



**OFFICE FOR HARMONIZATION IN THE INTERNAL MARKET**  
**(TRADE MARKS AND DESIGNS)**

CONTRIBUTION TO THE STUDY ON THE  
OVERALL FUNCTIONING OF THE TRADE  
MARK SYSTEM IN EUROPE

## **TABLE OF CONTENTS**

### **I. INTRODUCTION**

### **II. GOVERNANCE OF OHIM**

1. Governing bodies
2. Financing
  - (a) OHIM Fees
  - (b) OHIM Reserve Fund
  - (c) How to deal with the Office's surplus

### **III. OHIM IN THE 21<sup>st</sup> CENTURY**

1. The CTM system and proposed changes in the basic Regulations
2. New competences

### **IV. GENUINE USE**

1. Introduction
2. Territorial scope
3. "Cluttering" of the registers

### **V. INTEROPERABILITY AMONG EU TRADE MARK SYSTEMS**

1. Coexistence and interoperability
2. Cooperation between National Offices and OHIM
3. How the legislator can help

ANNEX I – How to deal with the accumulated surplus of the Office

ANNEX II – Existing cooperation activities between National Offices and OHIM

ANNEX III – Proposed amendments to CTM Regulations to improve OHIM daily operations

## I. INTRODUCTION

### 1. The background to this note

The Community trade mark, coexisting with EU Member State trade mark systems, has now been in operation for 15 years. The success of this coexistence can be seen by the fact that, every year, hundreds of thousands of national trade mark applications are being filed, while close to 90 000 CTM are also being sought. The number of national applications has gone up since the CTM entered into force.

The legal basis for trade marks in Europe is established by national laws, harmonized by a Directive<sup>1</sup>, by the CTM Regulation<sup>2</sup> (CTMR) and secondary Union legislation and by the various international treaties to which Member States and / or the Union are bound.

The European Commission has ordered an in depth study into the working of the system, following a request from the Council of Ministers of 2007<sup>3</sup>. This note is the contribution from OHIM to the contractors carrying out the Study, the Max Planck Institute in Munich.

Opportunities to look at things in depth are rare, certainly where Union legislation is concerned. We take it that what will be done as a consequence of the Study may well be decisive as far as trade mark legislation goes for a period of fifteen years or more to come, so an assessment of all relevant points derived from past experience need to be taken into account now.

The Study focuses heavily on the CTM, whereas the volume of trade mark applications and registrations is of course more significant at national level. The emphasis of the Study thus risks leaving out relevant experience and opportunities that a more comprehensive study into European trade marks might have brought forward. The justification for an eventual distribution of half of the CTM renewal fees could perhaps have been advanced further by closer observation of the functioning of trade marks in a broader European context.

The proposals and suggestions contained in this note reflect the OHIM's experience at daily level with both CTM legislation in the broadest sense and the important coexistence with EU Member States' trade mark systems. We will highlight a number of adaptations we believe the operation of the trade mark system by our Office makes necessary. In particular, the development of electronic business and the availability of the Internet deeply influences the way the various actions before the Office can be performed and delivered. Simplification of elements that no longer prove necessary and complicate procedures without sufficient reason needs to be addressed.

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<sup>1</sup> Now Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008

<sup>2</sup> Now Council Regulation (EC) No 207/2009 of 26 February 2009

<sup>3</sup> Council meeting Competitiveness (Internal Market, Industry and Research), Brussels, 21 and 22 May 2007.

## 2. The contents of this note

Section II of this note looks at various aspects of OHIM governance and financial arrangements.

With regard to the pressing issues concerning OHIM finance, it is well known that for a long period OHIM's revenues have been far in excess of its expenses. It has taken a lot of time and lengthy discussion between partners to address the problems of annual surpluses which passed EUR 80 million in 2008. The production of systematic surpluses is clearly in breach of the legislator's intention<sup>4</sup> that fees should be fixed at such a level that they cover the cost of the service and not more. The recent fee reduction that came out of a wide reaching agreement between delegations in the Office's Administrative Board, the Commission and the Office's management (Brussels, September 2008) deals effectively with the matter of the annual surplus under present assumptions of cost and revenue. It is important that another element of the September agreement, the bi-annual review by the Commission of revenue and expense of the CTM operation in order to safeguard budgetary balance, be respected and written into the law.

At the same time, as was agreed as well in the September meeting, a solution must be found to deal with the accumulated reserve that is now nearing EUR 400 million. Annex I to this note contains a proposal for dealing with this. There is however a fundamental institutional aspect that urgently needs to be addressed. This extremely large reserve came about because of protracted inaction by the competent authority to adapt fees to the reality of operating expenses. This allowed the reserve to grow far beyond any reasonable need. No action could be taken because of the governance provision concerning the setting of fees. The role given to the Member States by the current legislation in the fee-setting process led to paralysis to the detriment of users of the system. If this institutional arrangement is not changed, there is a real risk of a repeat of such paralysis. Further, now that it has been agreed that Member States will receive a 50% share in renewal fees, the need for change in OHIM's financial governance is all the more necessary. Beneficiaries should never be in the position to vote on the level of fees in which they have a direct interest should a further reduction of the fees need to be undertaken in the – not unlikely – event of the reappearance of substantial annual surpluses.

