

THE TRADEMARK COEXISTENCE AGREEMENTS: VALIDITY AND EFFECTIVENESS

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TOPICS

CONCEPT, LEGITIMACY AND RELEVANCE OF COEXISTENCE AGREEMENTS

1. **DEFINITION**: What is a coexistence agreement?
2. **PURPOSE**: how does the need/willingness to enter into a coexistence agreement arise?
3. **LEGITIMACY AND LEGAL GROUNDS**: have coexistence agreements always been considered lawful?
4. **RELEVANCE IN INVALIDITY AND OPPOSITION PROCEEDINGS BEFORE EUIPO/UIBM**: should the Authorities take coexistence agreements into account?

PROBLEMS RELATING TO THE DRAFTING, VALIDITY AND EFFECTIVENESS OF COEXISTENCE AGREEMENTS

5. **CONTENT**: what must a coexistence agreement contain?
6. **DURATION**: does a coexistence agreement last forever?
7. **VALIDITY'**: is a coexistence agreement that allows a risk of confusion valid?
8. **EFFECTIVENESS**: is a coexistence agreement binding only on the parties or on third parties, their assignees, and successors in title as well?
9. **CONCLUSION**: practical tips

**CONCEPT, LEGITIMACY, AND RELEVANCE OF
COEXISTENCE AGREEMENTS**

1. DEFINITION

*A **contract** by which the parties agree, by mutual **limitations on their rights**, on **how to use their respective (confusingly similar) trademarks**, **in order to avoid risks of confusion/deception of the public***

*"An **agreement** by two or more persons that **similar marks can co-exist without any likelihood of confusion**; allows the parties to set rules by which the marks can peacefully co-exist. To use the same mark in connection with the **same or similar goods or services**, usually **limited by geographic boundaries**»*

(International Trademark Association – INTA)

*"Trademark coexistence describes a situation in which **two different enterprises** use a **similar or identical trademark** to market a product or service **without necessarily interfering** with each other's businesses»*
(T. Nanayakkara, IP and Business: Trademark Coexistence, in WIPO Magazine 2009)

2. PURPOSE

Coexistence agreements normally concern interfering trademarks. They are therefore normally concluded to:

- *prevent future disputes*
- settle a *current judicial or administrative dispute* between two trademarks, possibly *also at the request of the court itself*
- in case of *generational transitions* ("Zegna" case)

However, coexistence agreements may also concern the use of the same trademark in communal ownership.

3. LEGITIMACY AND LEGAL GROUNDS

Until the beginning of the 1980s, Italian case-law was **skeptical** about the legitimacy of coexistence agreements. The major concerns were:

- **Possible risk of confusion**: contrariness to the public order and to the distinctive function of the trademark (Sup. Court 2396/1977, which confirmed the invalidity of the coexistence agreement concerning the trademark 'Auricchio' on the ground of the likelihood of confusion arising therefrom, regardless of the elements of differentiation introduced).
- **Possible deception of the prohibition on transferring the trademark without the company**: the coexistence agreement was considered as a partial transfer (old wording of art. 2573 Civil Code: "The exclusive right to use the registered trademark can only be transferred with the company or a particular branch thereof" > Sup. Court 2688/1967: the transfer of the trademark ex art. 2573 Civil Code "will ensure the correspondance between the trademark and the essential requirements of the products bearing it, so as to avoid any risk of confusion or deception").

3. LEGITIMACY AND LEGAL GROUNDS

The first changes to this approach began in the mid-1980s:

- Court of Rome, 24/09/1984 ("Valentino" case): acknowledged the positive effects of coexistence agreements *"from a public interest point of view since, besides avoiding unfair competition, it also **avoids possible confusion among the consumers**"*.
- Sup. Court 4225/1991 ("lana gatto" case): a coexistence agreement *"is **not invalid** either on the ground that it is not accompanied by a corresponding act of disposition of the company or one of its branches to which the trademark belongs, or on the ground that it allows the use of a trademark confusingly similar to the trademark in question"*.
- Abolition of the prohibition on transferring a trademark without the company to which it belongs: it clears up past doubts about the legitimacy of coexistence agreements: re-wording of art. 2573 Civil Code: *"The trademark may be transferred or licensed [...] provided that the transfer or license does not result in any deception in those characteristics of the goods or services which are essential in the appreciation of the public"*. > made mandatory by the EU Directive 2015/2436 (art. 22: *"**Regardless of the transfer of the company**, the trademark may be transferred"*).

