

- **COMPETITION – ANTI-DOPING LEGISLATION**

str: 1

- **PRIVATE ENFORCEMENT OF COMPETITION RULES**

str: 2

- **COMMISSION'S POWER TO ADOPT A DECISION AFTER PROPOSED MERGER PLAN IS ABANDONED**

str: 2

- **INDIVIDUAL DIVIDEND TAXATION IN CONTEXT OF FREE MOVEMENT OF CAPITAL**

str: 4

- **RESTRUCTURING AND RESCUE AID GUIDELINES**

str: 4

- **STATE AID REGARDING CONSTRUCTION OF INFRASTRUCTURE AVAILABLE TO PUBLIC**

str: 5

To be continued on page 2

- **COMPETITION – ANTI-DOPING LEGISLATION**

Judgment of the Court of First Instance in *David Meca-Medina and Igor Majcen v European Commission* (T-313/02) of 30 September 2004

On 30 September 2004, the Court of First Instance (the "CFI") issued a judgment, in which it qualified the character of sport activities and related legislation.

The action was brought before the CFI by two athletes, who were suspended for four years by the decision of the Fédération internationale de natation (International Swimming Federation, the "FINA"), subsequently confirmed by the Court of Arbitration for Sport, as a result of a positive testing for Nandrolone. These two athletes complained to the Commission (under Article 3 of Council Regulation No. 17 of 6 February 1962 implementing Articles [81] and [82] of the Treaty) challenging the compatibility of certain regulations adopted by the International Olympic Committee (the "IOC") and implemented by the FINA, and certain practices relating to doping control with Community rules on competition and free movement of services. They alleged that fixing the limit of presence of Nandrolone in athletes' bodies at the level specified in the anti-doping rules of the IOC was a concerted practice between the IOC and 27 laboratories accredited by it, as the limit was scientifically unfounded. Following the rejection of their complaint by the Commission, the athletes introduced an action before the CFI in Luxembourg. The CFI dismissed the action of athletes and ordered the applicants to pay the costs.

In its judgment the CFI states, in compliance with the case-law of the Court of Justice, that sport is subject to Community law only in so far as it is an economic activity within the meaning of Article 2 EC. Legislation relating to sporting activity as such (purely sporting legislation) falls out-

side the scope of Community competition law, as well as of Community provisions on the freedom to provide services.

On the one hand, a sporting activity can take the form of paid employment or provision of remunerated services, and thus present an economic aspect. In such a case, it falls within the scope of the provisions of the Treaty, in particular of Articles 39 EC and 49 EC (concerning free movement of workers and freedom of services). For instance, the rules providing for the payment of fees for the transfer of professional players between clubs, or limiting the number of professional players who are nationals of other Member States which those clubs may field in matches, or fixing different transfer deadlines for players coming from other Member States without objective reasons, fall within the scope of those provisions of the Treaty and are subject to the prohibitions which they enact.

On the other hand, rules concerning questions of purely sporting interest, relating to the particular nature and context of sporting events, such as rules on composition of national teams, or rules relating to the selection by sports federations of those of their members who may participate on high level international competitions, by their nature fall outside the scope of Articles 39 EC and 49 EC. The fact that purely sporting legislation may have nothing to do with economic activity, with the result, according to the Court of Justice, that it does not fall within the scope of Articles 39 EC and 49 EC, means also, that it has nothing to do with the economic relationships of competition, with the result that it also does not fall within the scope of Articles 81 EC and 82 EC.

As concerns the anti-doping legislation, it does not pursue any economic objective. It is aimed to preserve the spirit of fair play, as well as to safeguard the health of athletes

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- STATE AID – INVESTMENT AID
str: 5
- VAT TAXATION OF AIRLINES
str: 6
- DISCRIMINATION OF
MIGRATING WORKERS IN
AREA OF SOCIAL BENEFITS
str: 7
- LEGAL PROTECTION
OF SPORTING DATABASES
str: 8
- TRADE MARKS COMPRISING
A COMMON SURNAME
str: 9
- TRADE MARKS – ABSOLUTE
GROUNDS FOR REFUSAL
TO REGISTER
str: 10

since the doping products have negative physiological effects. Therefore, the anti-doping rules are linked to a sport as such, the anti-doping legislation is of pure sportive nature and thus cannot be subject to competition law.