The fee-setting mechanism is not the only aspect of governance in which the OHIM situation differs considerably from what happens in other agencies. In Section II we address also these additional aspects.

In an in-depth review, it is natural to concentrate on things that need improvement, and that requires change. This note contains a number of changes proposed by OHIM. We think it essential also to highlight a number of fundamental things that should on the contrary be maintained and strongly confirmed. Not all change is positive.

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<sup>4</sup> Third recital Fees Regulation

To summarize the basis of the OHIM proposals: in the first place, the free choice of applicants to frame their filing strategy by any combination of national applications, international applications or CTM applications should continue to be guaranteed. No effort should be made to “guide” entrepreneurs to one or the other choice. It is this freedom that makes the system in Europe successful. It allows for all individual elements that an applicant believes to be relevant in his case to be taken into account and it has produced positive results and no down sides. It seems that an extremely appropriate choice was made by the legislator and it deserves to be maintained in full.

Secondly, although aspects of governance need to be revisited, the choice to make the CTM system a fee-funded financial operation equally deserves to be maintained and carefully supervised. Payment of fees is the correct mechanism in the case of a public operation targeted at a specific economic community – trade mark owners – and there is good reason not to have the general tax payer pick up the bill for that. The condition of course, less well respected in the past, is that fees reflect the real cost of the operation and do not introduce a quasi-taxation on trade mark owners. The financial autonomy of the Office together with a balanced budget are mechanisms to ensure that this is the case. Indeed, the Commission has already stated that “OHIM’s financial autonomy must be secured under all circumstances” in this context<sup>5</sup>. The proposals in this note, partially derived from the September 2008 agreement, are made in conformity with this principle. The application of all EU public financial controls that are in place will continue to guarantee that financial management complies with the standards required.

In order to prepare the OHIM for the 21<sup>st</sup> Century, a number of adaptations, which we believe are necessary due to the operation of the trade mark system by our Office, are dealt with in Section III. In particular, the development of electronic business and the availability of the Internet deeply influences the way the various actions before the Office can be performed and delivered. Simplification of elements that no longer prove necessary and complicate procedures without sufficient reason needs to be addressed. Legislative changes to the CTM Regulations which mirror or are linked to the same substantive issues in the Trade Mark Directive<sup>6</sup> would need to be changed at Directive level to ensure coherency.

The question of the extent of use required to maintain a CTM registration is also crucial. In Section IV we show that efforts to procure legislative intervention in this matter should be resisted. Not only is there no evidence at all of any serious problems requiring a policy response, in all likelihood it would be practically impossible to produce a certain outcome by legislation. Some proposals from critics of the *status quo* are quite likely to be at loggerheads with basic EU legal principles and the concept of the Single Market.

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<sup>5</sup> Communication from the Commission to the European Parliament and the Council – The Financial Perspectives of the Office for Harmonization in the Internal Market (Trade Marks and Designs) (December 2006) page 8.

<sup>6</sup> See footnote 1 above.

Section V concerns the interoperability of the trade mark systems which an applicant can choose when seeking protection in EU territory – such interoperability should be carefully developed to allow users the full fruit of the fundamental – and successful, as shown by the CTM system’s results - choices that were made nearly twenty years ago. In particular, the removal of unwarranted differences in daily practice before the various registration offices should be a priority. *Ad hoc* efforts are being made in this area by OHIM and key stakeholders in the EU trade mark system within the context of the new OHIM Cooperation Fund, but it would be desirable to enhance this harmonization further. If long term regulatory foundation could be provided to underpin these essentially pragmatic efforts, with legal provisions clarifying OHIM's wider obligations in this field, such proposals would certainly be welcome.

At this stage, we have not attempted to propose a specific legislative solution for every issue raised in this note, but rather we point out areas where experience shows that improvement is required, in order to indicate to the Max Planck Institute what we see as the most pressing issues for the legislator. We would welcome any opportunity to discuss the concrete solutions in greater detail when the moment arises.

## II. GOVERNANCE OF THE OFFICE

### 1. Governing bodies

The creation of the Community Trade Mark was dictated by the need to strengthen the EU internal market, removing barriers to the free movement of goods and services and enabling undertakings to adapt their activities to the scale of the Union. Therefore, an EU agency (OHIM) was established for attaining an EU objective and for fulfilling the commercial needs of undertakings (i.e. the final users of the trade mark registration systems).

Despite that, the voting members of the main governing bodies of the Office, namely the Administrative Board (AB) and the Budget Committee (BC), are composed solely of representatives from each Member State which, in most of the cases, are the representatives from national trade mark offices (National Offices). The Commission is a member of the two bodies without the right to vote. Users' associations have only recently been invited to participate in the meetings of the two bodies as non-voting observers.

In 2008, the Commission adopted the Communication to the European Parliament and the Council "European agencies – The way forward" (COM (2008) 135 final). The Communication was dictated by the consideration that *"a consistent political handling of the approach to agencies would promote the transparency and effectiveness of an important part of the EU's institutional machinery"*.