3. LEGITIMACY AND LEGAL GROUNDS

Today, although there is no specific regulation, coexistence agreements are unanimously considered **legitimate** and their **legal grounds/validity** result from:

- **art. 20 IP Code:** "a trademark owner has the right to prohibit third parties from using it **without its consent**";
- **art. 1322 Civil Code:** "the parties may conclude contracts that do not belong to the types envisaged by the law provided that they are aimed at pursuing **interests which deserve protection** under the legal system" > **N.B.** The aim of resolving a current or potential dispute between trademarks is an "**interest deserving protection**"
- **art. 178, co. 1 IP Code:** **Italian PTO, "notifies the opposition** to the trademark applicant informing him/her, as well as the opponent, of the **possibility to reach a settlement agreement** within two months from the date of the notification" (Cooling-off period)
- **art. 47 (4) EUTMR:** within the opposition proceeding, "**The Office can, at its sole discretion, invite the parties to conciliation**" (Cooling-off period).

4. RELEVANCE IN INVALIDITY AND OPPOSITION PROCEEDINGS BEFORE EUIPO/UIBM

From the legitimacy of the agreements descends their relevance in nullity and opposition proceedings



Full relevance in invalidity proceedings before EUIPO:

- Their relevance is granted expressly by Art. 60 (3) EUTMR: "*An EU trademark may not be declared invalid where the proprietor of a right [...] consents expressly to the registration of the EU trademark before submission of the application for a declaration of invalidity or the counterclaim*". **N.B.: No similar provision is provided by Italian law**
- **EUIPO Appeals Commission September 29, 2011**, in a trademark invalidity case, recognized that it had to "*pay attention to the valid agreement existing between the parties*"
- **EUIPO Cancellation Division, C-8328 of May 23, 2016**: pursuant to art. 60(3) EUTMR, the "*consent to registration should have been given by the current applicant or by the prior right holders*".

4. RELEVANCE IN INVALIDITY AND OPPOSITION PROCEEDINGS BEFORE EUIPO/UIBM

Limited relevance in EUIPO opposition proceedings:



There is no similar provision for opposition proceedings: coexistence agreements are useful elements but they are not binding.

- **EUIPO Trademarks Guidelines 2020, part C, section 2:** in order to evaluate the likelihood of confusion "the coexistence agreements between the parties may be taken into account like any other relevant factor, but they are in no way binding on the Office. This is particularly true when the application of the relevant provisions of the EUTMR and the established case-law lead to a conclusion that is not in accordance with the content of the agreement". **N.B.:** "If the validity of an agreement is disputed before national instances or there are pending court proceedings [...], the Office may decide to suspend the proceedings".
- In any case, "the coexistence of two trademarks may, together with other elements, contribute to a reduction of the risk of confusion only if the applicant has shown that such coexistence is based on the absence of likelihood of confusion" (**Opposition N. b3046235, January 30, 2020**)
- Coexistence agreements constitute useful elements to demonstrate the lack of confusion (**Opposition B 3 049 613, January 26, 2021**).

4. RELEVANCE IN INVALIDITY AND OPPOSITION PROCEEDINGS BEFORE EUIPO/UIBM



Doubtful relevance in opposition proceedings before the Italian PTO:

- **Opposition UIBM, 77/2014** ("F.lli Campagnolo" case): "the coexistence agreement cannot be held to be enforceable against third parties [consumers as well as the Office > Pancaldi case R35/2002], other than the contracting parties. Indeed, such agreements do create obligations for the parties, but are not in themselves capable of proving the absence of a likelihood of confusion to the detriment of the consumers".

BUT

- **Appeals Commission UIBM, 10/2015** ("F.lli Campagnolo" case) overturns the Office's decision, stating that "the private notion of 'third party' is not relevant in the present case: the Italian PTO is obviously not a private third party to the agreement, but a public office appointed to assess the existence of a risk of confusion or association".
Such an assessment "must be carried out on an effective level and, in this perspective, it cannot be said a priori that the existence and content of coexistence and differentiation agreements are irrelevant for the purposes of assessing that risk in concreto".
Especially, if both the parties recognize its validity (as it was in that case).

PROBLEMS RELATING TO THE DRAFTING, VALIDITY
AND EFFECTIVENESS OF COEXISTENCE
AGREEMENTS

5. CONTENT: what needs to be included?

a) **NON-AGGRESSION AGREEMENT**: agreement to not challenge, under certain conditions, mutual new or existing trademark registrations.

N.B.: In the absence of such an undertaking, there can be no coexistence agreement (Court of Milan, 25/02/2016);

a) **DIFFERENTIATING CLAUSES**:

i. Signs

ii. Products/Services

iii. Countries/Territories for marketing

iv. Methods of marketing

5. CONTENT

i. Differentiation of signs

Specify the ways of use, graphic design and size of the signs / combine the trademark with another sign

(often used for identical patronymic trademarks – e.g. "Zegna" Case, according to which one party was granted the possibility of "using the name 'Zegna' but always together with its first name, one and the other of equal handwriting and size, with or without invented names").

