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New developments in trade mark protection

The latest amendment of the Trade Marks Act brings numerous modernisations and simplifications. This makes the national trade mark in Austria an attractive alternative to the EU trade mark.

Strengthening Austrian trade mark protection

We are faced with trade marks on a daily basis. While surfing the internet, shopping, watching TV, listening to the radio and on various social media channels. Trade marks influence our purchase decision. They characterise a company's goods and services and define clear features that distinguish them from the competition. A trade mark turns a product into a unique brand article that the public won't want to miss out on.

With the new amendment FEDERAL LAW GAZETTE I no. 124/2017, the Austrian Trade Mark Law (MSchG) was aligned with European guidelines in implementation of the EU Trade Marks Directive (EU) 2015/2436. The key changes to the Austrian Trade Marks Act are the reduction in procedural fees, the introduction of the certification mark, the possibility of dividing a declared or registered mark, the adjustment to the beginning of the ten-year protection period and the suspension of certification when transferring a trade mark.

Problem spotted – fees reduced!

The high fees incurred when registering a trade mark represented a serious problem, in particular for start-ups as well as small and medium-sized enterprises. In the past, therefore, entrepreneurs often neglected to take appropriate measures to protect their trade mark. Since 1 September 2017, registering a national trade mark in Austria for three goods or service classes has cost just EUR 284.00 when registering electronically. The trade mark is registered for ten years. An official availability search can be conducted for an additional fee of EUR 40.00 during the application procedure.

Guaranteed with logo: The new certification mark

More and more consumers attach particular importance to purchasing products of a certain quality. They want to be able to trust that products bearing the mark meet that standard. The certification mark was created to this effect, and it has been possible to

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apply for it in Austria since 1 September 2017. It differs from a conventional mark in that it refers not to the origin of the goods or services of a company but to a very specific standard in terms of material, the mode of manufacture, quality, accuracy or other characteristics (Sec. 63a and Secs. 65, 66a MSchG). The mark explicitly excludes any reference to the geographic origin. The possibility of an "organic mark" is also considered. Certification marks can only be applied for by people who do not carry on a business involving the supply of goods or services of the kind certified. It is therefore particularly suitable for public institutes or interest groups looking to establish specific goods and service standards. Within this framework, they therefore have the opportunity to register trade marks intended to function as a "certification or quality stamp and seal of quality" with the Austrian patent office.

The small trade mark ABC: What are trade marks?

Up until now, trade mark applicants were often faced with the problem that grounds for refusal that only related to individual goods and services resulted in the rejection of the trade mark in all classes applied for. Since September 2017, it has been possible to divide a new trade mark registration or registered trade marks into several separate applications or registrations (Secs. 23a et seq. MSchG). By paying a division fee of EUR 200.00, applicants can now prevent grounds for refusal related to individual goods and services from leading to a total refusal of the application. Therefore, a division can be interesting in, for example, application procedures where the Austrian patent office questions the required distinctiveness for a part of the application. A division can lead to a quick conclusion of the registration procedure for the undisputed part of the trade mark registration. Dividing a trade mark registration makes it possible to only transfer the trade mark for individual goods and services.

Attention – new calculation method for the protection period!

The protection period for all trade marks registered in Austria after 1 September 2018 will in future start on the day of application (instead of on the day of registration a few months later). Although this leads to a one-time reduction in the protection period, it is compensated for in the case of new applications thanks to a quicker issuing procedure, the so-called "fast-track procedure", by omitting the availability search. For already registered trade marks, this one-time reduction in the protection period only occurs at the time of the next renewal.

Certificates no longer required when transferring a trade mark

Changes in the trade mark register have previously required a written application to be presented to the Austrian patent office together with the original documents or certified copies that establish the change in rights. The procedure is now much simpler, as it is sufficient to present an uncertified copy of the original document on the basis of which the changes in rights are to be registered. However, the original document must still be a public document or bear the certified signature of the proprietor. Trade mark transfers have also become easier, as the joint declaration of the former and the new trade mark proprietor is now sufficient instead of the deed of transfer.

European Union trade marks: Unconventional trade marks are on the way

Since September 2017, EU trade marks have no longer needed a graphical representation. This will likely lead to the registration of unconventional trade marks at EU level, such as trade marks based on taste, smell, sound or movement.

