

21 March 2014

## ***MARQUES* comments on the Lithuanian Presidency Compromise Proposal to the Trademark Directive of 19 November 2013 and the Greek Presidency Compromise Proposal to the Community Trademark Regulation of 20 February 2014**

*MARQUES* appreciates the opportunity for continuing dialogue on the reform of the European trademark systems and offers the following comments on the most pertinent issues:

### **1) Terminology and definitions**

*MARQUES* supports the consistent use of "European Union".

In light of the financial restraints that are still quite predominant in large parts of the EU, we feel compelled to caution against the change of OHIM's name. We have been informed that a name change would lead to expenses estimated to run up to several million Euros, and it does not seem appropriate to change the name simply to bring the different agencies "in line". Furthermore, the abbreviated name – especially OHIM, but also OAMI and others – have become very well known and are in fact quite distinctive. A name change to a more generic name would as a consequence make it easier for fraudulent companies to send fake invoices as the "EU trademark office" or other generic versions of the suggested new name.

### **2) OHIM Governance and Tasks**

*MARQUES* supports the deletion of the requirements for an Executive Board (Article 127(a)(b) CTMR). We find that such an additional layer would not add value, but only extra administration and less clarity for stakeholders.

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**MARQUES** calls clearly defined and prioritised list of OHIM's tasks. We are not certain that the list in Article 123(b) CTMR is in a prioritised order, but we ask for a more clear statement that the most important task and objective of OHIM is to register EU trademarks and designs and to maintain the Registers (including the online databases). We support many of the other tasks like the EU Observatory, and we view the promotion of the values of IP as beneficial for the European Union in a broad sense, but these tasks remain secondary to the main objective.

**MARQUES** is not in favour of the formal establishment of a mediation and arbitration centre within OHIM (Article 137(a) CTMR). There has been very little use of the mediation services offered at the OHIM Board of Appeal level, and it does not appear appropriate for the OHIM to offer arbitration services (Article 123(b)(3) CTMR).

### 3) "Significant surplus"

**MARQUES** is opposed to transfer of OHIM funds to the EU general budget.

**MARQUES** supports the wording proposed by the Commission and adopted by the Parliament at the 1<sup>st</sup> reading (Article 144(2) CTMR):

*... 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.*

**MARQUES** is opposed to the introduction into the Regulation of wording that refers to "*coexistence and complementarity*" as the OHIM is an independent body with an independent budget.

**MARQUES** is also opposed to wording that refers to the setting of fees "*taking into account the size of the market*". OHIM's fees should not be hidden taxes, but must be set to generate sufficient funds for its budget to be balanced while avoiding the accumulation of significant surpluses.

**MARQUES** thus strongly objects to the insertion of Article 144(2)(b) CTMR.

### 4) Cooperation on projects in the interest of the European Union

**MARQUES** is in favour of projects being run to create increased harmonisation of laws, practices and procedures and is actively involved in projects run by the Cooperation Fund as well as in the convergence program (Article 52 TMD).

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

Accordingly it is essential that users of the systems be fully involved in the OHIM decision-making process if its procedures are to be of practical use. This involvement should be explicitly mentioned in the Regulation (Article 123(c), 124, 125 and/or 127 and 138 CTMR).

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

We note the Parliament's 1<sup>st</sup> reading adoption of the increase of the funding from 10% of OHIM's yearly income to 20% (Article 123(c) CTMR). On the condition that projects are approved by the users, we have no objection to the increase as such provided that the funding is project led and that the 20% is indicative of the maximum spend and not a compulsory spend.

As with the conditions as explained above we can accept Option 1, but **MARQUES** strongly objects to Option 2 that ties the maximum funding to the renewal fees (Article 123(c) CTMR). We view it as inappropriate to tie the financial support to one specified fee that is in any case presently too high.

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

We suggest amending the wording of Article 144(3) CTMR as follows:

*... budgetary surpluses are to be used, following due assessment of the circumstances, to promote projects of **common** interest to the Union, the Member States **and users of trademark and design rights**, serving to promote ...*

## 5) Fees

**MARQUES** supports the Commission's proposed new fee structure, including the reduction of the number of classes from 3 to 1 (Article 44 TMD). As regards fees, the main point for **MARQUES** generally is that the fees and the fees structure are reviewed in an open and transparent manner in dialogue with interested parties, including users.