CLEAR AND SPECIFIC PROVISIONS

– Cour d'Appel de Paris, 12/02/2014,
Make up 'FOREVER' L'Oréal Case: the undertaking that the sign is not to be used "**ALONE**" is not enough, but it is advisable to specify both the **graphics** and the **size** limits.



VS



5. CONTENT

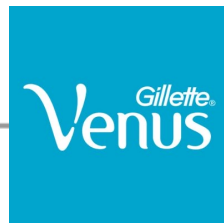
ii. Differentiation of products/services

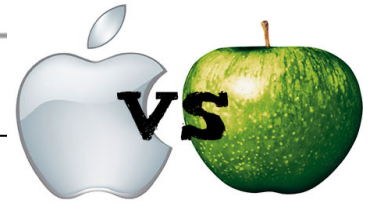
Clearly and precisely define the **product areas**.

PROBLEM: the **TECHNOLOGICAL DEVELOPMENT** brings areas together that were originally very different

Court of Milan, 17/07/2013, "Venus"
case

UK High Court of Justice, 7/04/2004,
"Apple" Case





(As it follows)

Court of Milan, 17/07/2013, "Venus" case: a coexistence agreement must be interpreted "strictly [...] since its content cannot be extended by analogy to situations which are not expressly addressed" (in that case, a coexistence agreement allowing the use of a particular trademark for razors could not apply to a pulsed light epilator which was the result of a technique that was unknown at the time of the agreement)



High Court of Justice, 7/04/2004, "Apple" case:

1980: according to the first agreement, Apple Inc. could only use the trademark for PCs and not for music recording/playing products.

1991: Following the advent of MIDI technology, the second coexistence agreement allows Apple Inc. to use the trademark also for music reproduction systems (except CDs).

2001: Apple Inc. launched iPod and iTunes Store, a virtual music store.

Apple Records claims the breach of the second agreement according to which it was the sole party allowed to use the mark for "any current or future creative work whose principal content is music and/or musical performances regardless of the means by which those works are recorded, or communicated, whether tangible or intangible".

2004: The judge, however, **did not find the transmission of the music data to be in breach of the agreement**, acknowledging Apple Records as the creative producer of the content and Apple Inc. as the provider of the same.

5. CONTENT

iii. Differentiation of Countries of marketing



Defining the respective geographic market areas, avoiding the coexistence of two trademarks in the same country.



Defining the territorial scope of the agreement: in the countries where it does not apply, the coexistence of trademarks is governed by national law.

N.B.: AVOID AMBIGUOUS AND GENERIC EXPRESSIONS ➤ **"Venus" Case, Court of Milan, 26/03/2008**: the generic provision that the agreement is valid "throughout the world" is effective but must be interpreted, in the light of the context of the agreement, in the sense that it will have "a territorial extension limited to the countries in which both parties hold trademark applications/registrations for the sign 'Venus'").

5. CONTENT

iii. Differentiation of Countries of marketing

IS IT NECESSARY TO EXPRESSLY REGULATE THE USE OF TRADEMARKS ON THE INTERNET AS WELL?

YES (Italian case-law):

Coexistence agreements **cannot** be interpreted by analogy.

Court of Torino, July 1, 2011, "Gios" case: "the mere presence on the Internet visible even abroad does not in itself constitute an infringement of the areas reserved to the other party" and that "in order to achieve this result, a specific provision would have been necessary, which was not introduced in the text of the agreement" and which cannot be added by analogy.

NO (UK case-law):

Coexistence agreements can be interpreted by analogy.

High Court of Justice, 15/01/2016, "Merck" case: two pharmaceutical companies, one from the US and one from Germany, entered into a co-existence agreement in 1970, limiting their activities to the US/Canada and Europe respectively. Later on, the US company registered the merck.com website, which is also accessible in Europe. The English court recognizes the breach of the agreement, because the coexistence sought by the parties was absolute and all-encompassing, extending also to the use of the trademark on the internet.

6. DURATION

A coexistence agreement **DOES NOT LAST FOREVER**. It may terminate due to :

- **Technological development** (see "Venus" and "Apple" cases")
- Alteration of a party's **economic conditions** (see "Apple" case: Apple Inc. at the time of the first agreement was the 'weak' contractor vis-à-vis Apple Records - a situation that reversed itself over time);
- Ambition of a party to open up to **new markets**.

