



10<sup>th</sup> March 2015

**MARQUES** is the European association representing the trade mark owning businesses' interests – businesses who are vital for the stability and growth of the EU economy and who employ and create jobs for EU citizens. **MARQUES** membership crosses all industry lines and includes trade mark owners and IP professionals in more than 80 countries. The trade mark owners represented in the Association together own more than two million trade marks that are relied upon by consumers as signposts of genuine goods and services.

**MARQUES** has made several contributions in the years leading up to the reform of the European trade mark system. In fact the discussion of the CTM fees and the OHIM budget has been a topic for about 10 years now, and we have been active all along. It should at the same time be noted that when the reform was started, the CTM system was already functioning well and was successful among the users. In fact, OHIM was and is considered one of the most well-run and user-friendly trade mark and design offices in Europe by the users.

**MARQUES** has been active in the cooperation projects and convergence programs run in the context of the European Trade Mark and Design Network, and we entered into the reform debate with the wish to strengthen harmonisation of laws and practices in Europe as this would benefit all businesses large and small as well as the users of the trade mark national and regional systems as a whole. In fact, increased harmonisation stands to benefit mostly the SMEs who do not have the resources to employ experts, and simplifications of rules and procedures would be highly beneficial for SMEs.

The negotiations in the Trilogue have now reached the final stages, and **MARQUES** wishes to record its observation at the prospect of the possible failure of several important pieces of harmonisation. It seems that administrative opposition and invalidation procedures will remain optional, and this failure will mean that businesses will continue to be forced to take these matters to court in several Member States. This is particularly hard for SMEs who will find it more difficult to defend their rights and who will find it harder to clear the way for the introductions of their new trade marks. In fact, it has to be noted that while OHIM offers both opposition and invalidation as administrative options, some Member States do not.

The failure to make these two important procedures easily available at the administrative level along with the resistance to harmonise and simplify other procedures may lead to the impression that main objective of the reform was to deal with the lack of balance of the OHIM budget and to find a way to share out the OHIM surplus, existing and future. To us, the users, the reform should be to improve legislation that means to service society and to strengthen the competitive capabilities of the EU.

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The financial autonomy of OHIM and of all EU trade mark and design offices is a priority for **MARQUES**. OHIM is created to be the Registrar of the Community Trade Mark (CTM) and then later of the Registered Community Design (RCD). OHIM has in recent years taken the lead in increasing harmonisation of rules and procedures, and some of the projects have resulted in excellent tools – especially the TMView stands out as an extremely valuable tool for the users. OHIM has increased the involvement of its users, both in its own governing bodies as well as in the context of international cooperation, such as in the framework of the TM5 – initiatives which we would like to commend the OHIM for.

The income of fully self-financed agencies is to be dedicated to serving its users and continually to improve its services when it comes to quality, predictability and timeliness. OHIM was not created to raise funds to activities unrelated to its own functioning and operations.

The negotiations in the Trilogue have not been conducted in formal consultation or information of the users who are the main stakeholders of the Community Trade Mark. However, we understand that among the latest proposals on how to deal with the OHIM existing surplus it is being also discussed that over a transitory period of two years fixed amounts of the accrued surplus may be transferred:

- 1) To Member States as compensation for services they render in the context of opposition, cancellation and infringement proceedings involving Community trade marks
- 2) To the Court of Justice (CJEU) as contribution to the financing of its activities
- 3) To the European School of Alicante as contribution to the financing of its operations, to cover the reimbursement of also the EU and/or national contributions.

After the said transitory period, any new OHIM surplus would continue be distributed on the grounds of a compensation scheme providing for a of 5% of OHIM's yearly revenue to be paid to Member States, the CJEU through the EU budget as well as for continuing to cover the reimbursement of EU and/or national contributions to the European School of Alicante.

Apart from a reserve fund it seems that the intention may thus be to empty the coffers of OHIM, and this obviously makes us highly concerned on behalf of all the businesses who have filed applications for Community Trade Marks and Designs over the past 20 years. We fail to see how a move like this can be in their interest.

Furthermore, it has to be noted that according to its legal nature, a fee should be related to the cost of providing a specific service or closely related services. Thus, diverting funds generated by fees paid by the users of OHIM to different institutions to pay for services and purposes unrelated to trade marks and designs can prove contrary to the legal nature of the fee.