PRIVATE ENFORCEMENT OF COMPETITION RULES

Study on the conditions of claims for damages in case of infringement of EC competition rules

On 2 September 2004, the Directorate General for Competition of the European Commission published a study on the conditions for claims for damages in case of infringement of EC competition rules.

The study is available on the Commission web site at:

http://europa.eu.int/comm/competition/antitrust/others/private_enforcement/index_en.html

This study covered all 25 EU Member States and was prepared by Ashurst in cooperation with law firms from the individual Member States. The national report on the Slovak Republic was prepared by Čechová Rakovský.

The Commission is dissatisfied with the current situation in the EU, comparing it with the situation in the U.S. where 90% of all enforcement is private enforcement, with the other 10% carried out by public authorities. Private actions can be an effective tool in competition policy. Not only would anticompetitive behaviour be brought to an end, but consumers or affected competitors would also be directly compensated for losses they suffered as a result of infringement of competition rules.

The European Commission is, therefore, looking at ways to encourage private parties to seek compensation for harm caused to them by anticompetitive behaviour and see enhancement of private actions as key to further practices such as price-fixing cartels or abuses of dominant position.

The main purpose of the study is, therefore, to analyse the situation in each of the 25 Member States of the European Union, make a comparative legal and economic analysis and suggest the ways through which private enforcement actions in the European Union should develop in the future.

The Commission is expected to publish a green paper in 2005, possibly leading to legislation on the issue.

COMMISSION'S POWER TO ADOPT A DECISION AFTER PROPOSED MERGER PLAN IS ABANDONED

Decision 2000/790/EC of 28 June 2000 declaring a concentration incompatible with the common market and the EEA Agreement (Case COMP/M.1741 - MCI WorldCom/Sprint) annulled by the judgment of the Court of First Instance in Case T-310/00 of 28 September 2004

On 4 October 1999, the American communications companies WorldCom (now called MCI) and Sprint signed an agreement and plan of merger by which they intended to merge the whole of their businesses (with a combined turnover of about USD 127 billion), and they notified the Commission of the agreement on 10 January 2000. Like the United States competition authorities, the Commission opposed the envisaged merger, taking the view that the transaction had a Community dimension and would lead to the creation of a dominant position for the notifying parties.

On 26 June 2000, Mario Monti, the then European Commissioner responsible for competition stated that his proposal to the Commission would be to prohibit the merger, the topic being included on the agenda for the Commission meeting of 28 June 2000. By letter of 27 June 2000, to prevent the adoption of the contested decision, WorldCom and Sprint formally stated to the Commission that they were withdrawing their notification and that they no longer proposed to implement the envisaged merger in the form presented in the notification.

The Commission nonetheless adopted its decision declaring the merger incompatible with Community law, because it came within the definition of merger for the purposes of Article 3(1)(a) of Council Regulation (EEC) No 4064/89 of 21 December 1989 on the control of concentrations between undertakings (subsequently repealed by Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings). In essence, it took the view that the letter of the undertakings did not amount to the formal withdrawal of the notified merger agreement.

WorldCom brought an action before the Court of First Instance (the "CFI") challenging the Commission's power to adopt the decision. After considering the arguments discussed below, the CFI has annulled the Commission's decision.

The main question was whether, in the circumstances of the case, the Commission had the power to adopt a decision declaring the notified concentration incompatible with the common market, when, without abandoning their proposed merger, the notifying parties had formally stated that they were withdrawing their notification and that they no longer wished to implement the proposed merger in the form presented in the notification, while leaving open the possibility of merging their activities in a modified form in the future.

The Commission stated that its competence is not limited to notified operations alone, notification being merely the instrument that facilitates the exercise of the competence that the Commission enjoys in any event and which cannot depend solely upon the wishes of the parties. Accordingly, the Commission submits that, since it enjoys control over concentrations regardless of prior notification, conversely parties to a proposed merger cannot deprive it of its competence by withdrawing their notification, unless they also abandon their merger plans.