**MARQUES** continues to ask for a reduction of the renewal fees so that the renewal fees do not exceed the filing fees.

**MARQUES** has very carefully considered the two options in the Presidency's paper on the fees for filing and renewal. We assume that the OPTION 1 and OPTION 2 go together in pairs as follows:

OPTION 1	On-line filing	775 1 class 825 2 classes 900 3 classes 1050 4 classes
	On-line renewal	1000 1 class 1100 2 classes 1250 3 classes 1550 4 classes
OPTION 2	On-line filing	900 1 class 950 2 classes 1025 3 classes 1175 4 classes
	On-line renewal	900 1 class 950 2 classes 1025 3 classes 1175 4 classes

In the spirit of give and take **MARQUES** would be able to support OPTION 2 since it would bring the fees at the same level.

#### 6) Goods-in-transit

**MARQUES** supports the proposal that a proprietor should be entitled to prevent the importation into the EU of all infringing goods, even for private purposes, where they were sold in the course of trade. This right is supported by the decision of the CJEU in *Blomqvist v Rolex* (Case C-98/13 6 February 2014) which involved counterfeit goods. **MARQUES** therefore supports Option 1 of the Lithuanian Presidency Compromise Proposal, although the provision should extend to all consignments and not only small consignments (Article 9(4) CTMR).

**MARQUES** continues to favour the proposal as originally drafted by the Commission so that any counterfeit goods in transit could be prohibited regardless of their source or destination. The Commission's proposal respects the GATT agreement and is in conformity with the principle of territoriality of trademarks. **MARQUES** therefore supports Option 1 of the Presidency Proposal (Article 9(5) CTMR).

#### 7) Application and filing date

**MARQUES** continues to ask for the maintenance of the current regime at OHIM where payment of the basic fee is possible within one month after the filing (Article 39 TMD, 27 CTMR). Instead we suggest that the examination procedure should be postponed until payment has been made.

## 8) Grouping of goods and services

**MARQUES** remains strongly opposed to the notion that the applicant should be obliged to group the products/services according to the Nice classification (Article 40(6) TMD, 28(6) CTMR) as proposed in the Greek Presidency paper.

An applicant should be able to file the application listing its goods/services in principle without indicating the classes. Indeed an applicant should not have to have any knowledge of the Nice classification and how this system works. An applicant should not have to be an expert, and the Offices should assist and guide the applicant so that the list of goods and services is classified during application procedures. We believe that this is a very important point in relation to access to the trademark systems, particularly for SMEs.

## 9) Implementation of IP Translator

**MARQUES** continues to favour the deletion of Article 28(8) of the Regulation. We viewed it as a complication that risked putting third parties at a disadvantage and recommended that any disputes arising from the use of class headings and question about coverage be left to the courts.

At the same time we called for special provisions for intervening rights if Article 28(8) were to be kept.

In view of the fact that special provisions for intervening rights are now being proposed in Article 28(8)(a), we would be able to support the proposals.

The new article 28(8)(a) stipulates that third parties may continue to use a trademark if it infringes the subsequently extended list of goods/services, but would not have infringed the class heading terms. These third parties may even have the trademark registered later for these goods/services. We read the new 28(8)(a) to mean that the two trademarks will coexist, as would be typical for "intervening rights".

## 10) Search

**MARQUES** was not in favour of the searches of national registers (including in the Benelux Register) since these searches are too late in time as the necessary clearance searches will have been conducted by the applicant before the filing of the Community Trademark application. When these searches were made optional, **MARQUES** accepted this change.

However, **MARQUES** is opposed to OPTION 2 (Article 38 and 155 CTMR) that seems to be proposing to prepare a mandatory search report of all registers in the EU. As mentioned, the timing is not right because the applicant will already have filed the application and conducted any clearance searches that they believe necessary. We believe that the circumstances in which an applicant will

wish to withdraw an application following receipt of a search report will be extremely limited and we would be very concerned that such searches would only hold up the procedure.