Subsidising the activities of the Court and the Member States in a regular manner from OHIM fees may be contrary to the principle of a balanced budget, in the sense that if that permanent financing did not exist, fees could certainly be lower. As reported in the 2013 Deloitte study to

the EU Parliament there is a conflict-of-interest in the setting of the fees without which the fees would most likely have been set at a different level.

Only a minimal percentage of CTM owners actually present cases before the Court and a permanent diversion of funds would result in discrimination among users contrary to the principles of equal treatment and proportionality. It would also be against the free access to justice at the EU level.

The trade mark and design offices of the Member States already collect fees for their services, and as we have pointed out over the years not all of them have financial autonomy. In reality, if there is no clear guarantee that the OHIM funds diverted to Member States would go into the budget of the national trade mark offices, then there would as such be no benefit at all to the businesses that paid the fees.

We have also objected to the insertion of the European School into the CTM Regulation. We do not see any reason to have this inserted into the CTM Regulation, and we do not support any proposals to oblige OHIM to fund the entire running of the European School. We fail to see a justification of such diversion of fees paid by businesses that own trade marks and designs registered at OHIM.

Together with several other user organisations **MARQUES** has always objected to attempts to divert OHIM's funds to activities that are unrelated to trade marks and designs. We note that the above proposals will constitute three permanent new expenses in the OHIM budget after the two-year transition period, and we cannot support such a way to introduce new costs on businesses that create jobs, commodities and services for the citizens of Europe. In fact, businesses all around the globe would be contributing to the planned diversion of funds.

The proposals leave us with serious concerns about OHIM's financial autonomy in the future. We are concerned that the focus and financial means for running and continuously improving OHIM's core business – which is to register CTMs and RCDs and efficiently administer all relevant procedures – is at stake. OHIM's work to increase harmonisation together with the EU trade mark and designs offices through cooperation projects is also at risk, and as mentioned this activity have been fully supported by the users. The erosion of the financial autonomy of OHIM resulting from the proposed establishment of permanent expenses as described above can prove an impediment to any new cooperation initiatives that may be highly important to and requested by the OHIM users.

In the worst scenario, it may also be foreseen that the proposed establishment of those permanent expenses, which are clearly not in the interest of the users, may even result in an increase of fees in the future, if a structural deficit would be created which would oblige OHIM to balance its budget by other resources either by making use of the reserve fund that is only to be used for extraordinary or unpredictable events, or by requesting a subsidy from the Commission.

**MARQUES** cannot support the above or any other proposals that represent a distortion of the very nature of the fees paid by the users and that risk reducing the well functioning of OHIM to the detriment of users.

Previous **MARQUES** observations at <http://www.marques.org/eutrade mark reform>  
Please direct any questions or comments to [EUTMReformTaskForce@marques.org](mailto:EUTMReformTaskForce@marques.org)

#### About **MARQUES**

**MARQUES** is the European association representing brand owners' interests. The **MARQUES** mission is to be the trusted voice for brand owners.

Established in 1986 and later incorporated in the United Kingdom as a not-for-profit company limited by guarantee, **MARQUES** unites European and international brand owners across all product sectors to address issues associated with the use, protection and value of IP rights, as these are vital to innovation, growth and job creation, which ultimately enhance internal markets. Its membership crosses all industry lines and includes brand owners and IP professionals in more than 80 countries. The trade mark owners represented in the Association together own more than two million trade marks which are relied upon by consumers as signposts of genuine goods and services.

**MARQUES** is an accredited organisation before the Office for Harmonisation in the Internal Market (OHIM), appointed observer at the OHIM Administrative Board and Budget Committee, an official non-governmental observer at the World Intellectual Property Organisation and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission, which extends and replaces the former Register of Interest Representatives, opened by the commission in 2008.

An important objective of **MARQUES** is to safeguard the public interest by ensuring the proper protection of trade marks and to preserve the interests of trade mark proprietors with regard to the regime of trade mark protection. **MARQUES** attempts to achieve these objectives by advancing the cause of trade mark laws, which protect the public from deception and confusion. Intellectual property rights are a crucial aspect of the global economy and trade marks play a significant role in free trade and competition in the marketplace.

More information about **MARQUES** and its initiatives is available at [www.marques.org](http://www.marques.org).