On the other hand, the parties argued that even if the letter concerned not the abandonment of any idea of, or proposal for, a merger between WorldCom and Sprint, but only the abandonment of the proposed merger in the form presented in the notification, a valid merger agreement does not automatically exist (or continue to exist) between two undertakings simply because they are considering merging (or continue to consider merging). Commission's competence cannot rest on the mere subjective intentions of the parties, but depends on the conclusion of the merger agreement. In the same way as the Commission does not have the power to adopt a decision before such an agreement has been concluded, it ceases to have that power as soon as the agreement comes to be terminated, even if the undertakings concerned continue negotiations with a view to concluding an agreement in a modified form.

The CFI states the Commission's settled practice shows that it is satisfied with the mere withdrawal of the notification by the parties concerned in order for it to close, without a decision on the merits, a procedure relating to merger case, and leads to the belief that the withdrawal of the notification is, from the Commission's point of view, equivalent in practice to abandonment of the proposed merger. In those circumstances, WorldCom and Sprint were entitled to expect their letter to result in closure of the file in accordance with the Commission's prior administrative practice.

Thus, while it is true that the parties to a merger agreement cannot deprive the Commission of its competence by withdrawing their notification, the Commission still must, when exercising that competence, rule on a real merger transaction and not on vague intentions of the parties to merge their activities in a modified form in the future, as it has done in the present case.

The Commission also infringed the legitimate expectations of the parties by

adopting the decision without first informing them that their letter was not sufficient to result in closure of the file.

INDIVIDUAL DIVIDEND TAXATION IN CONTEXT OF FREE MOVEMENT OF CAPITAL

Judgment of the European Court of Justice in Manninen (C-319/02) of 7 September 2004

The case involved a Finnish tax resident who held shares in a Swedish company and received dividends in that regard.

Under Finnish tax legislation, both Finnish corporations and their Finnish shareholders were subject to income tax on profits when, respectively, acquired by a company or further received by a shareholder in the form of dividends.

To mitigate that double corporate and individual taxation, Finnish laws provided individual shareholders with Finnish tax residence with a specific tax credit. That benefit, however, was only available for domestic dividends. As a result, Finnish residents receiving dividends from companies from other Member States were not allowed to claim the credit at issue, thus being potentially harmed by double taxation.

In the present case, the claimant was refused credit for dividends from a Swedish company. The national court examining his claims decided to refer the issue to the European Court of Justice (the "ECJ").

The ECJ observed that Finnish tax rules were likely to impede collection of capital by companies from other Member States from Finnish individual investors and discouraged the latter from investments in foreign shareholdings. Therefore, Finnish tax legislation was in breach of the Treaty principle of free movement of capital.

The ECJ further held that such restrictive national measures may not be upheld even if their abolishment was to result in diminution of tax revenues of the Member

State granting the tax credit. The ECJ also rejected the argument that the extension of the credit to foreign dividends runs counter to the coherence of the Finnish tax system. Consequently, the ECJ ruled that individual investors should enjoy the benefit of a shareholding tax credit both for domestic and for foreign dividends, received from companies established in other EU Member States.

The judgment of the ECJ follows a series of its recent decisions which seek to abolish fiscal impediments faced by EU citizens making investments in other Member States, based on the free movement of capital contained in the EC Treaty.

RESTRUCTURING AND RESCUE AID GUIDELINES

Communication from the Commission — Community guidelines on State aid for rescuing and restructuring firms in difficulty

The new guidelines on the Community rules on rescue and restructuring aid replaced on 9 December 2004 the previous guidelines on the subject.

The new guidelines aim at a further limitation of state aid granted in the Member States. They provide, for instance, for more restrictive conditions regarding the required contribution from the beneficiary and further reinforcement of the one time, last time principle.

On the other hand, the new guidelines allow Member States to grant both restructuring aid and rescue aid to enterprises, which usually did not appear available in the previous guidelines.

The new guidelines will apply until 9 October 2009. Notifications of state aid measures filed with the Commission prior to 10 October 2004 will, however, still be governed by the previous guidelines.

Official Journal of the European Union C 244 of 1 October 2004

STATE AID REGARDING CONSTRUCTION OF INFRASTRUCTURE AVAILABLE TO PUBLIC

Judgment of the Court of First Instance in Valmont Nederland BV v Commission (T-274/01) of 16 September 2004

The decision of the Court of First Instance (the "CFI") provides additional guidance on state aid rules applicable to compensation of private operators for services of general economic interest.

