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## Comments on EU Commission Proposals for Amendments to the EU Trade Mark System

On 27 March 2013, the European Commission released its long awaited response to the Study on the Overall Functioning of the European Trade Mark System, initially foreshadowed in 2009, and completed by the Max Planck Institute in February 2011. The official release followed a widely reported leaked set of proposals, which **MARQUES** reported in an INFORMATION NOTE dated 14 March 2013.

Like the Study itself, the Commission's proposals are wide-ranging. The Commission's proposals include two draft Regulations – one to amend the CTM Regulation (no 207/2009) and a separate draft Regulation to abolish the CTM Implementing Regulation (no 2868/95) and to amend the Fees Regulation (no 2869/95). In addition, changes to national law are proposed, with a "recast" Directive.

The official documents recently released by the Commission differ in several respects from the earlier leaked documents. This **MARQUES** document therefore updates the initial INFORMATION NOTE to reflect the official documents, and provides an overview of how the proposals compare with previous **MARQUES** positions as well as initial **MARQUES** reactions. This Note is, however, not to be perceived as a conclusive position paper, as we may revert to parts and bring up elements of the proposals that need to be discussed in more detail with our members and other stakeholders.

The Commission has indicated that it hopes to implement changes to both the Regulation and the Directive by 2014, with the fee changes to be implemented earlier. Once passed, the Directive will give member states a two year period to update their national law, where required. **MARQUES** therefore intends to participate in the consultation process surrounding the new proposals.

The Commission notes that the "main common objective" is "to foster innovation and economic growth by making trade mark registration systems all over the EU more accessible and efficient for businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security".

The Commission's communication of 24 May 2011 stated:

"in order to meet increased demands from stakeholders for faster, higher quality, more streamlined trade mark registration systems, which are more consistent, user friendly, publicly accessible and technologically up-to-date, there is a necessity to modernise the trade mark system in the Union as a whole and adapt it to the Internet era".

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**MARQUES** supports these objectives, as well as many of the proposals. **MARQUES** is also pleased to see that the substantial submissions made by **MARQUES** and other user groups have been adopted in large part into the proposals. **MARQUES** will continue to work with the Commission, member states, OHIM and sister organisations to ensure that the proposals meet the needs of users of the European trade mark system.

## 1. Major Proposals – CTMs and OHIM

The Commission notes that it is not proposing a new trade mark system, just a “well-targeted modernisation of existing provisions”. It has set out the following aims in relation to CTMs:

- Streamlining application and registration procedures for CTMs;
- Increasing legal certainty by clarifying provisions and removing ambiguities;
- Establishing an “appropriate framework for cooperation” between OHIM and national offices for promoting convergence; and
- Aligning the framework to Article 290 of the Treaty on the Functioning of the EU and adapting terminology to the Lisbon Treaty.

Perhaps most readily noticeable is the proposal to change the designation Community trade mark (CTM) to European trade mark (ETM), and to change the name of OHIM to the European Union Trade Marks and Designs Agency (ETMDA?). The President of OHIM will become the Executive Director of the Agency. This is the result of a review of all EU agencies aimed at harmonising agency structures.

Some major changes to CTM filing practice are proposed:

- The ability to file CTMs at national offices (and the Benelux Office of Intellectual Property) will be abolished;
- CTM fees will become due immediately on filing, not a month later, to prevent the filing of “test applications”; and
- The search of OHIM and the current optional search of some national registries will be abolished. **MARQUES** welcomes the abolishment of national searches.

In terms of legal certainty:

- The requirement for “graphic representability” of a mark is to be abolished, allowing for the registration of sound and smell marks. “Colours as such” and “sounds” will be specifically included in the definition of trade mark;
- Court of Justice jurisprudence on the functions of a trade mark will be restricted to marks with reputation – for double identity disputes, the only relevant function will be that of indicating origin;
- The *Philips/Nokia* decision on suspensive customs procedures, which allowed counterfeit goods to pass through the EU, will be over-ruled by legislation. Rights owners will be entitled to prevent counterfeit goods from entering or leaving the EU, regardless of

whether the goods are released for free circulation: **MARQUES** strongly welcomes this change on behalf of brand owners and consumers;

- A prohibition is to be introduced on the production and distribution of labels and packaging which may subsequently be combined with illicit products;
- Amendments are made to incorporate the *IP TRANSLATOR* decision on specifications of goods and services, and to provide four months for owners of CTMs which predate the decision to amend their specification in some instances; and
- Certification marks are to be introduced.

Proposals are also made to promote cooperation between OHIM and national trade mark offices (and BOIP). OHIM and national offices will be obliged to cooperate with one another. A compulsory cooperation framework will provide for mandatory access to tools to assist in technical capacity building at national offices. This is all to be financed from the OHIM budget.

On fees, the fee structure is amended to include only one class of goods/services on application and renewal. Users will not be penalised – a three class application will not cost more than it currently does.

## 2. Major Proposals – National Law

The proposed recast Directive is to be considered together with the draft Regulation impacting on CTM practice and procedure. The recast Directive notes some specific objectives:

- Modernising and improving the existing TM Directive by amending outdated provisions, increasing legal certainty and clarifying trade mark rights in terms of their scope and limitations;
- Achieving greater harmonisation of national laws and procedures, aiming to make them more consistent with the CTM system by adding further substantive rules and introducing principal procedural rules; and
- Facilitating cooperation between national offices and OHIM.

Interestingly, the Commission considered full scale harmonisation, with a single trade mark rulebook to replace member states' national trade mark law in their entirety. This was rejected, in favour of partial expansion of harmonisation.

In addition to the substantive laws proposed for the CTM system, the major changes proposed for national law include:

- Compulsory protection for geographic indications and traditional terms;
- New mandatory protection for marks with reputation (presently optional);
- A new set of rules dealing with trade marks as objects of property;
- Specific provisions relating to collective marks, to complement the changes to the CTM system;
- Abolition of relative grounds examination in the 12 member states which maintain it;

- Filing fees will only include one class and additional class fees will be introduced;
- Administrative opposition and cancellation procedures before the national office (rather than having to go to court); and
- The ability for an applicant of national trade marks to request proof of use of any prior trade mark relied on, where it has been registered in excess of five years.

As a general statement, national trade mark law and practice will be brought much closer to the law as it relates to CTM and OHIM practice.

Several member states will have little to do to implement the recast Directive – others will need to make significant changes to their local law and practice. **MARQUES** strongly supports the harmonisation of national practices and procedures, and particularly the significant cost savings to be obtained with administrative opposition and cancellation procedures. **MARQUES** also specifically supports the abolishment of relative grounds examination.

### **3. Detailed Proposals - OHIM**

#### *Renaming*

Community trade mark is to be changed to European trade mark, with similar changes to European collective mark and European trade mark court (Article 1(1), (2), (3) and (4) of the draft Regulation).

OHIM's name changes to European Union Trade Marks and Designs Agency, referred to throughout the legislation now as the Agency, rather than the Office (Article 1(6) of the draft Regulation) and the President of OHIM becomes the Executive Director of the Agency (Article 1(7) of the draft Regulation).