A horizontal evaluation of agencies has been one of the initiatives launched as a consequence of the Communication<sup>7</sup>. In the part of the Evaluation Report dealing with governance at OHIM it is stated that *"the agency was established with an uncommon double governance system (...) A conflict of interest issue appears as the Member States come from national trade mark offices and not from policy making bodies (ministries).. It was particularly visible in the last years during the negotiation of the fee reductions proposed by the Commission (cheaper CTM could render the national trade marks less attractive). Long negotiations took place, which finally led to an agreement in September 2008 on a 40% fee reduction but also on a EUR 50m amount to be invested by OHIM in a Cooperation Fund aimed at the MS national IP offices, and on a share of future trade mark renewal fees"*<sup>8</sup>. The evaluation team assessed this compromise as *"far from efficient, and as a direct consequence of a governance system in which the balance of powers does not reflect that of the needs which have to be addressed. In fact, the agency contributes to achieving objectives at EU level (internal market), it serves the interests of enterprises (underrepresented in the governance system), and it cooperates with national agencies in the Member States. These three categories of interests are not balanced in the agency governance"*<sup>9</sup>.

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<sup>7</sup> "Evaluation of the EU decentralised agencies in 2009" Final Report (December 2009)

<sup>8</sup> "Evaluation of the EU decentralised agencies in 2009" Final Report (December 2009) Volume III Agency level findings, page 214.

<sup>9</sup> "Evaluation of the EU decentralised agencies in 2009" Final Report (December 2009) Volume III Agency level findings, page 215.

On the basis of the foregoing, it is submitted that ways should be found to establish a better institutional equilibrium by guaranteeing proper representation of all interests at stake especially when setting the fees.

A further governance problem is that the AB plays a role in the procedure of selection of the President, Vice-President and President of the Boards of Appeal of the Office by proposing to the EU Council of Ministers a short list of candidates for these posts<sup>10</sup>. Unlike in the case of other EU agencies, the Commission has no formal role and vote in the selection procedure of OHIM senior officials, even though the Commission is responsible for the legality of the acts of the Office<sup>11</sup> and the appointed persons are bound in the exercise of their duties by the Commission's regulatory framework. It is considered that the Commission should be given a greater role in the above-mentioned procedures, as it is the case in the majority of EU agencies.

Finally, as suggested by the independent report cited above, a move to a single Management Board, which is the set-up in most EU agencies, by merging the OHIM's AB and BC would improve effectiveness by integrating scrutiny of the budget with other strategic matters of interest to the Office's stakeholders.

## 2. Financing

The conclusions adopted by the Council of the European Union during its meeting of 21-22 May 2007 made specific reference, *inter alia*, to the legal requirement to balance the OHIM budget<sup>12</sup>.

In accordance with these conclusions, the September 2008 agreement between delegations in the Office's Administrative Board, the Commission and the Office's management both provided for fee reductions to balance the OHIM budget and contained provisions relating to a biennial review of fees by the Commission to ensure that balance in the budget is maintained as well as to the Office's reserve. It also left open the question of how to dispose of the large accumulated surplus built up, stating only that this should be settled in consultation with users in the context of the trade mark study. We comment on each of these aspects in turn.

### (a) OHIM fees

First, in relation to the periodic review of fees, it is our opinion that the September agreement deals with this in an effective manner when it provides that the Commission should carry out regular bi-annual reviews of the financial situation of the Office in order to make the necessary proposals for

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<sup>10</sup> Article 126 CTMR

<sup>11</sup> Article 122 CTMR

<sup>12</sup> Council meeting Competitiveness (Internal Market, Industry and Research), Brussels, 21 and 22 May 2007.



fee adjustments with a view to balancing the budget. This provision can be implemented through a simple procedural model based on the normal budget cycle of the Office. Indeed, every year the Budget Committee in its meeting of April or May reviews the outturn for the previous years, receives an update on the state of the current year budget, and considers a preliminary draft budget for the following years. If by the time of such a meeting it appears that the fees need some adjustment to maintain the rolling budget in balance, then the Commission, based on the material of the meeting, can make a proposal for an adjustment. Such a procedure launched before the summer should be able to be implemented from the beginning of the next year. Provided such adjustments are considered on a bi-annual basis and implemented quickly, there should be no need for the large percentage change that was necessary in 2009.

We think that the bi-annual revision mechanism is absolutely necessary to prevent the surplus problem recurring (addressed with the 2009 fee reduction). Indeed, while the fee reduction that came into effect in 2009 does result in a balanced budget in 2010, based on an assumption of 90 000 CTM applications, even under this baseline scenario the surplus starts growing again and reaches €10m in 2013, assuming no further growth in CTM applications.

Of course, historically, the volume of CTM applications has exhibited strong growth. Between 2003 (the first “normal” year following the dot.com crash) and 2007 (the last “normal” year before the onset of the current recession), CTM applications grew at an annual rate of 10.3%. While such growth may not return any time soon, it is not unrealistic to expect that as the world economy emerges from recession during 2010, CTM applications will start growing again. Assuming annual growth of 5%, and applying realistic assumptions in respect of expenditure growth, this would result in a return of a budget surplus, reaching €22m in 2013 and €32m in 2015. A return to the 10% growth rate experienced between 2003 and 2007 would result in a surplus of €59 in 2015.

It is clear from this analysis that the bi-annual review of the fees that was agreed in September 2008 needs to be implemented and written into the law.

