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BUSINESSEUROPE COMMENTS ON EUROPEAN COMMISSION TRADE MARK REFORM PACKAGE PROPOSALS

1. INTRODUCTION

Today more than ever before innovation, growth and job creation rely on Intellectual Property (IP), including trade marks. Companies create and market new brands that improve consumers' everyday life. Without the proper IP infrastructure in place, the innovation landscape in Europe would be severely weakened and Europeans would be deprived of important products and services.

The Community trade mark system has been in place already for some time and a legislative review has been underway in the last few years that BUSINESSEUROPE supported.

In this context, the European Commission has recently presented a package of proposals for a revision of the Regulation on the Community trade mark (CTMR), a recast of the Directive approximating the laws of the Member States relating to trade marks (TMD) and a revision of the Commission Regulation on the fees payable to the Office for the Harmonisation in the Internal Market (OHIM).

2. COMMENTS

At this early stage of the legislative process, BUSINESSEUROPE would like to provide the European Parliament (EP) and the Council with its comments on a number of key issues arising from the Commission proposals under the following headings:

I. OHIM & GOVERNANCE

Providing uniform trade mark protection in the EU through a single title granted by OHIM has been a European success story.

BUSINESSEUROPE is convinced that there is no need for a radical overhaul of a functioning system. The proposed reforms offer the opportunity to modernise practices in light of technological developments both at EU and national level to take into account the dual character of the European trade mark system (recognised in Recital 3 of the recast TMD).

In this context, we take positive note of the renaming of OHIM to the "European Union Trade Marks & Designs Agency" as well as of the Community Trade Mark to "European Trade Mark" even though the term "European Union Trade Mark" would be legally more accurate.

The status of OHIM as a self-financed agency from companies' fees should be taken into account in any governance reform as we will address in our comments on financing in particular. The presence of users in the governing bodies of OHIM should be safeguarded as it is beneficial for the overall European trade mark system.



II. HARMONISATION OF RULES AND PROCEDURES TO ENSURE LEGAL CERTAINTY

BUSINESSEUROPE has consistently called for harmonisation of rules and practices among trade mark offices at EU and national level to ensure legal certainty for companies. This is essential as a level-playing field is needed across systems to assist companies that want to expand their business outside their national markets in the EU Single Market.

We are pleased that the Commission has recognised the importance of harmonisation for legal certainty with the following proposals in particular in the CTMR:

- The requirement for “graphic representability” of a mark is to be abolished to adapt to the digital era and enable flexibility regarding the registration of non-traditional marks (e.g. sound and smell marks). Implementing rules should be adopted to explain the new situation in a way that would be easy to watch also for opposition purposes.
- New mandatory protection for marks with reputation is introduced.
- The full recognition of geographical indications as absolute grounds for refusal.
- The introduction of a limited form of bad faith opposition.

Clarity in the designation and classification of goods and services remains key for companies. We welcome the aim of the Commission to implement the IP Translator decision of the Court of Justice of the EU but still more work is needed to find the right solution that will ensure legal certainty for users.

An important tool to accomplish harmonisation is also the recast TMD. Many of the positive harmonisation changes already highlighted above in the CTMR are also mirrored in the TMD. In this context, a majority of BUSINESSEUROPE member federations support the proposed abolition of the ex-officio relative grounds examination.

Regarding procedures, BUSINESSEUROPE welcomes the requirement of administrative opposition proceedings at national offices as well as administrative revocation and invalidity proceedings. We also believe that pre-registration opposition proceedings should be made mandatory in all EU Member States.

However, some proposals raise practical concerns as for instance Article 4 (2) (b) of the TMD which extends absolute grounds for refusal in the situation where “a trade mark in a foreign language is translated/transcribed in any script/official language of the Member States”. It is disproportionate and unworkable to put national offices in a position of being required to decide upon what may hinder a registration in each EU Member State. In addition, article 22 (3) and (5) of the TMD requires mandatory registration of written agreements for the transfer of trademarks (however no similar requirements for licensing agreements). We consider these requirements too rigid and burdensome as well as contradicting the aim of the package to make the system more easy and user-friendly especially for SMEs.