#### *Surplus*

A new Recital 43 is added, noting that the accumulation of a significant budgetary surplus should be avoided. **MARQUES** welcomes this comment – the surplus is users' money accumulated because the value of fees paid significantly exceeds the costs of running OHIM. That said, no mechanism is provided in the draft Regulation for ensuring that a surplus is avoided.

According to Article 144(2) the Commission shall review the level of fees if a significant surplus becomes recurrent, and if this review does not prevent the further accumulation of a significant surplus, it is proposed that the surplus accumulated after the review shall be transferred to the budget of the European Union.

For several years **MARQUES** has been a vocal supporter of the financial independence of IP offices. Their budgets should become and remain independent of a state budget, including funding from the state. **MARQUES** is strongly opposed to such transfer of funds to the European Union budget. The trade mark registration systems are meant to help develop and enhance creativity, innovation and trade and not to become a taxation system. Accumulation of surplus must be avoided first through the setting of an appropriate level of fees and secondly through the allocation of grants to projects that create improvements and harmonisation of laws and practices across the EU to the benefit of users and society in general.

**MARQUES** encourages the Commission to put forward a proposal for a proper and concrete system for the review of the level of fees.

### *Delegation of powers*

Significant provision is made for the delegation of powers to the Commission, rather than having to enact further changes to the Implementing Regulation and the like. Few aspects of practice or procedure are left untouched by the delegation provisions.

**MARQUES** welcomes the flexibility that this grants, so that minor changes can be made, following consultation, but without the need for primary legislation.

The Implementing Regulation is abolished, with instead a broad power given to the Commission to adopt delegated acts.

### *Consultation*

A new Recital 25 is proposed in the following terms:

It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.

MARQUES welcomes this recognition of the role of users' interests in the European trade mark system, and would like to see an explicit acknowledgement of users amongst "experts".

### *Graphical Representation*

The Study looked at the requirement for trade marks to be represented graphically – the Commission now proposes that a sign should be permitted to be represented in any appropriate form, and hence Article 4 of the CTM Regulation is amended to provide that, to be registered, a sign must be capable of "being represented in a manner which enables the competent authorities and the public to determine the precise subject of the protection afforded to its proprietor" (Article 1(9) of the draft Regulation).

This, in effect, enables the filing of CAD files, musical recordings, videos and other representations that do not currently meet the *Sieckmann* requirements. OHIM will likely have to make further rules as to which forms of representation it will accept.

The definition of trade mark is widened specifically to include "colours as such" and "sounds", although the former reference to "devices, logos" is changed to "designs". This last point is slightly confusing – as there is a separate EU regulation and directive protecting designs, the reference to logos and devices may be more appropriate in a trade mark regulation.

**MARQUES** supports the additional flexibility that this proposal brings to the system – consumers are used to recognising sounds, smells and other signs as indications of source of origin, and hence such signs should be registerable. Consistency of practice between OHIM and the national offices is to be encouraged, to avoid the situation where a mark is allowed in some member states and not others.

### *Geographical Indications*

EU trade mark law currently provides a lower level of protection for geographical indications and designations of origin than other EU legislative instruments. The proposed amendments add as absolute grounds for refusal of a CTM prior designations of origin, geographical indications, protected traditional terms for wine and traditional specialities, and protected plant varieties (Article 1(10)(a) of the draft Regulation). Designations of origin and geographical indications are also expressly made a ground for third party oppositions: Article 1(11)(b) of the draft Regulation.

### *Foreign descriptive terms*

Currently, a descriptive term in a language or script other than the EU's 23 (24 from July 2013) official languages or three official alphabets would not be blocked from registration as a CTM.

Article 1(10)(b) of the draft Regulation provides for non-registerability on absolute grounds of terms that would be descriptive if translated or transcribed into any script or official language of a member state. Thus, Chinese characters, for example, that would be descriptive in China will now be blocked from registration in the EU to the extent such translated term would be descriptive in the EU as well.

### *Bad faith*

A limited form of bad faith opposition is introduced (currently, it is only available as a grounds for CTM invalidity post-registration). Article 1(11)(a) of the draft Regulation provides for a new Article 8(3)(b) in the CTM Regulation that provides for opposition “where the trade mark is liable to be confused with an earlier trade mark protected outside the Union, provided that, at the date of the application, the earlier trade mark was still in genuine use and the applicant was acting in bad faith”.

This provides for significantly enhanced protection for marks outside the EU. As noted below, the similar amendment to national law achieved through the recast Directive should be altered to provide protection for marks not only outside the EU, but also outside the member state concerned but within the EU.

There had been a discussion during the consultation of adding bad faith as an absolute ground for OHIM to examine. Sensibly, this has not been taken up in the proposals.

### *Trade marks with reputation*

Article 8(5) is amended to accommodate the Court of Justice’s decision in *Davidoff* – the provision applies irrespective of whether the goods/services applied for are similar to or different than the goods/services for which the earlier mark has reputation (Article 1(11)(c) of the draft Regulation).

This codifies the existing position.

### *Rights conferred by a European trade mark*

A new provision is proposed to ensure “full consistency with the principle of priority” – enforcement of rights conferred by a European trade mark are “without prejudice” to the rights of earlier rights holders in conformity with Article 16(1) of TRIPs (Recital 14 of the draft Regulation). Article 1(12) of the draft Regulation provides a replacement for Article 9 of the CTM Regulation.

Although not expressed, this would appear to implement the Court of Justice’s ruling in *Celaya* in relation to RCDs, and recently confirmed by the Court in relation to CTMs in Case C-561/11.

### *Functions of a trade mark*

The Court of Justice has enunciated a number of functions of a trade mark which has caused confusion for users of the system. Amendments are therefore proposed to limit the effect of this case law. Hence, for Article 9(2)(a) analysis (double identity), the only relevant function of a trade mark will be the guarantee of origin.

There is currently a small issue with the drafting. Whilst the explanatory note states that the limitation applies to both Article 9(2)(a) and (b), the draft Regulation only includes the change to Article 9(2)(a). As Article 9(2)(b) already includes a requirement for likelihood of confusion, the explanatory note appears not to be accurate.

**MARQUES** welcomes the clarity this brings to the case law, at least in relation to double identity, but would prefer to see a situation where the double identity test is absolute – ie, proof of identity of marks and goods/services is sufficient, particularly in a registry context.

#### *Trade Names*

Use as a trade or company name (or part of a trade or company name) is added to the list of objectionable activities that a CTM owner is entitled to prevent. Recital 16 notes that “confusion as to the commercial source from which the goods or services emanate may occur when a company uses the same or a similar sign as a trade name in a way that a link is established between the company bearing the name and the goods or services coming from that company”.

The Recital adds a proviso that the use of the company name must be made for the purposes of distinguishing goods or services as to their commercial origin.

In practice, it has been difficult to remove company or trade names from national registers unless and until the company begins to trade. **MARQUES** welcomes this change.

#### *Comparative advertising*

A specific reference is added in the list of actions a CTM owner is entitled to prevent to “using the sign in comparative advertising in a way which is contrary to Directive 2006/114/EC” (Article 1(12) of the draft Regulation). This codifies the existing position.

#### *Private importation*

The draft Regulation makes clear that importation into the EU of goods infringing a CTM can be prevented where the importer is not acting for commercial purposes, but the consignor is. This will catch infringing goods bought by individuals outside the EU (for example, over the Internet).