**MARQUES** recommends that it is made clear that the national searches are optional in Article 38(2) CTMR and that the fee for these searches will only be paid if the applicant opts in (Article 38(4) CTMR).

## **11) Absolute grounds of refusal**

**MARQUES** supports the proposal to maintain the examination of national applications to include only languages which are generally understood by the consumers in the country of the national application (Article 4(2) TMD, Commission's Article 7(2)(b) CTMR).

## **12) Relative grounds of refusal**

**MARQUES** supports the Commission's proposal to abolish refusals based on ex-officio examination of relative grounds by all national offices in the EU (Recital 34, Article 41 TMD). **MARQUES** continues to view removal of this type of refusal as an important step towards increased harmonisation in the EU.

**MARQUES** supports maintaining the free choice of the offices to supply a search report to the applicant or not. We believe that such search reports and notifications may be required in those countries, where relative grounds refusals are presently being done, as an educational tool (particularly for SMEs). It might be necessary to use such search reports to raise the awareness of how the registration procedure works.

**MARQUES** is strongly opposed to the proposal put forward in the Lithuanian Presidency compromise proposal (Article 5(4)(e) TMD). It is being proposed that a trademark can be refused if it is identical or similar to an earlier trademark, which was registered for identical or similar goods/services, even after the registration has expired for failure to renew for a period as long as up to two years. We do not understand the purpose of this practice, and we must object to it in strong terms. We view it as an obstacle for businesses to get on the market, and we can think of no good reason to keep such practice in place.

## **13) Consents**

**MARQUES** supports the amendment to Article 5(5) TMD adopted by the Parliament at its 1<sup>st</sup> reading. If two trademark owners agree to coexist, the office should accept such an agreement. We urge the Presidency Working Party to change the 'may' to a 'shall' in Article 5(5) TMD.

## **14) Administrative opposition and cancellation procedures**

**MARQUES** is strongly in favour of national offices offering administration opposition procedures and administrative cancellation/revocation/invalidation procedures. We are pleased to note that this is proposed by the Commission as well as adopted by the Parliament in its 1<sup>st</sup> reading (Recital 36

TMD, Article 47 TMD). An administrative procedure will obviously not preclude the parties from putting a dispute before the Courts. We read the Presidency paper to go in the same direction.

## 15) Opposition procedure

**MARQUES** continues to support the possibility to base an opposition on several rights (Article 41 CMTR). **MARQUES** supports the Commission's proposal to allow for oppositions based on bad faith (Article 8(3)(b) CTMR).

Furthermore, **MARQUES** supports the possibility to file an opposition based on absolute grounds for refusal as well as expressly allowing designations of origin and geographical indications to be invoked as grounds for opposition (Article 45 TMD).

## 16) Non-enforceability of non-distinctive trademarks

**MARQUES** continues to call for the wording 'signs or indications which are not distinctive' to be clarified to 'signs or indications which are used in a descriptive manner' (Article 12(1)(b) CTMR). This will avoid discussions as to whether the trademark as such is descriptive and should be left to the proceedings provided for this purpose. A trademark that has been registered must be taken as a distinctive sign or indication.

## 17) 5 year term to provide evidence of use in infringement proceedings

**MARQUES** is in favour of the harmonisation of the relevant time period for the proof of use that has to be furnished in infringement proceedings and supports the Lithuanian Presidency compromise proposal which stipulates that the term is five years preceding the date of bringing the action (Article 17 TMD).

## 18) Surrender

**MARQUES** supports the provisions on surrender as adopted by Parliament in its 1<sup>st</sup> reading as the best solution to ensure that the mechanism of surrender is not misused in the context of both revocation and invalidity proceedings (Article 50(2) CTMR).

A CTM owner may surrender its registration when an action for revocation is pending against it in order to be able to request conversion into national trademark applications. The effect could be (see next point) that the owner would gain a further period of 5 years in which it can use its trademark, and it would not have to submit any evidence of use or any reasonable justification for non-use in the context of the revocation proceedings. Moreover, if any such surrendered CTM had been enforced against third parties' rights before the date when surrender was sought, then its owner would also maintain the full benefit of the CTM, as in this case the surrender would only extinguish the effects of the CTM *ex nunc* and not *ex tunc*.