However, in order to have a truly effective bi-annual review of the fees, it will be necessary to look also at the formal procedural mechanisms for adopting OHIM fees. Problems in this respect are described in Annex III hereto<sup>13</sup>.

#### (b) OHIM Reserve Fund

Secondly, concerning the OHIM reserve, the package referred to a sum of €190m. It was felt at the time that about one year’s revenue was a reasonable figure. In fact, the Office has since looked at this question in more depth and is preparing a paper for the Spring 2010 Budget Committee meeting. Initial work we have done, however, suggests that the most that the Office would

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<sup>13</sup> Section 1 – CTMR – Article 144.

need to cope with a sharp reduction in revenue due to falling volumes would be about €50m.

(c) How to deal with the accumulated surplus of the Office

As regards the remaining accumulated surplus, our estimates are that this could prove to be around €300m, after allowing for the funding of the Cooperation Fund and the establishment of a correctly sized contingency reserve. Given past experience of cooperation projects and what we know of emerging plans for anti-counterfeiting projects, we find it unlikely that such a large sum could be spent in a targetted and fully controlled manner in these areas, while ensuring that the CTM users benefit.

We have therefore looked in some detail into the question of whether and how this remaining sum could be returned to users themselves. We believe there is a straightforward and administratively economical way in which the surplus could be returned to owners of CTM registrations reflecting the amount by which fees have in retrospect turned out to be too high when their applications were processed.

Annex I provides an illustration of how the €300m could be refunded to proprietors of CTMs who have paid “too much” for their registrations, based on the assumption that the current fee levels are “correct” in the sense that they lead to a balanced budget for OHIM. Therefore, two groups of CTMs are identified as eligible to share in the refund:

- CTMs filed before the October 2005 fee reduction;
- CTMs filed between the October 2005 fee reduction and the end of 2008.

It should be noted that CTMs filed during the first months of 2009 are excluded from the refund because those applications will have reached the registration milestone after the new fees went into effect on 1 May 2009 and therefore benefited from the 2009 fee reduction.

Under those assumptions, a refund would be generated in the amount of €617 for each registered CTM filed before the October 2005 fee reduction took effect, and €410 for each registered CTM filed between October 2005 and the end of 2008. All owners of CTMs registered as of a cut-off would be eligible to participate in the refund programme<sup>14</sup>.

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<sup>14</sup> The calculations presented here are based on a cutoff date of 21/12/2009, but of course a different date could be used depending on when the proposal is being implemented. This would imply slightly different amounts but directionally, the analysis remains correct.

### III. OHIM IN THE 21<sup>st</sup> CENTURY

#### 1. The CTM system and proposed changes in the basic CTM Regulations

The CTM Regulation was formally adopted in 1993 but many of its provisions were, in reality, agreed on in the mid 1980s and were not reconsidered before formal adoption of the Regulation. The Implementing Regulation was adopted in 1995 before the Office had any experience of operations. Some limited changes were made to both instruments in 2004.

There has been no fundamental review of the legislation. The world of business and administration has been transformed in the last fifteen years by the seismic impact of technological change, particularly that of the internet. The legislation needs to reflect these changes and provide a framework for the operation of a system in the 21<sup>st</sup> Century.

Today the business world operates in a modern environment where electronic communication is the norm. The Regulations largely reflect a paper oriented approach. The Office has made strides in making electronic tools available to its users<sup>15</sup> but is hampered by the “paper” legal framework. An example of the outdated thinking that needs to be corrected is the fact that even notifications by the Office by courier are considered to contravene the Implementing Regulation.<sup>16</sup> This has been confirmed by the Court of Justice<sup>17</sup>.

During the last few years the Office has made a significant effort to improve the services it offers and become more efficient in the processes it manages. The main drivers for such an effort have been a user centred approach and the fact that the Office is a fee funded organization. Any legislative reform of the CTM system should start from this consideration and give greater importance to (a) the satisfaction expressed by the users of the system as the main element to assess the performance of the agency, and (b) the necessity to maintain the financial autonomy and strengthening it by law.

The experience accumulated in the last years by dealing with hundreds of thousands of applications and processing them through all phases of procedure right up to renewal has allowed the Office to assess what is and what is not necessary to conduct an effective and efficient operation.

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<sup>15</sup> Some indications of the technological changes can be seen in the increased use of these electronic tools. For example, the percentage of CTMs filed electronically has risen from 72% in 2006 to 93% in 2009. The percentage of RCDs filed electronically has gone up from 27% to 60% during the same period. The percentage of CTM oppositions filed electronically has quadrupled from 5% to 20% and is expected to increase significantly as new tools are introduced in 2010. There is no doubt that if OHIM puts quality electronic tools at the users’ disposal, and if the necessary changes are made, the goal of fully electronic operation is eminently achievable.

<sup>16</sup> Rule 62 of the CTMIR.

<sup>17</sup> Case C-144/07

In particular, it is considered that electronic communication should be the rule and unnecessary bureaucratic procedures should be eliminated.

Every economic operator who might have need to interact with the Office has access to the Internet. The Office is gradually but consistently making its services available online. Already all the information that might have been obtained in the past on paper is available on line. Initiation of the most used CTM procedures (application and opposition) is available on line. Others will follow. What is standard procedure in business and administration should be standard practice in dealings between the Office and its users.