#### *Customs procedure*

The Court of Justice’s decision in *Philips/Nokia* worried trade mark owners, because of the high burden it placed on the policing of counterfeit goods. In short, obviously counterfeit goods from outside the EU that were stopped on their way through the EU to a third territory, could not be seized under the customs procedure. The draft Regulation reverses the effect of the Court of Justice decision, and entitles a trade mark owner to “prevent all third parties from bringing goods into the customs territory of the EU”, even if the goods are not released for free circulation, as long as it is done in the context of commercial activity (Article 1(12) of the draft Regulation).

This is a very good step indeed, and one of the key areas where the official version of the draft Regulation differs from the leaked document. **MARQUES** is extremely pleased that the intervention of a number of user groups has been taken into account. This change is in the interests of trade mark owners, and of consumers around the world. When put in place, EU customs authorities will be able to seize counterfeit car parts or pharmaceuticals so as to prevent them being shipped onwards to outside the EU.

### *Preparatory actions - labels*

A new Article 9a is added to the CTM Regulation to enable a CTM owner to take action against get-up or packaging where there would be an infringement if the get-up or packaging were combined with goods.

This clarifies the situation where labels are discovered which, if affixed to goods, would constitute trade mark infringement. The proposed change is to be welcomed.

### *Honest use of trade marks*

Recital 21 of the draft Regulation expresses that CTM rights should “not entitle the proprietor to prohibit the use of signs or indications which are used fairly and in accordance with honest practices in industrial and commercial matters”. Article 12 of the CTM Regulation is therefore replaced by Article 1(14) of the draft Regulation. The impact includes:

- The “own name” defence to trade mark infringement will only apply to personal names, and not trading names;
- “signs or indications which are not distinctive” remain free for third parties to use, even if registered as trade marks; and
- The fair and honest use of a third party trade mark to identify or refer to the goods or services as those of the proprietor is expressly provided for.

A further clarification of when third party use is not in accordance with honest practices:

- “it gives the impression that there is a commercial connection” between the third party and the CTM owner; and
- “it takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark without due cause”.

These clarifying provisions with regards to the scope of CTM rights are to be welcomed.

However, the wording “signs or indications which are not distinctive” should be clarified to “signs or indications which are [not distinctive] used in a descriptive manner”, in order to avoid discussions on whether the trade mark is descriptive. This should be left to the proceedings provided for this purpose.

### *Intervening rights*

A proposed new Article 13a of the CTM Regulation attempts to deal with intervening rights. Take, for example, the following situation. CTM A has been registered for more than 5 years, and has never been in genuine use. CTM B is applied for, and registered. The owner of CTM A could not oppose without proof of use. The proposal prevents CTM A from being used later against goods bearing CTM B, once CTM A has been put to genuine use.

The wording of the new Article 13a instead requires the owner of CTM A to apply to invalidate CTM B first.

### *Use of a different sign still genuine use*

Despite discussions about reducing the non-use period to three years, it has been maintained at five years, as **MARQUES** advocated. Also, although genuine use in only one member state was a hot issue during consultations, it is not dealt with in the proposed legislation. Rather, this issue has been left to the Court of Justice (*ONEL*, Case C149/11).

Many trade marks are used in forms slightly different from the registration. Use of a CTM in a form differing in elements, which do not alter the distinctive character of the mark has long been accepted as “genuine use”. However, there has been debate as to whether this still applies if the “differing” form is also registered.

Article 1(17) of the draft Regulation amends Article 15(1) of the CTM Regulation to make it clear that it does not matter if the differing form is also registered – use of the differing form can still count as genuine use.

### *Recordal of CTM transfers*

OHIM's role in assessing whether a transfer of a CTM might mislead the public is removed – Article 17(4) of the CTM Regulation is deleted.

Article 18 of the CTM Regulation is amended in effect providing for applications to OHIM or a Community trade mark court for assignment of marks wrongly registered by agents or representatives, rather than necessitating requests/counterclaims for invalidity.

Amendments are also proposed to Articles 19, 20 and 22 for the recordal of rights *in rem*, levies of execution and licenses.

### *Filing CTM applications at national offices*

Although only a few applications are filed via the national offices, **MARQUES** and sister organisations requested that the Commission retain the ability to file CTM applications at national offices in member states as an option for SMEs until the use ceased completely. However, this alternative route will be abolished by amendments to Article 25 of the CTM Regulation. OHIM will be the sole agency to which CTM applications can be made.

### *Fee required for filing date*

OHIM had submitted to the Study that CTM applicants were taking advantage of the rapid examination of CTMs by filing applications, and then not paying the filing fee if a negative examination report was received.

Amendments to Article 27 of the CTM Regulation remove this difficulty, by requiring the fee to be paid in order to obtain a filing date. The proposed language refers to the “order for payment” being made, rather than the fee itself having been paid. This presumably allows for a filing date where the box has been ticked to take the money from an account at OHIM, and there are sufficient funds in the account.

### *Designation and classification of goods and services*

The rulings of the *IP TRANSLATOR* decision of the Court of Justice are implemented in a new Article 28, set out at Article 1(28) of the draft Regulation. **MARQUES** supports the requirement for sufficient clarity and precision as put forward by the Court.

In the *IP TRANSLATOR* decision, the Court of Justice did not rule on already registered trade marks, which recite one or more class headings. Article 28(8), as set out in the draft Regulation, provides that the owners of these registrations may declare, within four months from the entry into force of the draft Regulation, “that their intention on the date of filing had been to seek protection in respect of goods or services beyond those covered by the literal meaning of the heading of that class, provided that the goods or services so designated are included in the alphabetical list for that class of the edition of the Nice classification in force at the date of filing”. Registrations for which no declaration is filed shall be deemed to extend, *as from the expiry of that period*, only to goods or services covered by the literal meaning.

The purpose of this provision is obviously to give those applicants who relied on OHIM's Communication 4/03, an opportunity to "correct" their list of goods and services to what they had intended to protect when, at the time of filing, they recited a class heading instead of the individual goods and services of interest. However, it applies only to CTMs registered “solely” for the class heading – therefore, owners who have added additional wording to specify particular additional goods will not be able to avail themselves of this opportunity.

**MARQUES** has been a long-standing supporter of the 'means-what-it-says' approach, and while **MARQUES** appreciates the fact that the Commission is seeking to assist businesses that might have been misled by Communication 4/03, it is apparent that such an option would only add another layer of complication. The "corrected" registrations would have to be republished for opposition purposes, and in effect this would only increase the lack of clarity.

The majority of the registrations (those from June 2003 to June 2007) will already be vulnerable to non-use cancellation actions, and **MARQUES** questions how many applicants did in fact rely completely on the Communication 4/03. **MARQUES** would prefer to leave any interpretation of individual registrations made prior to the *IP TRANSLATOR* decision in the hands of the Courts.

**MARQUES** suggests that Article 28(8) is deleted.

### *Priority*

Claiming priority is simplified, whether from a foreign trade mark application (Article 30 of the CTM Regulation) or exhibition priority (Article 33 of the CTM Regulation). In relation to priority from a foreign trade mark application, the priority claim need only include the date, number and country of the previous application.