BUT

It must be drafted to last **AS LONG AS POSSIBLE**:

- **Coexistence agreements are not subject to a time constraint** (non-applicability of the 5-year time constraint under article 2596 c.c.: coexistence agreements are not comparable to agreements restricting competition);
- **The parties may not withdraw at their own will** ("Ad nutum withdrawal" usually provided in the case of perpetual agreements does not apply, since it would devoid such agreements of all their meaning);
- **Coexistence agreements cannot provide for a time limit** (contradiction with the purpose of preventing confusion on the market).

6. DURATION



IT FOLLOWS THAT THE ONLY TEMPORAL LIMITATION TO COEXISTENCE AGREEMENTS IS RELATED TO THE EFFECTIVENESS OF THE TRADEMARKS THAT FORM THE SUBJECT MATTER THEREOF:

Arbitration award, September 2, 1988 - "Zegna" case: "*obligations arising from a coexistence agreement between distinctive signs have a **duration correlated to the duration of the real situation (the exclusive rights)** to which they are functionally attached, so that the principle of the revocability of perpetual obligations does not apply to them".*

Ermenegildo Zegna



N.B.: However, termination for non-compliance is always possible.

7. VALIDITY

A coexistence agreement is only valid if it is able to PREVENT THE RISK OF CONFUSION/DECEPTION of the public:

➔ **Appeals Commission UIBM, 10/2015:** A coexistence agreement "*can be said to be valid only if, and to the extent to which, it prevents for the future the risk of confusion of the public. Indeed, if the content of the agreement was such as to allow a confusing and deceptive use of the trademarks, the agreement would have to be regarded as null and void on the ground that it was contrary to economic public policy"*

➔ **Casaburi, 2004:** A coexistence agreement. "*cannot result in a deception of the public*". Notwithstanding the principle of freedom of negotiation under Art. 1322 of the Civil Code, "*under the agreements, a deceptive use of the trademark shall never be allowed*".

7. VALIDITY

In particular: the **COEXISTENCE AGREEMENT INCLUDED IN A TRADEMARK TRANSFER AGREEMENT** cannot result in a **deception of the essential characters of the goods bearing it**



"The transfer or license **does not result in any deception in those characteristics** of the goods or services which are **essential** in the appreciation of the public" (Art. 2573 Civil Code).

**"Essential
characters"**

**General
trademarks**



Deception as to the **origin of the product**

**Special
trademarks**



Deception as to **specific characteristic of the product**

7. VALIDITY (it follows that...)

Possible consequences of a coexistence agreement included in a trademark transfer agreement resulting in a deception of the public as to the "essential characteristics":

1. Invalidation of the trademark transfer agreement on grounds of breach of mandatory rules (Combined provision of artt. 23 (4) IP Code and 1418 (1) Civil Code)

Court of Bologna, June 20, 2014: the trademark transfer agreement is **null only** if "*the transfer or licence result in the deception of the public since the product/service is indissolubly linked to its first owner or to the branch of the company that was not transferred*". On the other hand, the "*provision aimed at ensuring the qualitative level of the goods or services in the transfer of the trademark cannot be preferred, [because] it is not easy to define in concrete the differences compared to the revocation under Art. 14 (2) IP Code*".

2. Revocation of both the trademarks (Ricolfi: in case "*the confusion of the public results in real deception, when it leads to an error in purchasing decisions concerning the essential characteristics of the goods bearing confusingly similar trademarks, [...] the continued coexistence leads [...] to revocation of both trademarks*")

7. VALIDITY (it follows that...)

Coexistence agreement included in a trademark transfer
unrelated to the transfer of the company as well:
HOW TO AVOID THE RISK OF CONFUSION/DECEPTION?

- Differentiate the *signs*
- Differentiate the *goods*
- Differentiate the *countries of marketing*
- Differentiate the *ways of marketing*
- ***Inform the public*** of the transfer and coexistence of the marks.

N.B.: *"the means or instrument to be entrusted with the task of informing the public of significant changes in the characteristics of the goods that are essential in the appreciation of the public [...] is especially the advertising, as it is the privileged instrument [...] in the relationship between a company and its customers" (Ricolfi 2015).*

8. EFFECTIVENESS

A coexistence agreement is ONLY ENFORCEABLE BETWEEN THE PARTIES that originally signed it and NOT ALSO AGAINST FUTURE TRANSFEREES OF THE TRADEMARKS:

- ➔ **Sup. Court 24909/2008:** coexistence agreements "are merely binding among the parties and do not affect trademark protection against third parties".
- ➔ **Court of Venezia, February 16, 2017:** coexistence agreements are "merely binding inter partes, and they consequently **cannot be invoked against those who succeed to the ownership of the trademarks** covered by the agreement".
- ➔ **Court of Bologna, February 8, 2010:** "a trademark coexistence agreement is binding only on the parties that signed it and not also on the transferee of the rights on the trademark of one party".