The national and Community search provisions impose a disproportional burden on participating National Offices and on OHIM in light of the hard work required for reports of little practical value.

The modifications the Office considers necessary to improve its daily operations are put forward in Annex III.

That document also addresses changes that are necessary in respect of other issues. A change in the legal mechanism by which fees are set is necessary for governance reasons, as explained above.

The legislation needs to be aligned with changes introduced into the Madrid system in September 2009. The proposals also suggest starting the opposition period for international designations from the point of republication, potentially shortening the registration period by six months.

## 2. New competences

OHIM is capable of taking on new tasks in light of (a) the trade mark and design specialist knowledge gained from the systems and processes – in particular in the administration and IT fields - it has built up over the past 15 years as it has defined and developed processes, and (b) the increased efficiency of those systems and processes, which allows redeployment of expertise and human resources to other projects.

Such tasks might usefully include administrating and operating registration systems for other forms of IP.

## IV. GENUINE USE

### 1. Introduction

Genuine use is a key issue in any consideration of the Community trade mark system. Failure to put a CTM to genuine use after five years of registration puts the registration at risk of revocation.<sup>18</sup> An attempt to enforce such a CTM in any Community trade mark court opens the possibility for the defendant to seek its revocation before that court.<sup>19</sup> An opposition cannot be successfully based on such a CTM<sup>20</sup>. Neither can a relative grounds invalidity action<sup>21</sup>. Genuine use is therefore of great importance. For this reason, the Council has made the assessment of territorial requirements for genuine use of CTMs a mandatory part of this Study<sup>22</sup>.

### 2. Territorial scope

The legislation itself says nothing about the territorial scope of use that is necessary for it to be considered genuine except that it must be use “in the Community”. However, when the Regulation was being adopted the Commission and the Council jointly agreed that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community.

The recognition of genuine use in one country as being sufficient to satisfy the territorial requirement of use in the Community has been broadly criticised<sup>23</sup>. Critics sometimes argue that this approach to territoriality is damaging in particular to SMEs but no evidence of this damage has been produced.

A different view is that it facilitates SMEs establishing their brand strategy to envisage movement from a purely national activity to wider activity within other Member States of the EU. Today the holder of a CTM who makes genuine use of its mark in one or more countries of the EU can maintain its EU right and act against infringement or later registrations of conflicting marks in any Member State. If there was a requirement of genuine use in any country in which an infringement or conflicting registration was threatened, the task would be much more onerous. Indeed, for SMEs in particular, EU-wide defence of their CTM would become well nigh impossible. Enterprises with a longer reach and deeper pockets could establish themselves by using conflicting signs in parts of the EU where the CTM proprietor had not yet

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<sup>18</sup> Article 15 CTMR

<sup>19</sup> Article 51(1) CTMR

<sup>20</sup> Article 42(2) CTMR

<sup>21</sup> Article 57(2) CTMR

<sup>22</sup> Point 10 of the Conclusions of Council meeting Competitiveness (Internal Market, Industry and Research), Brussels, 21 and 22 May 2007.

<sup>23</sup> See for example the papers by Dr Mihály Ficsor, Vice-President, Hungarian Patent Office and Mr Edmond Simon, Director General, Benelux Office for Intellectual Property at the Regional Conference on the Coexistence of the Community and National Trade Mark Systems in Europe (Budapest, 3 November 2009)

established genuine use. This would not only be to the detriment of the CTM proprietor but also to a corner stone of the CTM system: “completing an internal market which functions properly”<sup>24</sup>.

The current system which operates within the EU and involves national, CTM and international registrations shows no signs of strain as a result of the existing provision on genuine use. Applicants of all sizes continue to use each of these means to protect their trade marks as they see fit. While some commentators, not being brand owners, suggest that the choices they are making are wrong, they do not say why.

A further difficulty attaches to the position of those who advocate legislative change in respect of genuine use. No clear, concrete, practical and workable options have been proposed. Any legislative change would need to be specific enough to avoid any judicial uncertainty or diverging interpretations. Further, any such attempt to change the legislation in this respect would have to be consistent with the notion of the Single Market. Introducing territoriality provisions as backed by critics of the present system would effectively break up the Single Market and thus would not fulfil this requirement. To allow the national courts or administrations of one Member State to hold that, due to non-use merely in that jurisdiction, a CTM would not be protected for that Member's State's territory, would be in fundamental breach of the Single Market principle.

Currently, proving genuine use of a CTM is not an easy matter. The need to prove genuine use arises in situations of conflict (infringement, revocation, opposition and invalidity actions). Genuine use cannot be proven simply on the basis of a declaration from the CTM proprietor. There must be real evidence that is open to challenge from the other party to the proceedings. Adding the uncertainty of what might constitute the proper territorial coverage (the undefined substantial part of the EU) would place a severe and unwarranted burden on CTM proprietors.