No changes are proposed to OHIM's procedures for examining priority claims, although the Executive Director is given the express power to limit the information required, if that information is available to the Agency from other sources.

### *Seniority*

Although changes to the seniority examination process were mooted during consultations, none have been proposed. **MARQUES** is pleased to see that no fee has been suggested for seniority claims.

Changes are proposed to seniority claims where the earlier mark is declared invalid or revoked. Paragraph 3 of Article 34 of the CTM Regulation is replaced. Surrender of the earlier trade mark is no longer covered (only invalidity and revocation). Seniority will only lapse on revocation if the revocation takes effect prior to the filing (or priority) date of the CTM.

Some limited harmonisation is proposed in the recast Directive – see below.

### *Disclaimers of non-distinctive material*

The proposals abolish the ability of OHIM to require that non-distinctive elements in a CTM are disclaimed. This is achieved through the deletion of Article 37(2) of the CTM Regulation. **MARQUES** supports this proposed change.

### *Searches*

Searches by OHIM and by member states are abolished. Recital 30 notes that the current regime is “neither reliable nor efficient”. The Recital notes that it should be replaced by “all-encompassing, fast and powerful search engines for the free use of the public”. This, however, is not provided for in the proposed changes.

As a result, there is no need for publication to be held up for one month after the searches are provided – OHIM may publish immediately (and Article 39 of the CTM Regulation is amended accordingly).

It also means that prior CTM owners will not be notified of later CTM applications filed.

### *Publication*

There is a further amendment to Article 39 of the CTM Regulation that perhaps has further reaching consequences than at first appears. The new sentence reads: “The publication of the application shall be without prejudice to information already made available to the public otherwise in accordance with this Regulation or with delegated acts adopted pursuant to this Regulation”.

A specific requirement for OHIM to correct any mistakes or errors in the publication of an application is also newly provided.

### *Observations*

Observations enable a third party to submit comments on the registerability on absolute grounds of a CTM application, without becoming a party to the proceedings.

Article 40 of the CTM Regulation is amended, with the main changes being that observations can be filed at any time prior to the end of the opposition period, or, if an opposition is filed, prior to the opposition being determined. There will be no requirement for the third party to wait until the CTM is published for opposition purposes before the third party files observations. Observations can only be filed on the basis of Articles 5 and 7 of the CTM Regulation.

Whilst **MARQUES** is happy to see amendments to make it easier for third parties to file observations, it is the experience of many **MARQUES** members that observations are rarely heeded by OHIM. It does not require legislative amendments to effect this. However, the compulsory introduction of observations at national level (see below) will hopefully encourage OHIM examiners to take observations seriously.

### *Oppositions*

It was suggested during the consultation process that the opposition period of three months should be reduced to two months, to speed up registration of CTMs. **MARQUES** advocated against a change, and none has been included in the proposals. A three month period is needed to enable analysis of the situation, and the taking of instructions, often from outside the EU. The

three month period also enables savvy rights owners to contact the CTM applicant before filing an opposition to attempt to settle the issue.

#### *Date of proof of use in oppositions*

An amendment is proposed to Article 42(2) of the CTM Regulation, which in effect moves the five year period during which genuine use must be evidenced from the five years preceding the date of publication to the five years preceding the date of filing (or the date of priority) of the later CTM.

Thus, for a CTM filed on 1 June claiming priority from a foreign application filed on 1 February which publishes on 1 December, the five year non-use period will shift from the five years before 1 December, to the five years before 1 February. The difference could be even more significant where a CTM application is held up for some years with specification queries and absolute grounds objections.

#### *Registration*

A new Article 45 of the CTM Regulation tidies up some of the requirements around registration.

The necessity to pay a registration fee was removed some years ago, and so has been deleted from the legislation. The proposed new Article also provides for electronic registration certificates.

Interestingly, the proposed amendments provide for a right to use a “symbol right next to the trade mark attesting that the trade mark is registered”. The symbol shall be decided by the President of OHIM. It is to be hoped that the symbol will be ®, so as to be consistent with the rest of the world.

#### *Surrender when invalidity application already filed*

Amendments to Article 50 of the CTM Regulation provide for an invalidity application to take precedence over a surrender. Revocation may take effect from an earlier date than surrender, hence this change makes sense.

#### *Date for relative grounds of invalidity*

A proposed addition to Article 53(1) provides that the invalidity of a CTM on relative grounds shall be tested “at the filing date or the priority date” of the CTM.

This makes sense, although the inclusion of the priority date as an alternative could have unintended consequences.

#### *Acquiescence*

Article 54(1) and (2) are to be amended to remove reference to opposing the use of the later trade mark. Thus, removing the double negative, an acquiescing earlier rights owner may still be able, before the court, to prevent the later third party from using a sign where the later trade mark was applied for in bad faith.

This provision needs to be read in conjunction with the other proposed amendments dealing with rights of priority.

#### *Application for revocation or invalidity*

Minor changes are proposed to Article 56 of the CTM Regulation providing for applications for revocation or invalidity of a CTM. First, revocation on the basis of a prior right under EU law is

expressly acknowledged alongside prior national rights. Second, the *res judicata* provisions are amended slightly to acknowledge that a prior final decision on the merits by either OHIM or a Community trade mark court will render inadmissible a later application for revocation or invalidity.

#### *Proof of use in invalidity and revocation proceedings*

In Article 57(2), the dates from which the five year non-use period run in invalidity and revocation proceedings are amended in line with opposition proceedings – see above.

#### *Appeals*

Proposed amendments to Article 58 of the CTM Regulation clarify that appeals lie to the Boards of Appeal from the first instance decision makers listed in Article 130(a) to (d). Whilst the CTM Regulation previously noted that filing an appeal has suspensive effect (ie, the earlier decision does not come into force), the proposed amendments confirm that the appeal period itself also has suspensive effect (that is, an unappealed decision does not come into effect until the appeal period ends).

#### *Revision in inter partes cases*

The possibility for revision in *inter partes* cases has been removed. The provision has not been widely used, perhaps because it requires the successful party to consent. Article 62 of the CTM Regulation will be deleted.

#### *Appeals to the General Court*

Article 65 of the CTM Regulation is amended to tidy up the language. In the context of appeals from the Boards of Appeal, references to the Court of Justice are replaced by references to the General Court. This does not change current practice.

#### *Collective marks*

Some minor amendments are made to the treatment of collective marks to harmonise with changes made elsewhere in the draft Regulation.

#### *Certification marks*

Certification marks are introduced by a new Article 74b of the CTM Regulation. A certification mark is defined as “a European trade mark which is described as such when the mark is applied for and is capable of distinguishing goods or services which are certified by the proprietor of the mark in respect of geographical origin, material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristic from goods and services which are not so certified”.

An applicant for a certification mark cannot carry on business supplying goods or services of the type certified.

Detailed provisions concerning applications, use, amendment and the like are proposed.

#### *Examination of facts by OHIM in invalidity proceedings*

A minor amendment is proposed to Article 76(1) of the CTM Regulation to confirm that, in invalidity proceedings on relative grounds, OHIM shall limit its examination to the grounds, facts and arguments provided by the parties. This is the same position as with opposition proceedings.

