

JOINT PAPER FROM BUSINESSEUROPE, AIM, ECTA, ICC-BASCAP, INTA and MARQUES: EUROPEAN TRADE MARK PACKAGE

The associations below, representing the majority of users, from SMEs to multinationals, of the European trade mark systems, thank you for your understanding of the importance of the Trade Mark Package to Europe's business community, innovators and consumers. As demonstrated by the Observatory's recent study on the contribution of IPRs to the EU economy, growth and jobs, trade mark-intensive industries play a major role in producing jobs and value in the EU economy: they account for 21% of all jobs and for 34% of EU GDP.

While the current system has proved to be a success, we do appreciate the efforts that both the Parliament and the Commission are making to ensure that it is also capable of meeting the needs of its users in the future. In that respect, we very much support the objectives of modernisation and harmonisation of the trade mark systems at substantive and procedural levels.

While remaining largely supportive of the Commission's original proposals, and parts of the JURI Reports, we wish to highlight some issues that are of serious concern to European trade mark owners.

1. The control of infringing goods in transit

Being neither a theoretical nor minimal concern, this vital practical problem has already, since the uncertainty of the Philips/Nokia decision, resulted in unprecedented falls in seizures by EU Customs of proven counterfeits. Despite being repeatedly assured during the debates on the Customs Regulation that this substantive issue would be dealt with, albeit in part, by the Trade Mark Package, we see that the extreme *de minimis* exception is taking precedence over the overwhelming majority interest of European industry, competitiveness and consumers.

As shown by the multitude of laws both within the EU and in third countries that allow such controls of goods in transit, they do not disrupt legitimate international trade (any more than any other customs controls), are not onerous and are fully compatible with international law. Customs officers need appropriate tools and robust legislation on which to rely in order to be able to do their jobs effectively and to help ensure that the EU is not allowed to become the counterfeiters' transit hub of choice.

The provisions in the JURI Reports contain several loopholes which would, for instance, enable counterfeiters to evade liability by quoting a fictitious destination and/or one where the trade mark proprietor does not have – indeed, in some countries, may simply not be able to have – a registration.

We therefore recommend that the Commission's proposals, or at least an option which removes these loopholes, be carefully considered.

2. Governance

The OHIM is funded by, and exists purely to support, European trade mark and design applicants and owners. All right holders need both National Offices and the OHIM to be effective and efficient.

Accordingly it is essential that users of the systems be fully involved in the OHIM decision-making process if its procedures are to be of practical use. This involvement should be explicitly mentioned in the Regulation.

This involvement should include any use of OHIM funds, which have been gathered purely from these applicants and owners. Any common projects must, by default, be of interest not only to the Union and the Member States but must be approved by users.

We also strongly recommend that the Regulation explicitly refers to control mechanisms such as ex ante controls including an assessment of the value of the project, clear timelines, budgets, project briefs, key performance indicators etc. Any potential funding must not replace other available national financing and any agreed ceiling should be a maximum, not mandatory and not a minimum, expenditure, the use of which, in compliance with sound financial governance norms, is evidenced by accurate and transparent financial records. If users see no value in going forward, projects should not be started.

3. Scope of a trade mark

The contradiction between the rights conferred by the mark and their limitations in the JURI Reports is very worrying; for instance, providing in one provision that the proprietor should be entitled to prohibit the use of a sign in comparative advertising in clearly defined circumstances while in another provision restricting this prohibition makes little sense.

The drafting of trade mark rights limitations in the JURI Reports could affect such rights disproportionately since it could open the door to international exhaustion. It uses undefined concepts and goes significantly beyond certain judgments quoted as authority because it does not take properly into account the specificities and caveats of these judgments.

National case law also emphasises that parodies of trade marks are only acceptable where the objective is one of legitimate general interest and not just malice; the goal has to be consistent with the social objective of the group who parodied the trade mark and employed means must be proportionate to the pursued aim. We fail to understand why a comment or parody using the trade mark for the commercial benefit of the commentator should be acceptable. We also strongly believe that any use of a well-known mark by a third party in the course of trade in a way which may be detrimental to the reputation of that mark can and should constitute infringement.

These limitations should be carefully redrafted in light of the Commission's more balanced approach, at least to ensure coherence with the judgments quoted as authority.

4. Small consignments

The regional exhaustion system is a major pillar of trade mark protection in the EU, protecting our designers and manufacturers against parasitic parallel traders who neither invest, nor provide after-sales service, in our markets. If a consumer purchases a product placed on the market with the authorisation of the right holder in a third country, this is clearly legal. Our concern is that many intermediaries, including parallel importers and Internet sites, know that they have no right to offer those products for sale to EU consumers. As opposed to educating consumers or blocking these unlawful parallel traders, the JURI Reports seem to support this parasitic trade - to the detriment of European industry and ultimately our consumers.

There is also no reason to limit this provision to counterfeit, rather than trade mark infringing, goods given that this is substantive trade mark law: infringements including unfair competition (e.g. parasitic copies) are cited in the IPR Enforcement Directive, so limiting the substantive law clearly creates a contradiction with existing legislation.

We trust that the above is constructive and look forward to continuing our discussion with you.

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European Communities Trade Mark Association