### 3. “Cluttering” of registers

There are fears expressed occasionally that the growth in the number of trade mark registrations (national, international and CTM) makes it more difficult for new and existing economic operators in the EU to find suitable available marks for adoption. There is little hard evidence to justify these fears. Indeed, there are some indicators to the contrary. There continues to be a general upward trend in the number of CTM, international and many national trade mark registrations. This can be adversely affected by economic circumstances, as has been the case recently, but the underlying trend is upwards. The CTM opposition rate<sup>25</sup> is largely stable with a slight tendency to decline.

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<sup>24</sup> Second recital CTMR

<sup>25</sup> The percentage of published applications which face at least one opposition.

Nevertheless, there is a concern among those who argue that there is cluttering and who allege that the current legal requirements for proof of genuine use of a CTM lead to a large number of unused CTMs existing on the register and constituting an obstacle to new marks. This ignores an important fact, namely that tens of thousands of CTMs are not renewed each year. Firstly, this demonstrates that CTM proprietors do not routinely squat on the register and obstruct new entrants. Secondly, it means that the CTM system itself, through the renewal process, frees up tens of thousands of marks annually which are then available to be adopted by those seeking new registrations.

Finally, it should not be forgotten that the CTMR provides for a specific mechanism to prevent clutter on the OHIM register, namely the ability of users to 'clean up' what they feel are unjustified registrations by bringing cancellation actions. If the issue of "clutter" was indeed a serious problem, we would expect to see a great many cancellation actions. However, the number of cancellation actions remains a very small proportion of the register – in 2009 around 750 cancellation actions were filed, of which less than half were on grounds of non-use.

## **V. INTEROPERABILITY AMONG EU TRADE MARK SYSTEMS**

### **1. Coexistence and interoperability**

The European Union lawmaker designed the CTM system to coexist with both national and international trade marks. The "coexistence principle" was enshrined in the Community Trade Mark Regulation as the basis for relations between the different trade mark protection systems within the EU.

Coexistence has prompted, not a decline, but an increase of trade mark work in the different "providers" serving industry in the EU (OHIM, national and WIPO). Increases in filing numbers have been experienced by different organizations since the introduction of the CTM.

In a global economy, users expect not only to count on systems to protect their trade marks at different territorial level (national, regional, international) but also that those systems offer the same standards of service. Therefore, coexistence must be complemented by interoperability among systems.

Interoperability is a property referring to the ability of diverse systems and organizations to work together. A limited number of interoperability "requirements" were introduced in the CTM legal framework:

- Filing through either national/regional offices or OHIM
- Link between the international system (Madrid system) and CTM
- Seniority based on national registration(s) in the CTM system
- Possibility to oppose registration of CTMs on the basis of national trade marks and vice versa
- Conversion of CTMs into national/regional procedures

- Enforcement of CTMs by national judicial authorities, etc.

However, interestingly enough, none of these ‘requirements’ provides any legal basis to oblige different “providers” to harmonize their service solutions in order to obtain better interoperability. In fact, the consistency of trade mark practices developed by the different National Offices is not an explicit requirement of the EU lawmaker.

Although the regulatory framework (the Directive and the CTMR) in which the different EU trade mark offices work has harmonized trade mark law on substance, important areas are still open to divergence.

## 2. Cooperation between National Offices and OHIM

In the absence of any legal requirement for interoperable systems, the “cooperation” route remains the only way to establish interoperability between systems. OHIM is active in fostering the idea of harmonization of practices and tools through cooperation.

With this spirit, in 2005 OHIM launched a series of initiatives to build up consensus among different operators of trade mark registries to embrace a common goal: to enable users to operate with different National Offices with the same or similar tools and obtain the same or similar results. Reduction of discrepancies, building interoperability and improving quality of incoming applications and outgoing decisions are the expected concrete outcomes of this movement.

Examples of existing activity are given in Annex II.

At present, the Office is setting up a Cooperation Fund in light of the September 2008 agreement which aims, *inter alia*, at eliminating unnecessary differences in practice which affect users in the European Union. The objective is to optimise cooperation and synergies between the National Offices and OHIM. This should improve the protection and user experience, in particular working to modernize, harmonize and integrate national systems at a pan-European level.

Therefore, under the banner of “cooperation”, OHIM is willing to seek the involvement of as many EU National Offices as possible in achieving harmonized solutions for the benefit of end users and for increasing the efficiency of trade mark operations. However, in the absence of any requirement from the legislator for harmonized solutions, all National Offices have a legitimate position to defend different views.

## 3. How the legislator can help

Can the lawmaker facilitate the implementation of harmonized and interoperable trade mark systems in the EU?



The OHIM view is that there is room for rules providing added-value in this area. For example, specific legal provision could be introduced into the OHIM Regulations to define the framework for cooperation between OHIM and EU National Offices. Further, in general terms, a clear recognition that harmonization is an aim which National Offices should pursue, and the Office should coordinate efforts in this area, would give further impetus to OHIM's efforts in this direction.

In the context of the current Regulations, OHIM is making good progress in this area. By way of example, the case of the IT trade mark standard established by WIPO after an initial proposal made in OHIM's liaison meetings, the development of a common consultation tool (TMView), and the development of a common database for goods and services provide evidence to believe that the Office is well placed to strive for EU harmonization of practices and make the EU contributions in this field relevant on the international scenario.