It follows that clauses such as "the agreement shall be binding on the parties, their successors and assigns" **ARE NOT EFFECTIVE** > the future transferee of a trademark subject to a coexistence agreement will not be bound to the obligations undertaken by the transferor

8. EFFECTIVENESS

THE INAPPLICABILITY OF A COEXISTENCE AGREEMENT INCLUDED IN A TRADEMARK TRANSFER AGREEMENT TO THE FUTURE TRADEMARK TRANSFEREE GIVES RISE TO A NUMBER OF PROBLEMATIC ISSUES:



- Risk of a threat to public expectations (the transfer of trademarks without a coexistence agreement may lead to the confusion of the public, which has been accustomed to a certain origin and quality of the products bearing these trademarks by virtue of the coexistence agreement that has been in place for many years: indeed, the transferee may use the trademark in a way that does not comply with the obligations arising from the coexistence agreement)
- Risk of apparent transfer of the trademark (for the sole purpose of withdrawing from a coexistence agreement that is no longer satisfactory, a party may transfer the trademark to a trusted person to whom the agreement would not apply)

8. EFFECTIVENESS

HOW CAN THE EFFECTIVENESS OF THE AGREEMENTS BE EXTENDED TO FUTURE TRANSFEREES?

1. WHAT ABOUT ADDING A CLAUSE SUCH AS "*The transferee undertakes to enter into the same coexistence agreement with any subsequent transferee*«?



HOWEVER, SUCH A CLAUSE IS ONLY BINDING ON THE ORIGINAL CONTRACTOR > in case of breach, the ONLY POSSIBLE REMEDY IS THE COMPENSATION FOR DAMAGES: nothing can be claimed by the subsequent transferee.

(Court of Torino, May 15, 2013: "a trademark coexistence agreement which provides, in the event of the assignment of one of the parties' trademarks, that the party undertakes to ensure that the assignee will use them in accordance with the agreement, *does not mean that the assignee automatically succeeds to the contractual position of the assignor*".

8. EFFECTIVENESS (it follows that...)

2. WHAT ABOUT TRANSFERRING THE COMPANY TOGETHER WITH ITS TRADEMARKS that are the object of the coexistence agreement: indeed, this transfer also entails the transfer of the relevant coexistence agreements (art. 2558 Civil Code: "*unless otherwise agreed, the acquirer of the company succeeds to the contracts entered into for the operation of the company itself which are not of a personal nature", such as – precisely – the coexistence agreements)*



HOWEVER, THE CONTRARY AGREEMENT BETWEEN THE TRANSFEROR AND THE TRANSFEREE SHALL ALWAYS REMAIN UNAFFECTED AND, IN ANY CASE, THE OTHER CONTRACTING PARTY MAY ALWAYS WITHDRAW FROM THE CONTRACT WITHIN 3 MONTHS FROM THE TRANSFER OF THE COMPANY.

8. EFFECTIVENESS (it follows that...)

3. WHAT ABOUT PROCEEDING TO THE TRANSCRIPTION OF THE COEXISTENCE AGREEMENT ? (the general principle is that transcription makes the agreement enforceable against third parties)



HOWEVER, SOME CASE-LAW AND DOCTRINE CONSIDER THE LIST OF TRANSCRIBABLE ACTS TO BE EXHAUSTIVE (art. 138 cpi does not expressly include coexistence agreements among the transcribable industrial property acts).

N.B.: FRANCE, ON THE OTHER HAND, ALLOWS THE TRANSCRIPTION OF THOSE ACTS (Loi. 92-597 of July 1, 1992) > THE RESULT IS A **RISK OF FRAGMENTATION OF THE ISSUE** (*an agreement concerning French and Italian trademarks, indeed, in the event of the transfer of those trademarks, would bind the assignee only for the French registrations and not also for the Italian ones*)

9. In Conclusion: the importance of a "Check list" when drafting the coexistence agreement:

- **Who is bound by the agreement;**
 - **The object of the agreement: the trademark and its possible graphic evolutions, restyling, other distinctive signs (company name, logo, domain name, meta-tag);**
 - **Possible future trademark registrations;**
 - **Areas of activity, territory and distribution channels;**
 - **Possible future developments (brand extension);**
 - **Duration and periodic review of the agreement;**
 - **ADR;**
 - **Applicable law and competent jurisdiction.**
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Thank you!

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