The case involved a Dutch company, the claimant in the current proceedings, which purchased land from local authorities for commercial purposes. Later on, the company entered into an informal agreement with the authorities under which the former would build on the premises publicly available parking facilities.

At a further stage, the European Commission found that the purchase price of the land at issue was lower than its market price and thus the transaction might have involved some state aid. The Commission acknowledged that other operators were also able to use the parking facilities arranged at the premises free of charge, including related services such as protection against thefts, warehousing or unloading. However, the claimant still had the primary right to use the estate, hence receiving support from public funds.

Based on these facts, the Commission decided that, whereas half of the financial support received by the claimant by virtue of the reduced purchase price was effectively forwarded to other users of the parking facilities, the remaining proportion benefited only the claimant and hence qualified as operating state aid. Having found no specific circumstances to justify the award of the state aid, the Commission declared it unlawful and requested its recovery by the Dutch authorities.

The CFI rejected the assessment of the Commission as arbitrary and based on insufficient analysis of the facts of the case. The CFI indicated that operators other than

the claimant were able to continuously use the latter's premises for no consideration whatsoever. According to the CFI, the claimant was, therefore, providing services in the general economic interest. In accordance with the well-established case law of the European Community courts, claimant was consequently entitled to appropriate compensation.

The Commission was under the duty to assess to what extent the support received by the claimant might have reflected such due compensation. Therefore, the findings of the Commission that precisely half of the support constituted unlawful state aid was, given lack of sufficient evidence, arbitrary and unfounded.

As the result, the CFI annulled the Commission's Decision on the State aid implemented by the Netherlands in favour of Valmont Nederland BV.

Official Journal of the European Union C 244 of 1 October 2004

STATE AID – INVESTMENT AID

Judgment of the Court of First Instance in Kronofrance SA v Commission (T-27/02) of 1 December 2004

The present case rules on the status and interpretation of Commission guidelines in the area of state aid. The specific guideline concerned is the Multisectoral framework on regional aid for large investment projects of 1997 (Official Journal of European communities (OJEC) 1998, C 107, page 7), later replaced by a new communication from the Commission with the same title (OJEC 2002, C 70, page 8).

The Multisectoral framework on regional aid for large investment projects lays down the rules for assessing aid awarded for such projects, which falls within its scope. Under the multisectoral framework, the Commission decides on a case-by-case basis the maximum allowable aid intensity for projects which are subject to the notification requirement.

For the proper assessment of the awarded aid, an analysis aimed at determining

whether the notified project will be implemented in a sector or subsector affected by structural overcapacity, needs to be executed. The Commission considers, at the Community level, the difference between the average capacity utilisation rate for manufacturing industry as a whole and the capacity utilisation rate of the relevant sector or subsector.

In 2001, the Commission approved granting of an investment aid by the German authorities to a large construction project of facilities for the production of wood products, namely oriented strand board and particle board. The Commission approved the aid following a preliminary examination, without opening a formal investigation procedure. The present Court of First Instance (the "CFI") decision annulling the Commission's decision results from a challenge to the decision of the Commission by a competitor of the company benefiting from the aid granted by the German authorities.

The main legal issue of the case is the interpretation and implementation of the Commission's guidelines, here the Multi-sectoral framework on regional aid for large investment projects in force at the time. The Commission had literally interpreted the guidelines as allowing a decision to be taken on the sole basis of the absence of overcapacity on the product market without reviewing whether that market was a declining market.

The CFI first recalls that Commission's guidelines must comply with the relevant EC Treaty rules (here Article 87 EC) and are binding upon the Commission. Further to its review, the CFI declares that the interpretation of the guideline made by the Commission in the present case achieves a result contrary to Article 87 EC.

The Commission had interpreted the sentence of the guidelines in the "absence of sufficient data on capacity utilization, the Commission will consider whether the investment takes place in a declining

market" (point 3.4.) as meaning that if it concluded that there was no market overcapacity found, no research was needed regarding the existence of a declining market. The CFI, on the contrary rules that the above sentence must be read "as meaning that, where the data on capacity utilization in the sector concerned do not allow the Commission to reach the positive conclusion that there is structural overcapacity, the Commission must consider whether the market in question is a declining market".

The CFI further declares that "that interpretation of the multisectoral framework is the only interpretation consistent with Article 87 EC and with the objective of undistorted competition which that provision seeks to achieve." The CFI also observes that the Commission had followed the CFI's interpretation of the guidelines in a previous case.