If a CTM, which is not used at all, is surrendered and converted into national applications, then the applicant of the revocation proceedings would have to initiate national revocation proceedings

against the ensuing national trademarks to obtain the same result that would have been obtained if a decision on the revocation action instituted before the Office was rendered. “*Such national proceedings would certainly be more burdensome and costly instead of one cancellation proceedings before the Office, in some member states the cancellation applicant would also have to even bring the proceedings before a court. It is not even clear whether the ensuing national trademark would remain subjected to the same use requirement, or whether, it would rather enjoy a fresh grace period of use. The CTMR and the Trade Marks Directive are silent on that latter point.*” [OHIM Fourth Board of Appeal in Case 24 January 2014]. OHIM has indeed changed its practice as regards revocations as of 1 February 2014.

**MARQUES** believes that the adoption of the proposed safeguard in respect of invalidity proceedings is also required when the applicant for the invalidity of a CTM has a legal interest in obtaining a decision before the Office. This might be, for example, because the surrender only extinguishes the effects of a CTM *ex nunc* and not *ex tunc*.

## 19) Grace period of use

**MARQUES** supports creating clarity on the calculation of the 5 years use period by requesting that it be entered in the Register.

**MARQUES** prefers that the calculation be made from the registration date. If there is no opposition filed, the calculation should be from the registration date and not from the end of the opposition period, and we do not support the proposed Article 16(2) (TMD) in the Presidency compromise proposal. If an opposition is filed in a post registration procedure, the calculation should be made from the end of the opposition procedure. But the entry of the end of the grace use period into the register would in any case be the best way to create clarity. In any event, **MARQUES** supports pre-grant oppositions.

It has become clear that the manner in which applications for conversion are being handled at a national level is not harmonised. This gives rise to uncertainties in respect of the 5 years grace period for non-use. In some countries, the conversion application is viewed as a new application and consequently the 5 years grace period will be determined from the registration date of the "new" application, and in this way the "applicant" will benefit from another 5 years to begin use. In other countries, the conversion application will not be viewed as a new right and the use period will remain attached to the dates for the CTM. **MARQUES** is of the opinion that the latter is the correct point of view and call for harmonisation on conversion.

## 20) Risk of future impracticalities

**MARQUES** would like to bring to the table some issues concerning the inclusion of lists and specific references.

As an example, we note that in Article 7(1)(I) CTMR there is a reference to Regulation (EC) No 2100/94. Experience show that regulations referred to may change, be replaced or cease to exist,



and in our opinion it is not practical to have such specific references.

Another example is Article 87 CTMR. We fear that listing the database fields in the Article will mean that it quickly becomes outdated. Experience shows that none of us can predict where new technology will take us and a list like this risks making it very unpractical for OHIM in the future should it need to change and improve the database. There might be considerations in relation to data security that need to be taken into account. However, we do not believe that it is necessary to deal with these in the Regulation.

Finally, we would like to mention Article 144(1) CTMR in which a number of "smaller" fees are listed. Again, we do not find it practical to have this type of fee listed in the Regulation. It may well be that OHIM will wish to introduce new fees and, in view of the continued efforts to keep the budget balanced and to avoid an accumulated surplus, it may well be that OHIM will wish to remove fees. In the present financial situation of OHIM, we see no need for a fee for issuing copies of registration certificates or other types of photo copying services (within reason), and we are thus opposed to having such a detailed list of services with fees included in the Regulation.

Compiled by the **MARQUES** EU Trademark Reform Task Force  
Previous **MARQUES** observations at <http://www.marques.org/eutrademarkreform>  
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## 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 trademark owners represented in the Association together own more than two million trademarks 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 trademarks and to preserve the interests of trademark proprietors with regard to the regime of trademark protection. **MARQUES** attempts to achieve these objectives by advancing the cause of trademark laws, which protect the public from deception and confusion. Intellectual property rights are a crucial aspect of the global economy and trademarks 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).