

the degree of distinctiveness, the stronger the mark and the more positive the implication on brand value. In short, the more distinctive the sign, the more valuable the brand. However, it needs to be kept in mind that strong marks are susceptible to becoming generic.

The nature of the sign, be it a traditional one such as a word or one of more recent acceptance like a colour combination, does not have a direct link to brand value but an indirect one. For example, should the registration of olfactory Community trade marks be possible in the future, such marks would be extremely unique and therefore have an above-average potential to be valuable. On the other hand, as with any other non-traditional sign, consumers may in fact not necessarily perceive the smell as indication of commercial origin because they are not used to such items being trade marks or other signs of communication, let alone being allusions to a specific commercial origin. As regards fragrances, this goes in line with the fact that they are deployed in branding in order to influence the audience subliminally rather than consciously. Hence, factual circumstances speak against olfactory signs to potentially develop a high value. This statement is, in general, also valid with regard to other non-traditional marks.

### 5.3 Quantitative Scope of Protection – the Classes

#### 5.3.1 System of Trade Mark Classification

The scope of protection of a registered trade mark is limited to the goods and/or services it is registered for. For purposes of legal certainty, goods and services have been divided into classes. With expiration of the first five years after publication of the registration, a trade mark is subject to cancellation upon request of any third person with respect to all classes it is not being used for.<sup>708</sup>

The system valid in Europe, both on the CTM level<sup>709</sup> and with regard to national registrations, according to which goods and services are classified, is the International (Nice) Classification of Goods and Services for the Purposes

708 For details on use, see below at 5.7.

709 Although the European Community is not party to the Nice Agreement (as of July 30, 2008), OHIM has adopted it and makes its use mandatory for applicants.

of the Registration of Marks (hereafter: Nice Classification).<sup>710</sup> It is divided into 34 goods and 11 services classes.

### 5.3.2 Findings – Relation to Brand Value

In theory, a mark is more valuable the more classes it is registered for. The more goods or services the trade mark can be used for, the more markets can be served. This makes the scope of protection broader and by the same means blocks the sign's use by others for, in general, the same or similar goods and/or services. However, in order for the registered mark to be valid for all specified classes, it has to be used with respect to all these classes on expiry of the five-year grace period or else it will be subject to cancellation. Therefore, upon taking the decision how many classes the trade mark at hand shall be registered for, it is important to assess the likelihood of the mark *de facto* being genuinely used for all these classes.

In this context, the fact that registration and maintenance costs rise with an increasing number of specified classes also plays a role. For example, the total OHIM office fee payable to get an individual mark registered for only three classes is € 1600 in case of online filing.<sup>711</sup> The fee for each class of goods and services exceeding three, in case an individual mark is concerned, is € 150.<sup>712</sup> It follows that the more classes a CTM is registered for, the more costly it becomes if the number of classes exceeds three.

This must be weighed against potential revenue streams estimated to be derived from the use of the mark for all classes concerned. The sum of these incomes must be assessed to be larger than cost in order for the trade mark's

710 It is based on the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, an international multilateral treaty concluded in 1957 and administered by *WIPO*. The 9th edition has been in force since January 1st, 2007. The Nice Classification can be accessed on-line at <http://www.wipo.int/classifications/nice/en/index.html> (last accessed September 23, 2008.)

711 As of June 2008, filing a CTM application for a maximum of three classes costs € 900 and € 750 in case of online filing, Art. 1(1)(a) and (b) Commission Regulation (EC) No 1687/2005 of 14 October 2005 amending Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) with regard to adapting certain fees. In addition, the basic fee for the registration of an individual mark for three classes is € 850.

712 Art. 1(1)(c) Regulation 1687/2005, cf. fn. 697. Potential attorney's fees (attorney action is not mandatory for due registration of a CTM) and renewal fees will have to be added.