

The Problem of Earlier Rights: Evidence from the European Trademark System

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BACKGROUND

- Trademarks protect brands against imitation. In recent years demand for marks has grown significantly, particularly in response to the growth of online market places.
- While US law requires trademark owners demonstrate use of registered marks, EU law is considerably less strict regarding testing of actual use.
- Demand for trademarks including short, widely used words is particularly high.
- It is increasingly common to refile earlier rights to stymie proof of use requests in opposition cases at the EU's trademark office.
- Ongoing litigation at the UK' High Court and the Court of Justice of the EU has put the deficiencies of the EU's approach to proof of use under the spotlight.

METHODOLOGY

- We study the reform of EU trademark fees in 2016 using difference-in-differences models.
- We match US and EU trademarks to identify overly broad marks on the EU register.
- We analyse outcomes of trademark opposition using instrumental variables regression to determine effects of refiling earlier rights on grant rates.

KEY FINDINGS

- We provide new and statistically robust evidence that trademarks registered on the EU register have often been registered more broadly than their range of use.
- Using matched EU-US trademarks we show that excessively broad trademarks on the EU register are used very frequently to oppose later trademark applications in the EU.
- Using data on opposition outcomes we find that grant rates are 5% lower, if the earlier right holder has refiled the earlier right to prolong the grace period. We show that this strategy is increasingly common.

POLICY ISSUES

- Trademarks are comparatively inexpensive IP rights and are widely used even by very small firms. Trademark systems such as those administered by USPTO and EUIPO extend to large numbers of users. Within these systems conflicts over IP arise between firms that otherwise do not compete.
- We argue that poor regulation of trademark use in the EU is creating opportunities for firms with deep pockets to exclude others from use of certain words and signs in a manner not supported by trademark law. As a by-product this form of exclusion creates entry barriers.

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- Amanda Myers worked within the USPTO Office of the Chief Economist (OCE) when this project began. She has now left and accepted a position in the private sector.
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