### *Notification by electronic means*

An amendment proposed to Article 79 of the CTM Regulation expressly provides that OHIM may send any notices electronically.

A new Article 79b of the CTM Regulation provides that communications to OHIM may be made by electronic means, the details of which are to be determined by the Executive Director of the Agency.

These provisions are to be welcomed, given the importance of email in current forms of communication.

### *Noting of loss of rights*

A proposed new Article 79a provides for notification of loss of rights. This occurs where rights are lost without a decision being taken by OHIM – for example, on failure to renew a CTM. OHIM must notify the rights holder of the loss of rights, and the rights owner may request a decision.

This replaces Rule 54 of the Implementing Regulation.

### *Time limits*

Further powers are specified for the Executive Director in an extended Article 79c. The Executive Director is given specific power to determine the duration of periods of interruption caused by strikes or natural disasters. This appears to codify existing practice.

### *Correction of errors*

A new Article 79d is inserted and Article 80 of the CTM Regulation is amended to make it easier for OHIM to correct errors, and places an onus on OHIM to do so.

### *Continuation of proceedings*

Continuation of proceedings is a step before *restitution in integrum*, which enables a party before OHIM to make up a missed deadline in certain circumstances. Article 82(2) of the CTM Regulation excludes certain time limits from the continuation option, and it is proposed to remove from the list Articles 25(3), 27, 41(2), 42 and 62. Whilst this would appear generously to increase the use of continuation, it does not – the removal of these articles consequently tidies up provisions that are being removed by other amendments.

Proposed amendments to paragraph 4 of Article 82 make clear that any decision taken as a result of failure to meet a deadline can be retaken in light of the continuation. This was already OHIM practice.

### *Costs enforcement*

An amendment is proposed to make the enforcement of costs easier. Rather than costs being enforced as a matter of national law (which in effect never happens), a new Article 86(2) of the CTM Regulation provides for each member state to notify to OHIM, the Court of Justice and the Commission a single authority responsible for verifying the authenticity of the decision, and providing for its enforcement, without other formality.

Properly handled, this should make the enforcement of OHIM costs awards significantly more efficient. However, as OHIM costs awards continue not to reflect the actual legal costs of

opposition and other proceedings, the low amounts awarded will continue to mitigate against enforcement efforts by successful parties. **MARQUES** would like to see the costs awards made at OHIM more accurately reflect the actual costs to the parties concerned. The primary aim is to encourage settlement so as to avoid a costs order, which currently never happens.

#### *Register*

Proposed amendments to Article 87 provide for a Register of European Trade Marks, which must be kept up to date, and may be kept electronically. This is to be welcomed.

OHIM must also maintain an electronic database with particulars of CTM applications, which may be made available to the public. OHIM does this already.

Further amendments are proposed to enable the electronic keeping of files and publications.

#### *Earlier right of the defendant in infringement proceedings*

A minor change is proposed to Article 99 of the CTM Regulation, which deals with the presumption of validity of a CTM. This requires a defendant in infringement proceedings to raise certain issues by way of a counterclaim. However, the current CTM Regulation provides that two issues may be raised by way of a simple plea – invalidity through non-use, and the CTM relied on being invalid by virtue of an earlier right of the defendant. The draft Regulation drops the second of these, consistently with the other new provisions on priority.

#### *Informing OHIM of challenges to the validity of a CTM*

Proposed amendments to Article 100 of the CTM Regulation clarify who is required to inform OHIM when a CTM is challenged for validity in a Community trade mark court – the interested party or the court. Under the amended text, the court cannot proceed to determine the counterclaim until OHIM has been informed. If the CTM is already being challenged at OHIM, the court must stay its proceedings until OHIM's decision is final.

#### *Acts of the President*

Article 122, which provided for checks on the President of OHIM, is abolished.

Legislative footing is also given to the Administrative Board of OHIM (renamed the Management Board), the Budget Committee and the powers of the Executive Director (formerly President). Alterations are made to the provisions for the examination, opposition and cancellation divisions of OHIM, and the Boards of Appeal. The Executive Director (formerly President) and the President of the Boards of Appeal will no longer be appointed by the Council of Ministers, but by the Management Board upon proposals by the Commission.

#### *Cooperation to promote convergence*

New Articles 123b and 123c provide obligations on OHIM to administer and promote the CTM system, to cooperate with the national offices, and to cooperate to promote convergence of practices and tools in the field of trade marks and designs. Specific legislative support is also given for a voluntary mediation service to assist parties in settling disputes.

**MARQUES** supports initiatives to increase harmonisation and is an active supporter of the Cooperation Fund. **MARQUES** participates in projects run both in the context of the Cooperation Fund as well as the Convergence Program.

OHIM will coordinate common projects of EU interest, and OHIM will provide financial support to these projects with grants from its budget. The total amount of these grants shall not exceed 10% of the yearly income of OHIM, and the beneficiaries shall be the national offices of the member states and the Benelux Office.

**MARQUES** is pleased to see that "common projects of Union interest" will in fact all be projects that are in the interest of the users: this is expressly provided for in Recital 40. **MARQUES** welcomes the obligation that is placed on the national offices to participate and will continue to support and actively participate in future projects.

#### *Management Board*

Significant changes are proposed to the dealings of the Administrative Board, now re-named the Management Board, including for the setting up of an Executive Board, chosen from members of the Management Board.

**MARQUES** has some reservations about the establishment of a further layer of administration, including one which appears not to involve users. However, as long as important decisions continue to come to the Management Board, where users are represented as observers, users will continue to be able to make their voices heard well before decisions are made.

#### *Fees*

A new Article 144 is proposed, dealing with fees. OHIM may charge a fee for a range of new tasks, including issuing a copy of the certificate of registration, or registering a license. Permission is also given to the President to decide that certain publications etc shall be free of charge.

The new fees charged are dealt with below.

#### *International Registrations*

Consequential amendments are made in relation to International Registrations designating the EU (for example, searches are abolished). One of the significant changes is the reduction of the delay for International Registrations from six months to one month. This will significantly speed up the processing of CTMs filed through the Madrid System, and is to be welcomed.

#### *Review*

A proposed new Article 165a of the CTM Regulation provides for an evaluation on the implementation of the Regulation by 2019 and every five years thereafter. The evaluation is to examine how effectively and efficiently OHIM fulfils its tasks.

**MARQUES** welcomes the automatic review process, to provide a simple, regular mechanism for dealing with issues as and when they arise.

#### 4. Detailed Proposals - Fees

The new fee proposals for commonly used fees are as follows, with the current fee shown by way of a comparator:

		Current	New
<b>Application fee</b>		<b>900 (3 classes)</b>	<b>775 (1 class)</b>
Class fees	2nd class	--	50
	3rd class	--	75
	4th and subsequent classes	150	150
Total amounts	Application fee (1 class)	900	775
	Application fee (2 classes)	900	825
	Application fee (3 classes)	900	900
<b>Renewal fee</b>		<b>1350 (3 classes)</b>	<b>1000 (1 class)</b>
Class fees	2nd class	--	100
	3rd class	--	150
	4th and subsequent classes	400	300
Total amounts	Renewal fee (1 class)	1350	1000
	Renewal fee (2 classes)	1350	1100
	Renewal fee (3 classes)	1350	1250

**MARQUES** is pleased to note that the cost of filing an application for three classes has remained unchanged and welcomes the proposed new filing fees as shown above.