Beyond the particular facts of the case, the CFI decision confirms that the interpretation of EC law and of implementing guidelines is conducted on the basis of their objective and purpose rather than their letter.

VAT TAXATION OF AIRLINES

Judgment of the European Court of Justice in *Cimber Air* (C-382/02) of 16 September 2004

The case relates to the Community tax laws which exempt from VAT, under specific conditions, supplies of goods and provision of services to airlines operating for reward chiefly on international routes.

Danish airlines, the claimant in the proceedings in question, operated on both domestic and international routes. In both cases, supplies were deemed to fall within the scope of the VAT exemption mentioned above. National tax authorities argued, however, that only supplies related to international flights may enjoy the exemption.

The European Court of Justice (the "ECJ") explained that the Community VAT system principally requires taxation of each supply

of goods and services. Hence, any exemptions should be interpreted strictly.

However, the ECJ observed in the present case that the exemption at issue will apply to all the airline operators operating mainly on international routes, without any distinction being made in case when some of their flights appear as merely domestic. According to the ECJ, the VAT exemption is linked to the overall status of an air operator and not to specific flights which he may assist with.

As a result, airlines may acquire goods and services exempted from VAT both for their international and domestic flights if only these airlines qualify as operating mainly on international routes.

The referring court further sought clarification of the notion of airlines operating chiefly on international routes so as to meet the criteria for the VAT exemption discussed.

In the opinion of the ECJ, it is for the national courts to establish, upon review of each individual case, whether an airline operator satisfies relevant conditions, although the proportion of the turnover related to international flights of the specific airlines may provide guidance.

DISCRIMINATION OF MIGRATING WORKERS IN AREA OF SOCIAL BENEFITS

Judgment of the European Court of Justice in Merida (C-400/02) of 16 September 2004

The European Court of Justice (the "ECJ") was asked to review the provisions of the German social security regulations applicable to nationals of other Member States employed in Germany in the armed forces.

Under the German legislation, retired employees had the right to a specific social benefit. The benefit was supposed to compensate for any difference between the former employment income, as had been affectively received by an employee net of any income taxes due on his remuneration,

and his income after the termination of employment.

Therefore, as the ECJ observed, the purpose of the benefit was to ensure that the target employees received, at least for some time after the retirement, total income equal to that which they would have effectively obtained as employees.

The proceedings before the ECJ involved a French national, previously employed in the armed forces in Germany who, during the employment, was liable to personal income tax on his salary in France only, pursuant to the applicable tax treaty. Under the French laws, his tax liabilities were lower than they would have been should he had been taxable in Germany.

Upon retirement from the service, the claimant was granted the social benefit. However, as the contested German rules required, the basis for calculation of that benefit was reduced by notional German tax potentially due on his former remuneration.

The ECJ held that the German rules were likely to affect migrant workers more than German nationals. In the present case, the claimant did not receive benefits equal to his actual net salary, since deduction was made for the notional German tax and not for the actual French taxes paid. In case of German nationals, however, these rules allowed for exact compensation since they would have paid their taxes in Germany.

Consequently, the ECJ found German rules in breach of the freedom of workers, as also further implemented by the provisions of the Regulation 1612/68 of 15 October 1968 on freedom of movement for workers within the Community.

The ECJ accepted no justifications for the infringement of Community law. In particular, the ECJ ruled that any administrative difficulties, which German authorities might have been faced with when accounting for taxes actually paid by migrant workers in their Member States of residence, may not

affect the proper application of the Treaty freedoms.

LEGAL PROTECTION OF SPORTING DATABASES

Judgment of the European Court of Justice in *The British Horseracing Board Ltd and Others v William Hill Organization Ltd* (Cases C-203/02) of 9 November 2004

The judgment is one of the series of the European Court of Justice's (the "ECJ") judgments which buried expectations of makers of sporting databases (football, horseracing) to receive supplement funding for the sport by charging the betting companies for using the information coming from their databases. The judgments concern the nature and scope of the *sui generis* right for protection of databases regulated by the Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (the "Directive").