# **ANNEX I**

## **How to deal with the accumulated surplus of the Office**

### **1. Calculation of overcharged amount**

Arguably, since the inception of the Office, users have paid fees that have been “too high” considering the twin objectives of promoting access to the system and balancing OHIM’s budget. The table below quantifies the impact on users by presenting a hypothetical calculation of how much would the users have paid if the fees resulting from the last reduction (referred to as “2009 fees”) had been in effect since the inception of the Office.

<i>All amounts in million € except the per-CTM amounts</i>	<b>CTMs filed before 21/10/05</b>	<b>CTMs filed after 22/10/05 (until 31/12/08)</b>	<b>TOTAL</b>
<b>Amount actually paid</b>	814.2	336.4	1150.6
<b>Hypothetical amount paid (with 2009 fees in effect)</b>	459.6	193.8	653.5
<b>Amount “overpaid”</b>	354.6	142.5	497.2
<b>Average amount “overpaid” per CTM</b>	€1023	€680	€893*

\* weighted average of the first two columns

Thus, taking the assumed new fees as the benchmark, the Office has “overcharged” its users by a cumulative amount of €497m since its inception, or €1023 per CTM for CTMs registered before the 2005 fee reduction and €680 per CTM for CTMs registered since October 2005 but before the most recent fee reduction.

### **2. Suggested principles for refunding the surplus:**

#### **2.1 Scope of the programme**

The surplus refund programme would be based on the number of registered CTMs as of a specific cut-off date. All owners of CTMs will be included in the programme, regardless of the number of CTMs they have. As of 21/12/2009, there were 139 911 owners of CTMs registered before the fee reduction in 2005 and 107 675 owners of CTMs registered after the 2005 fee reduction but before the end of 2008. Of course, there is overlap between the two groups of owners to the extent the same owner has registered CTMs both before and after October 2005.

## 2.2 Calculation of refund amounts

The total amount to be returned to the owners is €300m. From the table above it is apparent that the owners of CTMs filed before the 2005 fee reduction have “overpaid” to a greater extent than the owners of CTMs filed after October 2005. It is therefore reasonable to favour the older CTMs when determining the amount of refund per CTM.

According to the table, the difference between the 2009 fees and the actually paid fees amounts to €1023 per CTM for pre-2005 CTMs and €680 for post-2005 CTMs. Hence, the ratio between the refund amounts should be 1023/680 for pre- and post-2005 CTMs, respectively. Applying this ratio to the number of CTMs in the two respective categories while ensuring that the total amount refunded is €300m yields the following per-CTM refund amounts:

- CTMs registered before 21/10/2005: €617 per CTM
- CTMs registered after 21/10/2005: €410 per CTM

This implies that the average owner of pre-2005 CTMs will be entitled to €1529 and the average owner of post-2005 CTMs to €799.

Looking at the distribution of the owners in more detail, while there are a few large owners with hundreds of registered CTMs during the period in question, the vast majority of the total refunds will go to companies owning less than 10 CTMs, as about 80% of the CTMs fall into this category. About half of all CTMs are owned by owners who own 1 or 2 CTMs. Thus, a very significant portion of the €300m will go to small and medium-sized companies.

## 3. The mechanics of the refund programme

### 3.1 Identifying the owners

The principal source of information on owners' identity is the OHIM's main database of owners and representatives. The Office proposes using a combination of a “push” and “pull” approach to inform the owners about the refund programme and to motivate them to come forward. The information campaign would be conducted through various channels, including direct mailings, information on OHIM's web site, an advertising campaign targeted at owners and representatives and an information campaign targeted at relevant NGOs.

Regardless of whether the initial contact with the owner is established through the push or the pull approach, the common first step is that owners will be requested to indicate their preferred method of payment and to encode their bank details in an online tool, to be set up specifically for the refund programme. It goes without saying that strict security precautions will be applied to ensure that the identity of the owner is verified. In case of changed addresses, new company names, new ownership of the CTM and other changes that for whatever reason had not been communicated to OHIM, the

burden of proof will be on the claimant who will be required to furnish the Office with appropriate evidence.

Owners should be given a reasonable time window (for example, 6 months) to claim their refund by entering their data in the e-tool. The window would open only after the information campaign has run for about 2 months so as to ensure that as many owners as possible have had the opportunity to be contacted by the campaign and hence come forward to make their claims when the actual data gathering phase starts.

At the end of this phase of the programme, OHIM would have a database of verified owner addresses, payment details and amounts. This database would be the basis for executing the payments.

### 3.2 Executing the payments

Given the existing resources within OHIM's Finance Department, the large number of owners who would be entitled to a refund and our current processes for disbursing funds, it is clear that a refund programme of this magnitude could not be executed using internal resources and existing processes. An automated and/or outsourced process would need to be put in place. It is therefore foreseen that much of the work of actually disbursing the payments would be outsourced to one of OHIM's 'house' banks.

In planning payment execution, a distinction has to be made between countries that use IBAN and those that do not. The preferred payment method, both by OHIM and by the banks, is bank transfer. Considering the volume of payments that might have to be made under the refund programme, alternative payment methods are necessary for owners outside the IBAN zone<sup>26</sup>. The two obvious choices for payments to non-IBAN countries are credit card (if the owner is able to accept credit card payments) and cheques (in all other cases). Alternatively, the programme could stipulate that in order to receive a refund, an owner must provide a bank account in an IBAN country.