**MARQUES** continues to advocate against a renewal fee that is greater than the original application fee – it makes no logical sense that it should be cheaper to refile than to renew.

That being said, **MARQUES** notes that there is a decrease in the renewal fees. Renewing a registration covering three classes is less expensive, and the class fee for four classes and up has been lowered.

#### 5. Detailed Proposals - National law

Some of the proposals for changes to national law mirror those set out above. Hence, only those that are different or specific to national law are dealt with below.

The major changes introduced by the recast Directive relate to further harmonisation of national law and practice. Areas that were left optional in the TM Directive have now largely become mandatory – **MARQUES** heartily welcomes the additional harmonisation that this achieves. As a result, the 18 articles of the TM Directive are now expanded to 57 articles in the recast Directive.

**MARQUES** supports the continuing coexistence of national trade mark systems alongside the CTM system. This is now expressly recognised in Recital 3 of the recast Directive:

“Coexistence of trade mark systems at national and Union level in fact constitutes a cornerstone of the Union’s approach to intellectual property protection.”

That express recognition is to be welcomed.

Some member states will already be close to complying with the requirements of the recast Directive. In other member states, significant changes will be required to national law and office practice and procedure. **MARQUES** recognises the challenges occasioned by these changes, particularly for smaller member states. However, the benefits for all users throughout the EU of a harmonised trade mark system are great.

Unfortunately, the recast Directive does not mandate pre-registration oppositions – indeed, it continues to provide expressly for the option of post-registration opposition periods (see, for example, Article 16(2)). This is regrettable – **MARQUES** calls for mandatory pre-registration opposition periods for consistency, clarity and fairness.

#### *Provisions consistent with changes to the CTM Regulation*

The recast Directive includes a number of changes to mirror changes proposed to the CTM Regulation:

- The renaming of OHIM (Article 2(b) of the recast Directive);
- The specific addition of “colours as such” and “sounds” to the list of signs which are capable of being trade marks and the abolition of the requirement for graphical representation (Article 3 of the recast Directive);
- Designations of origin, geographical indications (Article 4(1)(i) of the recast Directive) and traditional terms for wine and traditional specialities (Article 4(1)(j) of the recast Directive) are specifically included as absolute grounds for refusal of a national application;
- As is proposed for OHIM, each national office will now be required to examine on absolute grounds taking into account translation or transcription of the mark applied for into each official EU language (Article 4(2)(b) of the recast Directive);
- Relative grounds invalidity for marks with reputation is similarly harmonised, to give effect to the *Adidas* decision (Article 5(3)(a) of the recast Directive);
- The exclusive rights granted by a trade mark registration are harmonised with the draft Regulation (Article 10(2) of the recast Directive) and the specific prohibited acts will include use as a trade or company name, and use in comparative advertising (Articles 10(3)(d) and (f) of the recast Directive: **MARQUES** welcomes these important harmonising changes;
- As with the changes to the CTM, owners of national registered trade marks will be able to prevent importation by an individual where the consignor acts for commercial purposes (Article 10(4) of the recast Directive);
- The proposed changes to the CTM Regulation to reverse the effect of the *Philips/Nokia* decision and enable trade mark owners to block counterfeit goods in transit are carried through into national law;
- A new Article 11 includes in national law the same provisions as proposed for the CTM relating to labels and packages not yet applied to goods/services;
- Article 14 of the recast Directive is amended to match the changes to the CTM Regulation dealing with the own name defence, signs which are not distinctive, and use to identify the proprietor’s goods, as well as clarification of what does not constitute use in accordance with honest practices;

- For genuine use of a trade mark, national law is harmonised with CTM law, in providing that it does not matter if the mark is used in a different form, and that form is also registered (Article 16(4)(a) of the recast Directive); and
- Changes to what will become Article 18 of the TM Directive implement the same rules on intervening rights as newly provided for in the draft Regulation.

#### *Extension of territories where absolute grounds apply*

In a significant move, the recast Directive provides for the listed absolute grounds to apply, even if the issue arises in another member state of the EU. Hence, signs which are descriptive in Latvian will not be registerable in any member state. This will solve the difficult issue of parties using national registrations to block descriptive terms in CTM applications: *Matratzen Concord AG v Hukla Germany SA*, Case C-421/04. Hence, under the new rules, MATRATZEN (German for mattress) would not be registerable in Spain for mattresses.

**MARQUES** welcomes this change and the greater harmonisation it brings to EU trade mark law. There is an issue with respect to reciprocity that is not expressly dealt with – if a national office declares an application to be devoid of distinctive character, will other national offices be bound by that decision, on the basis that the ground for refusal applies in another member state?

#### *Acquired distinctive character*

A slight change is proposed to the ability to prove acquired distinctiveness to overcome objections based on lack of distinctive character (Article 4(1)(b)), signs which may serve in trade to designate quality etc (Article 4(1)(c)) or signs which have become customary (Article 4(1)(d)). Previously, the TM Directive provided for evidence of acquired distinctiveness to be provided from before the date of application. The recast Directive enables proof to be given from after the date of registration.

Oddly, having harmonised the timeframe before application, and after registration, the recast Directive leaves it optional to member states to apply the provision to the timeframe between the date of application and registration. However, as it will be an unusual trade mark that only acquires distinctiveness in that tight timeframe between application and registration, the situation is unlikely to arise often in practice.

#### *New relative grounds*

Three new, mandatory relative grounds are added, identical to those in the draft CTM Regulation:

- Trade marks applied for by agents or representatives without consent (Article 5(3)(b) of the recast Directive);
- Trade marks liable to be confused with an earlier trade mark protected outside the Union, providing the trade mark was still in genuine use and the applicant was acting in bad faith (Article 5(3)(c) of the recast Directive) – this amendment would appear to leave a lacuna for trade marks in another member state; and
- Trade marks excluded from registration as protected designations of origin and geographical indications (Article 5(3)(d) of the recast Directive).

These new mandatory relative grounds bring national law in all member states into line with the proposed new CTM law.

The recast Directive leaves two optional relative grounds – non-registered trade mark rights (Article 5(4)(a)) and rights to a name, personal portrayal, copyright and industrial property right (Article 5(4)(b)). National law on the protection of these rights has not been harmonised, so harmonising their impact on trade mark rights would be difficult. However, **MARQUES** supports ongoing attempts to harmonise these relative grounds.

### *Seniority*

To implement minor changes to the CTM Regulation, a new Article 6 in the recast Directive replaces the old Article 14 and deals with *a posteriori* invalidity or revocation of a national mark from which seniority has been claimed. Thus, it will be possible to challenge a lapsed or surrendered national registration, in order to remove the seniority claim at OHIM. To invalidate the national registration *a posteriori*, the ground of invalidity or revocation must have been available at the time the trade mark was surrendered or allowed to lapse.

If the national registration is revoked or invalidated *a posteriori*, the seniority claim ceases.