This particular case concerns the British Horseracing Board Ltd. (the "BHB") that compiles and maintains a database which contains a large amount of information on races to be held in the United Kingdom, the data concerning, inter alia, the name, place and date of the race concerned, the distance to be run, the criteria for eligibility to enter the race, the date by which entries must be received, the entry fee payable, the final list of horses and riders for each race, etc.

William Hill, the opponent in the case, are one of the leading providers of off-course bookmaking services in the United Kingdom, offering also on-line booking on internet. On their web site, William Hill publish also the information concerning horses and riders for particular races, deriving from the BHB database.

The BHB brought an action against William Hill claiming that the latter infringed its *sui generis* right for protection existing on the basis of the Directive with respect to the BHB's database. After the decision of the High Court of Justice of England and Wales, which was favourable to the BHB,

the Court of Appeal, to which William Hill appealed against the initial decision, referred to the ECJ several questions concerning the interpretation of the relevant provisions of the Directive for a preliminary ruling under Article 234 EC.

Pursuant to the Directive, the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents of the database has the right to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of the database.

However, the ECJ in its ruling stated that for evaluation of whether a certain database was subject to a substantial investment and is, therefore, subject to a *sui generis* database protection right, can only take into account the resources used exclusively for obtaining, verification and/or presentation of the contents of the database. This means that only the resources used to seek out existing independent materials and collect them in the database can be considered. "The purpose of the protection by the *sui generis* right provided for by the directive is to promote the establishment of storage and processing systems for existing information and not the creation of materials capable of being collected subsequently in a database." The resources used to create the contents of the database cannot be considered as being part of the investment for this purpose. This is the case of the costs for drawing up the list of horses in a race and carrying out checks in that connection, which cover a substantial part of the BHB's resources used in connection with the database, and which, according to the ECJ, cannot be considered as the resources used exclusively for obtaining, verification and/or presentation of the contents of the database.

The holder of the *sui generis* right to a database can prevent any extraction or re-utilization of the whole or of a substantial part of the contents of the database,

notwithstanding whether the contents of the database were made accessible to the public by its maker or not. In addition, the maker of a databases can prevent also any repeated and systematic extraction or re-utilization of non-substantial parts of the contents of the database, in case such actions would unreasonably prejudice the legitimate interests of the maker of the database. As explained by the ECJ in its ruling, this refers to “unauthorized acts of extraction and/or re-utilization, the cumulative effect of which is to reconstitute and/or make available to the public, without the authorization of the maker of the database, the whole or a substantial part of the contents of that database and thereby seriously prejudice the investment made by the maker” of the database.

With respect to the above, the notion “substantial part”, evaluated quantitatively, of the contents of the database shall be interpreted as referring to the “volume of data extracted from the database and/or re-utilised and must be assessed in relation to the total volume of the contents of the database”. As stated by the ECJ, the information published on the web site of William Hill represents only a small, insubstantial part of the contents of the BHB’s database. Therefore, the acts of extraction and re-utilization carried out by William Hill, although of a repeated and continuous nature, do not aim to reconstitute and make available to the public the whole or substantial part of the BHB’s database and thereby do not prejudice the investment made by BHB in the creation of the database.

TRADE MARKS COMPRISING A COMMON SURNAME

Judgement of the European Court of Justice in *Nichols plc v Registrar of Trade Marks (C-404/02)* of 16 September 2004

In its above-mentioned judgement, the European Court of Justice (the “ECJ”) deals with the question whether a surname, which is very common within certain market, is capable of being registered as a trade mark, or whether it must be

considered as being devoid of distinctive character and, therefore, not capable of being registered as a trade mark according to Article 3(1)(b) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (the “Directive”).

The Registrar of Trade Marks of the United Kingdom (the “Registrar”) granted the application of the company Nichols plc for registration of the surname “Nichols” as a trade mark in respect of vending machines, while it refused the application in respect of food and drink of the kind typically dispersed through such vending machines. The Registrar supported its decision with the argument that the name Nichols is very common in England and, therefore, is devoid of any distinctive character in respect of food and drink products. However, given the fact that the market for vending machines is more specialised and fewer people are included in it, the trade mark may be registered in respect of vending machines.

Following the appeal of Nichols plc against the decision of the Registrar to the High Court of Justice of England and Wales, the latter referred to the ECJ for a preliminary ruling concerning the interpretation of Article 3(1)(b) and Article 6(1)(a) of the Directive.

