009 in Case T 8/08, *GM Piccoli Srl v OHIM*, action brought against the decision of OHIM of 28 October 2007 (R 530/2007 1), concerning the application for a three-dimensional Community trademark shaped in the form of a shell,

– judgment of 30 September 2009 in Case T-75/08 *JOOP! GmbH v OHIM*, appeal against the decision of OHIM of 26 November 2007 (R 1134/2007 1) concerning the Community trade mark application (!),

– ECJ judgment of 7 September 2006 in case C 108/05, *Bovemij Verzekeringen NV v Benelux-Merkenbureau*, application for a preliminary ruling on the interpretation of Art. 3 sec. 3 of the Directive.

term which is in a specific language eligible for registration in another language for the reasons mentioned in article 7 (1) c) and d) do not have to be.³⁵

3 CONCLUSION

The European Union Trademark provides a franchisor who expands to several EU countries one of the most attractive tools for protecting trademarks and a mean of registering license agreements³⁶ concluded with franchisees from the EU. The already mentioned territorial scope and unification effect for the EU and suppression of territoriality principle, relatively low registration fees, the possibility of registration in one of the official EU languages are benefits which thanks to the trademark unification in the EU an applicant can gain, and in case of successful registration a trademark owner as well.

The fractional violation of unique registering effect of EUTM caused by Brexit is minimal and temporary. The ideal solution for the existence of EUTM in the United Kingdom is to provide the same legal protection for EUTMs as UK national trademarks enjoy. It would appear to be wrong to look at the European Union trademark as a trouble-free legal tool, because issues of registrability may give rise to problems of trademark uniformity throughout the EU, such as the aforementioned language problems.

However, benefits stemming from the suppression of territoriality principle – such as the solution to the European Union trademark rights' exhaustion – are invaluable in ensuring the free movement of goods and services within the internal market. Therefore, the European Union trademark is EU law tool that, in the light of current EU law options, a franchisor can make full use of in its cross-border penetration into the EU Members.

We believe that franchising needs to address trademark issues from the point of view of cross-border and, in our economic space, mainly intra-European economic cooperation. Therefore, trademarks in franchising receive, through the European Union trademark, the appropriate means of its protection in the EU, and its further development and exploration are inextricably linked to the possibilities of its use in franchising in the single EU internal market.

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³⁵ The Regulation also addresses the issue of the admissibility of the registration of signs which fulfil the criteria of absolute grounds for non-registrability. On the basis of Article 7 (3) of the Regulation in the cases referred to in Article 7 (1) (b), (c) and (d), the sign shall not be regarded as an improper registration unless the applicant demonstrates that the sign has a distinctive character prior to its registration, and it is necessary to assess the distinctive character of the sign in relation to the goods and services for which registration is sought.

³⁶ Licensing in the Regulation (EU) 2017/1001 is relatively stiff. Article 25 (1) provides that „an EU 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 Union. A licence may be exclusive or non-exclusive“.

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