It is a little odd to deal with the results of the invalidity in the recast Directive (the effect on a CTM is more properly dealt with in the draft Regulation), but the impact will be the same. The impact of the new provision is limited, arising only in rare circumstances.

**MARQUES** had advocated greater harmonisation of seniority claims at member state level, particularly in relation to the maintenance of files for marks from which CTM seniority has been claimed. These suggestions have not been taken up. **MARQUES** will continue to push for more countries to join the Seniority database project of the Cooperation Fund so that this problem will be solved. 13 national offices have implemented the project as of February 2013.

### *Proof of earlier rights in invalidity actions*

A new Article 8 provides that various relative grounds can only be relied on in an invalidity application if proper proof can be made of the earlier right. Thus, an earlier mark with reputation cannot be relied on if the mark did not have reputation at the filing date or priority date of the registered trade mark.

Interestingly, Article 8(a) appears to provide for an earlier registered trade mark to be questioned for lack of distinctiveness. Under OHIM and many national rules at the moment, an earlier registered trade mark is considered distinctive – if an opposed later party wants to contest the validity, it must commence separate proceedings to do so. The new provision states:

“A registered trade mark shall not be declared invalid on the basis of an earlier trade mark ... (a) where the earlier trade mark, liable to be declared invalid pursuant to Article 4(1)(b), (c) or (d), had not acquired a distinctive character in accordance with Article 4(5) at the filing date or the priority date of the registered trade mark”.

This would appear to provide for the testing of the validity of the earlier trade mark in trade mark invalidity proceedings (but not opposition proceedings, as Article 8 only relates to registered trade marks).

### *Acquiescence*

National rules on acquiescence are largely harmonised with the CTM rules by a new Article 9. Member states retain an option to broaden the acquiescence rules from earlier rights under Article 5(2) (earlier trade marks) and Article 5(3) (marks with reputation, marks filed by agents, bad faith applications and protected designations of origin and geographical indications) to cover

all earlier rights referred to in Articles 5(4)(a) and (b) (non-registered trade mark rights, rights in a name, personal portrayal, copyright, industrial property rights).

### *Exclusive rights*

The exclusive rights provided by a trade mark registration are harmonised with CTM law, and made mandatory. Additional protection for marks with reputation will no longer be optional.

### *Dictionaries*

A new Article 12 implements into national law Article 10 of the CTM Regulation, enabling a national trade mark owner to correct dictionary entries that give the impression that a trade mark is a generic name.

### *Representatives and agents*

A new Article 13 implements into national law Article 11 of the CTM Regulation, giving national trade mark owners the right to prohibit use by an agent or representative in certain circumstances.

### *Genuine use*

There has been some unclarity around when the five year use period runs following registration. The previous language – “the completion of the registration procedure” – was unclear. A new Article 16(2) provides:

“Where a Member State provides for opposition proceedings following registration, the five years referred to in paragraph 1 shall be calculated from the date when the mark can no longer be opposed or, in case an opposition has been lodged and not withdrawn, from the date when a decision terminating the opposition proceedings has become final”.

As noted above, **MARQUES** does not support post-registration opposition procedures. Greater clarity would be provided to users of the system if it were clear in all cases that, five years following registration, a mark becomes vulnerable to revocation in relation to the goods and services for which it has not been put to genuine use.

The language of the proposed Article 16(2) is, however, problematic where proceedings last longer than 5 years. If after such time the opposition is withdrawn (rather than terminated by a decision), the trademark would immediately be prone to cancellation for non-use, in those cases where the trademark owner wants to await the outcome of the opposition proceedings before starting use of the mark. Article 16(2) could, therefore, better be worded

“Where a Member State provides for opposition proceedings following registration, the five years referred to in paragraph 1 shall be calculated from the date when the mark can no longer be opposed or, in case an opposition has been lodged ~~and not withdrawn~~, from the date when ~~a decision terminating the opposition proceedings~~ are terminated ~~has become final~~. The date of termination has to be communicated to the parties and published in the register.”

Further harmonisation is brought to national procedure relating to marks which are not in use – a new Article 17 provides that the proprietor of a trade mark shall be entitled to prohibit third party use only to the extent that the rights are not liable to be revoked. This introduces to some national laws the ability to rely on non-use in infringement proceedings, without having to commence separate proceedings to invalidate the trade mark relied on for non-use.

### *Trade marks as objects of property*

New Articles harmonise the rules with respect to dealing with trade marks as objects of property. The recast Directive achieves this by including as mandatory provisions relevantly identical provisions to the draft Regulation.

Thus, newly harmonised, is the law with respect to:

- Transfer of registered trade marks (Article 22 of the recast Directive);
- Rights *in rem* (Article 23 of the recast Directive);
- Levies of execution (Article 24 of the recast Directive);
- Insolvency proceedings (Article 25 of the recast Directive);
- Licensing (Article 26 of the recast Directive, replacing Article 8 of the TM Directive); and
- The treatment of applications for trade marks as objects of property (Article 27 of the recast Directive).

### *Guarantee, certification and collective marks*

Guarantee and certification marks remain optional for member states (Article 29 of the recast Directive). Collective marks were optional, but become mandatory under the recast Directive (Articles 30 to 37).

**MARQUES** welcomes the harmonisation of collective marks, and would like to see similar mandatory harmonisation of guarantee and certification marks.

### *Harmonisation of application procedures*

A series of new articles have been proposed to provide for greater harmonisation of application processes.

Thus, a new Article 38 provides for what an application for a trade mark must contain (mirroring Article 26 of the draft Regulation). There is no limit imposed on what other information may be required at a national level. However, a filing date shall be accorded if the information required by Article 38 is provided (Article 39 of the recast Directive):

- A request for registration;
- Information identifying the applicant;
- A list of the goods or services in respect of which the registration is requested; and
- A representation of the trade mark.

**MARQUES** welcomes minimum requirements for obtaining a filing date, consistent with the Singapore Treaty. Obtaining a filing date, particularly in circumstances of a priority claim, can be important for trade mark owners, so the requirements for obtaining a filing date should be kept as few as possible.

### *Abolition of relative grounds examination*

Article 41 of the recast Directive abolishes relative grounds examination in member states by limiting *ex officio* examination to absolute grounds. The 12 member states that currently examine on relative grounds will cease to do so. The 12 member states are Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia and Sweden.

**MARQUES** supports the abolition of relative grounds examination.

### *Observations*

A new Article 42 provides for third parties to be able to file observations on absolute grounds without becoming a party to the proceedings. This OHIM procedure is therefore adopted into all member states.

### *Division of applications and registrations*

A new Article 43 provides for the division of applications and registrations. Again, **MARQUES** welcomes this harmonising measure.

### *Fees*

As with the changes to the CTM, a new Article 44 requires member states to charge additional fees for each class of goods and services beyond the first class. This will alter practice in those member states that, like OHIM currently, offer more than one class for the filing fee.

**MARQUES** encourages member states to set the new one class filing fees in the same manner as proposed by the Commission, so that filing for three classes will not be more expensive than at present.