Conclusion

In light of the new legal situation and the possibilities it offers, entrepreneurs would be well advised to rethink their own arrangements with regard to trade mark protection. The amendments to the Austrian Trade Mark Law are part of last year's trade mark reform package which allows for new and modern possibilities for protecting trade marks against competition. A trade mark offers its proprietor a clear competitive advantage over the competition. Developing and maintaining a trade mark portfolio is an investment in the future. Finally, the fact that a successful company also pursues a corresponding branding is in tune with the spirit of the times. A company's success is therefore not rarely coupled with the reputation and value of its trade mark(s), which must be protected.



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WhatsApp and the new consideration test

The amendment to the anti-trust law, which entered into force on 1 May 2017, also contains a new consideration test. From now on, it must be taken in account during mergers.

The new consideration test concerns mergers implemented after the 1 November 2017, meaning that transactions may already require a corresponding check and notification. Failing to notify a merger that is subject to notification can be expensive, with the highest penalty imposed to date amounting to EUR 1.5 million! Up until now, the Austrian merger control was based on a system of turnover thresholds. The new Austrian anti-trust law has now introduced a consideration test, for which there is a complete lack of practical experience in Europe. Due to unspecific legal terms, it is also easily possible for the new regime to encompass more transactions than the legislator actually intended. This means that companies are still exposed to legal uncertainty.

About the background: International experiences, especially in digital markets and in the pharmaceutical sector, have shown that small but highly innovative companies were bought up by larger, already established companies without reaching corresponding thresholds, as start-ups often had no or only marginal turnover. But even such small enterprises can have a very high market potential and be of considerable importance for the economy, as was demonstrated by the Facebook/WhatsApp transaction, for example.

The new Austrian consideration test will record transactions that lie below the existing turnover threshold. To this end, a subsidiary test with four elements was introduced:

- The parties have a combined worldwide turnover of EUR 300 million,
- a combined Austrian turnover of EUR 15 million,
- the value of the consideration for the transaction is more than EUR 200 million, and
- the target company is active in Austria to a significant extent.

The term "consideration" includes, according to the preparatory materials, "... all assets and other benefits in kind which the seller receives from the purchaser in connection with the merger (purchase price), in addition to the value of any liabilities accepted by the purchaser".

To assess the criterion of significant activities in Austria, two questions must be answered: 1. How can activities be attributed to the Austrian territory, and 2. When do they reach a "significant extent"? In the absence of a specific Austrian statutory provision concerning the attribution of turnover, reference is made to European law and case practice. Consequently, for the rendering of services or the sale of goods, turnover is attributed to the residence or domicile of the customer, meaning the place where the service is actually rendered or the goods are actually delivered. Similar criteria are therefore also applicable for the geographical attribution of activities. In the case of digital services, the actual location the customer who uses the services will be relevant and not the position of any server used for the service. Whether the activity is free of charge is not relevant for the attribution, since such activities are also market related.

Because of the lack of case law on the topic, current mergers and takeovers should currently be reported in case of doubt in order to avoid any (considerable) sanction. The Austrian authorities will have to develop corresponding guidelines and precedents in this regard in order to clarify the situation and give companies greater certainty.



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Update legal: Contract fee for residential leases abolished

The abolition of contract fees for residential leases was enacted a few days before the parliamentary elections. Since 11 November 2017, it has been illegal to charge a fee for rental contracts. This change in the law was justified with social considerations, especially as lease fees are most often paid by tenants who are already heavily burdened by the growth in property prices over the last few years. For landlords and property management companies, this change is an administrative simplification, as without a fee there is no need to notify and pay the tax office.

From the point of view of the economy, it is to be hoped that the legislative change represents only the first step in a general debate on contract fees. The obligation to pay fees according to the Fees Act applies only to specific types of contracts and is tied to written contract conclusions. Contracts concluded by email, for example, are also subject to a fee. In practice, people keep looking for alternatives, for

example by concluding the contract abroad or by sending offers that can be accepted via payment.

In fact, the obligation to pay fees often leads to legal circumvention, which reduces state revenue and can cause potential problems with the subsequent traceability of (non-written) contract conclusions. It would therefore be useful to take a critical look at the Fees Law, which dates back to the time of Maria Theresa.



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We would like to thank our clients for their trust

and wish you all a merry Christmas

and a very successful New Year!

Your Preslmayr team



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