A new Article 46 in the TMD extends the OHIM system on proof of use in opposition proceedings to Member States and article 48 does the same for invalidity proceedings. A party challenged by a right that is vulnerable to revocation for non-use will be entitled to request proof of use of the right, without having to commence separate proceedings to invalidate the earlier mark for non-use. Problems might arise where the initial five year grace period of use or any later five year period of non-use ends after the filing date or priority date of the later trade mark in opposition proceedings or after the date of application for declaration of invalidity in invalidity proceedings. In both cases, before OHIM, the defendant cannot rely on the non-use defense but has to file a separate request for revocation for non-use of the earlier mark.

In order to address this problem, the German system foresees that use of the earlier trade mark can be challenged at any time during the proceedings and the proprietor of the earlier trade mark then has to prove use of the earlier mark for the five years period before the decision is taken. Practice shows that this is a workable solution avoiding the need to file a separate application for revocation for non-use.

The recast Directive does not preclude Member States from implementing provisions similar to the German solution. Therefore, for harmonisation purposes the recast TMD should either make such a provision mandatory for all Member States (and also for OHIM) or abandon such a provision altogether.

The CTMR recognises trade marks as property objects that can be transferred, assigned, licensed, etc. and addresses different uses including the issue of genuine use. This intrinsically means that a trade mark confers to its proprietor a positive right of use, which is also acknowledged in Article 20 TRIPs. However, contrary to the Community Design Regulation (Article 19) this is missing from CTMR and we encourage the legislators for reason of legal certainty to address this gap in the law.

III. FINANCING & SURPLUS

We welcome the recognition in the Commission proposal of the importance of a balanced budget for OHIM.

According to Article 144 (2) CTMR, the amounts of the fees shall be fixed at such level as to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Agency to be balanced while avoiding the accumulation of significant surpluses. The proposal also foresees a review of the level of fees by the Commission, in case of a recurrent significant surplus. If this review does not lead to a reduction or modification in the level of fees in order to prevent the further accumulation of a significant surplus, the surplus accumulated after the review is to be transferred to the budget of the Union.

We support the rationalisation of the fee structure (one class of goods/services on application). CTMR fees should be set to meet the cost of OHIM operations. This is why there is room to reconsider the amount of renewal fees. The fee to renew a CTM should not be more than that to register a new one.

However, we strongly oppose any transfer of accumulated surplus to the EU budget, as it is included in the proposal. Trade mark fees are paid for a purpose and we do not



accept that they should become some form of indirect taxation to the benefit of the EU budget. For self-financed EU agencies fees should be set at a realistic level, as recognised also in the common approach between the EU institutions of 19 July 2012 regarding their financing. In addition, the common approach does not foresee a transfer mechanism for self-financed agencies to the EU budget in case of a surplus. Accumulating surpluses must be avoided through a regular and appropriate mechanism of fee review and the Commission should make proposals in this direction.

BUSINESSEUROPE has actively supported the Cooperation Fund activities to finance projects to benefit the European trade mark system as a whole as well as the Convergence Programme. In this context, we welcome the acknowledgment by the Commission of the success of this method by proposing a funding mechanism from OHIM's budget with an allocation limit for national offices related to defined projects for the benefit of the European trade mark system as a whole and not simply as a way to absorb funds contributed by users through fees. This cooperation between OHIM and national trade mark offices is legally anchored in Articles 123 (b) and 123 (c) CTMR. Users should be involved in the definition of these projects and key performance indicators should be applied.

IV. ENFORCEMENT/TRANSIT

We support the provision in Article 9 (5) CTMR that rightholders will be entitled to prevent counterfeit goods from entering or leaving the EU, regardless of whether the goods are released for free circulation. We appreciate the political commitment in the proposal to address the growing abuse of the transit channels in the circulation of counterfeit goods to the detriment of IP rightholders and consumers within the EU.

This is complemented by the provisions foreseeing a prohibition on the production and distribution of labels and packaging which may subsequently be combined with illicit products (Recital 20, Article 9 (4) CTMR).

3. CONCLUSION

BUSINESSEUROPE has been supporting the dual nature of the European trade mark system to serve the needs of all companies in the most efficient way. The proposed reform offers an opportunity to fine-tune a system that works in principle as well as boost harmonisation and coherence in rules and practices at EU and national level, taking into account recent jurisprudence.

We have highlighted our views on a number of key issues but will follow closely the legislative process at the EP and Council and will come back with more detailed comments when appropriate.