### *Administrative oppositions*

**MARQUES** heartily welcomes the requirement for member states to have administrative opposition proceedings before the office, rather than requiring the expense of court proceedings (Article 45 of the recast Directive). The requirement is that the procedure is "efficient and expeditious" – it will be interesting to see Court of Justice case law develop over time on what these words might require, particularly in relation to oppositions that run on for many years. Malta must add administrative opposition to their procedures, and Bulgaria and Estonia may have to review their procedures for opposition.

No mandatory opposition is provided for absolute grounds – this is apparently dealt with by the introduction of an observations procedure. The recast Directive does not appear to abolish absolute grounds oppositions in member states that have them already.

A new Article 45(3) provides for a mandatory two month cooling off period to negotiate a settlement.

### *Proof of use in opposition and invalidity proceedings*

A new Article 46 mandates proof of use in opposition proceedings. A new Article 48 does the same for invalidity proceedings based on an earlier trade mark. This, in effect, adopts the OHIM position for all member states. 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.

Where the earlier right is a CTM, genuine use of the CTM is determined in accordance with the draft Regulation.

More specifically, in opposition proceedings the opponent has to prove use for the five year period before the filing date or priority date of the later trade mark. In invalidity proceedings the proprietor of the earlier trade mark has to prove use for the five year period before the application for declaration of invalidity and, if applicable, also for the five year period before the filing date or priority date of the later trade mark.

As is widely known, a problem arises 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 trademark 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 defence but has to file a separate request for revocation for non-use of the earlier mark.

In Germany, this problem is tackled by a provision in the law that use of the earlier trade mark can be challenged at any time during the proceedings and the proprietor of the earlier trademark then has to proof use of the earlier mark for the five years period *before the decision is taken*. While this avoids the need to file a separate application for revocation for non-use, it must be admitted that it is a complicated provision. For instance, this poses the problem that, if the use has been challenged once, the proprietor may have to continue submitting evidence of use during the course of the proceedings at appropriate times on his own motion, where the proceedings are long lasting.

The recast Directive does not preclude member states from implementing provisions similar to the above German provision. Therefore, in order to achieve proper harmonization, the recast Directive should either make such a provision mandatory for all member states (and also for OHIM) or forbid such a provision altogether.

#### *Revocation and invalidity*

Again, **MARQUES** heartily welcomes the mandating of administrative revocation and invalidity proceedings, rather than requiring parties to go to the expense of court proceedings. Unlike with oppositions, there is no requirement that the proceedings be efficient or expeditious.

The offices that must add this procedure are Benelux, Estonia, Finland, France, Lithuania, Malta, Romania, Slovenia, Spain and Sweden. Italy and Germany may have to review their procedures for cancellation actions.

Article 47 of the recast Directive requires that the following grounds for revocation and invalidity must be provided for:

- Failure to comply with Article 4 (absolute grounds);
- Existence of an earlier right under Article 5(2) and (3); and
- Revocation for non-use (Article 19) or for a mark that has become a common name in trade, or misleading (Article 20).

### *Renewal*

A new Article 50 mandates a 10 year life for a national trade mark, taken from the date of filing of the application. Renewal is for a further 10 year period. Again, this adopts the CTM position for all national trade marks.

**MARQUES** supports a 10 year renewal period both for CTMs and national trade marks.

### *Co-operation*

The recast Directive provides that the offices shall cooperate with each other and with OHIM in order to promote convergence of practices and tools and achieve coherent results in the examination and registration of trade marks (Article 52).

Further, each office is required to co-operate with OHIM (but not with each other) in relation to all areas of their activities other than those referred to in Article 52 that are of relevance for the protection of trade marks in the EU.

**MARQUES** welcomes these requirements, having advocated for them through the consultation process.

### *Transposition*

The recast Directive does not currently include an implementation date. **MARQUES** urges the Commission to give member states reasonable time to implement the new procedures, but not to allow long delay in doing so. In **MARQUES**'s opinion, a period of two years from adoption of the Directive should provide sufficient time for the necessitated changes.

## **6. Issues not covered**

Other issues were raised by the Max Planck Study, and by user groups during the various consultations, that have not been adopted into the draft Regulation or the recast Directive. These include:

- **MARQUES** regrets that pre-registration opposition proceedings have not been made mandatory in all member states;
- Nothing has been done to mandate consistency of decision making at OHIM. **MARQUES** would have preferred to see amendments to the Regulation to require OHIM to follow its own decisions, in the same way that precedent works before the Court of Justice;
- The proposals do not deal with an issue of OHIM consistency for which **MARQUES** has long requested. Where a "batch" of trade mark applications is filed by the same applicant, these applications tend to be passed to different examiners, leading to different, and often inconsistent examination reports, particularly in relation to specifications. The same difficulty applies to multiple oppositions against the same CTM application. Greater consistency does not require primary legislation. **MARQUES** therefore hopes that greater consistency can be achieved either by administrative changes at OHIM, or, failing that, delegated rule making;
- The proposals do not deal with exhaustion of trade mark rights, and particularly offer no further harmonisation of national law with respect to the burden of proof, especially if the trade mark owner is operating a selective distribution system;

- **MARQUES** would also like to see greater harmonisation of the remedies available for trade mark infringement. It is well known that some national courts will issue *ex parte* injunctions in trade mark cases for little more than the asking, whilst the courts in other member states have significant requirements to protect third parties. Damages assessments also vary greatly. Whilst the Enforcement Directive has gone some way to effect harmonisation, it is insufficient, particularly in relation to preliminary measures. The differences in enforcement practices lead to significant forum shopping (for a multi-jurisdictional dispute) or greatly differing levels of enforcement of national rights (very few trade mark cases in some countries, many cases in others);
- No harmonisation has been proposed to procedures for when a CTM is converted to national applications. Whilst the draft Regulation continues to provide for conversion, national practices, once they receive a request to process a CTM converted to their national mark, are widely inconsistent. Greater harmonisation is required;
- The Study had also looked at the issue of conversion of a CTM opposed on the basis of another CTM, but where the conflict only arose in some member states (ie, there was only likelihood of confusion for consumers in Bulgaria): see also *ARMAFOAM/NOMAFOAM*, Case C-514/06 P. No proposals have been put forward in this regard;
- **MARQUES** submitted that a specialised chamber of the General Court to deal with intellectual property matters would be appropriate. This suggestion has not been taken up in the proposed legislative changes;
- There was a suggestion in the Study that a re-filed application that appears to seek to avoid the non-use provisions is *a priori* filed in bad faith. This is the law in some member states. This suggestion has not been picked up in either the draft Regulation or the recast Directive;
- Whilst third party liability for infringing goods was discussed during the consultations, and **MARQUES** advocated third party liability at least for counterfeit goods, these proposals have not been taken up;
- Proposals to allow use of trade marks in parodies have not been taken up – **MARQUES** supports the absence of any proposals in this regard; and
- At paragraph 201 of the Study, suggestions were made for rules requiring parties submitting evidence to specify those parts they rely on. This would prevent the blunderbuss of chaff that many parties file as evidence, wasting costs for the other party and for OHIM, forced to sift through it. These proposals have not been adopted at this stage, and **MARQUES** hopes that they will find a place in the delegated rule making that is anticipated.

Compiled by the **MARQUES** Study Task Force. Please direct any questions or comments to Tove Graulund and David Stone at [studytaskforce@marques.org](mailto:studytaskforce@marques.org).