The ECJ finds that Article 2 of the Directive contains a list of examples of signs which may constitute a trade mark, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings; such list expressly includes “personal names”. The Directive further provides that the distinctive character of a mark must be assessed in relation to the goods or services in respect of which registration is applied for and in relation to the perception of the relevant consumers. It may prove to be more difficult for a certain signs/trade marks to establish a distinctive character for certain categories of public than for others. However, the criteria for assessment of the distinctive

character of trademarks constituted by a personal name must be the same as those applicable to the other categories of trade marks. Stricter criteria of assessment based, e.g., on a predetermined number of persons with the same name, or the number of undertakings providing products or services of the certain type cannot be applied to such trade marks. It cannot be assumed that a trade mark formed by a common surname is a priori devoid of distinctive character or cannot acquire such character through use.

In the same way as a term used in everyday language, a common surname may serve the trade mark function of indicating origin and distinguish the products or services where it is not a subject to a ground of refusal of registration other than the one referred to in Article 3(1)(b) of the Directive.

The fact that Article 6(1)(a) of the Directive enables third parties to use their name in the course of trade, even if it is identical with the trade mark registered in favour of another person, has no impact on the assessment of the distinctiveness of the trade mark, which is carried out under Article 3(1)(b) of the Directive.

TRADE MARKS – ABSOLUTE GROUNDS FOR REFUSAL TO REGISTER

Judgement of the European Court of Justice in SAT.1 SatellitenFernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (C-329/02) of 16 September 2004

In the above-mentioned judgement, the European Court of Justice (the “ECJ”) set aside the judgement of the Court of First Instance (the “CFI”), in which the CFI found that the Office for Harmonisation of the Internal Market (Trade Marks and Designs) (the “OHIM”) had not infringed Article 7(1)(b) of Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trade Mark (the “Regulation”) by refusing to register as a community trade mark the term “SAT.2” in respect of services which are connected with satellite broadcasting.

Article 7(1)(b) of the Regulation states that trade marks which are devoid of any distinctive character shall not be registered as a community trade marks (the equivalent of Article 3(1)(b) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks). OHIM refused to register trade mark “SAT.2” claiming that both parts of the expression, a word part “SAT”, as well as the digit “2”, are devoid of distinctive character, therefore, such expression is as a whole devoid of distinctive character and cannot be registered as a trade mark.

The ECJ mentions in compliance with its previous case-law that the essential function of a trade mark is to enable the consumer to distinguish the goods or services of one individual or undertaking from the goods or services of other individuals or undertakings. In order to determine whether a certain sign is capable to fulfil such function, it is appropriate to take the viewpoint of the relevant public, which must be deemed to be composed of the average consumer, reasonably well informed and reasonably observant and circumspect. In addition, each of the grounds for refusal to register mentioned in the Regulation is independent from the others and must be interpreted separately and in the light of the general interest which underlies each of them.

In case of a trade mark composed of different words or of words and digits, each part of such trade mark may be assessed separately, but must in any case be also appraised as the whole. The mere fact that each of the elements forming a trade mark is devoid of distinctive character when considered separately does not mean that their combination cannot present a distinctive character.

The CFI assessed the sign “SAT.2” essentially by means of a separate analysis of each of its elements, instead of basing its assessment on the overall perception of that word as a whole by the average consumer.

The CFI further based its judgement on a criterion according to which trade marks which are capable of being commonly used in trade for the presentation of goods and services in question cannot be registered. That criterion is relevant in the context of Article 7(1)(c) of the Regulation (stating that trade marks which consist exclusively of signs or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or rendering of the services, or other characteristics of the goods or services, cannot be registered), however, it is not relevant in assessment according to Article 7(1)(b).

Finally, the ECJ concludes that although the way in which the term "SAT.2" is made up is not unusual and combination of word "SAT" with a digit "2" separated by a "." does not reflect a particularly high degree of inventiveness, those facts are not sufficient to establish that such a word is devoid of distinctive character. Registration of a sign as a trade mark is not subject to a finding of a specific level of linguistic or artistic creativity or imaginativeness on the part of the proprietor of the trade mark. It is sufficient that the trade mark is capable for the relevant public to identify the origin of the goods and services protected by it and to distinguish them from those of other undertakings.

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