### 3.3 Costs and resources

Such a surplus refund programme would constitute a major project for the Office and would require significant resources (internal and/or external) for the main components:

Cleansing of the owners and representatives database. Having reliable data on owners and representatives will be critical to the success of any such programme. However, since the Office engaged in a cleansing exercise in 2008, and is currently developing new electronic tools for owners and representatives to manage their data at OHIM, and those efforts would take

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<sup>26</sup> About 65% of all CTM applications during the years 1996-2008 came from within the current 27 EU member states and a further 3-4% originated in non-EU members that are within the IBAN zone (e.g., Switzerland).

place in any event, their cost would not be not incremental to the refund programme.

Publicity campaign. Much of the campaign, such as informing NGOs, placing announcements on OHIM's web site and running an advertising campaign falls within the normal course of business for OHIM's public relations efforts.

IT development. The level of difficulty and time necessary for developing the *ad hoc* e-tool for the owners encoding their bank details has not yet been evaluated. The technical specification for the database that is the end result will need to be developed in cooperation with the bank to which the payment execution is outsourced.

Payment execution. Provided that certain technical conditions are met (only IBAN payments, a suitable database structure etc.), the cost to OHIM arising from payment execution should be very low or even negligible, based on informal indications from the banks.

### 3.4 Legal framework

The legal framework for such refunds has not yet been fully analysed. The Financial Regulation does not provide for the use of the reserves of the Office in the manner contemplated here. It also imposes other requirements. The nature of the proposed payments does not readily fall into any of the categories of payments customarily made by OHIM, and rules need to be formulated for the authorisation and accounting of the refund payments.

### 4. Concluding remarks

In the private sector, a company which has built up cash reserves in excess of what is needed for operations or investments usually returns such excess reserves to its shareholders in the form of special dividends, share buyback programmes or other similar devices. If the management resists doing so, the market will almost always force it to reconsider.

OHIM is not a private company, of course. It is an institution dedicated to providing cost-effective registration of trade marks and designs in the EU. Our "shareholders" are the users of the system, that is, the owners who have paid us to have their intellectual property protected. They are well aware of the accumulated surplus and are increasingly expressing concern about the final disposition of these funds, which they reasonably believe should be used for their benefit (rather than for OHIM or National Offices or the general EU budget). Arguably, the moral imperative for returning part of OHIM's surplus funds to the users is even stronger than that faced by a private enterprise, regardless of the fact that the Office does not face similar market pressures.

## ANNEX II

### Existing cooperation activities between National Offices and OHIM

The following is a list of the cooperation activities that are currently carried out between EU national offices and OHIM:

- Investing in multilateral arrangements to offer common tools to users, such as:
  - **Euroclass** (€0.5m dedicated to developing and expanding a tool which allows users, with one search operation, to understand how different National Offices classify goods and services)
  - **TMview** (€1.7m dedicated to setting up and supporting the initial running of this tool which allows to find out, with one search operation, trade mark records from 8 European, OHIM and WIPO registries)
  - **Harmonization of good and services** (OHIM and the UK National Office share a common database of over 100 000 terms for classification purposes. A user filing at OHIM or at the UK IP office will find that the same classification solution is offered to a given term by both offices. The German and the Sweden National Offices are currently working to harmonize their databases with the common database created by OHIM and the UK Office. This solution is now open to any other EU office that is willing to join in. €3.6m have been “earmarked” in 2010 to facilitate the necessary translation and validation work for such a database to be available in all 22 EU languages and used by as many IP offices as willing to join in. Of course, this idea can be extended: OHIM and WIPO have reached an understanding that, in the long term, could facilitate the sharing of the same database for their CTM and Madrid filers. As an initial measure, both organizations will exchange their databases in order to spot discrepancies).
- Seconded National Experts (a programme has been in place at the OHIM since 2006, whereby the OHIM pays for 100% of the cost of the SNE seconded to the OHIM from National Offices excluding social charges. There are currently 19 experts working in Alicante, representing an investment of €1.2m in 2009).
- Investing in training for enforcement authorities, notably judges (€330,000 is dedicated to this annually).
- Investing in exchanging views and practices in regular liaison meetings with the EU IP offices, with a view to identify the extent of convergence or divergence among our different practices (€200 000 is dedicated to this annually). As a result of this activity, for example, IT standards for

exchange of trade mark data were prepared and later endorsed by WIPO (the ST.66 standard).

- Sharing IT solutions on demand with other National Offices (e.g. OHIM has licensed for free its “state-of-the-art” trade mark case handling software “Euromarc++” to the UK IP Office, with a view to share, as far as possible, functionalities that can be operated by examiners in both offices. Other National Offices have already expressed an interest for the tool).

## **ANNEX III**

### **Proposed amendments to CTM Regulations to improve OHIM daily operations**

#### **Section 1 – Community Trade Mark Regulation (CTMR)**

##### **Article 4 Signs of which a CTM may consist**

The current definition mentions “... signs capable of being represented graphically”. This is a classic definition apt for the world of paper. It is not apt for the electronic age. It should be changed to cover all signs which can be accurately represented by electronic means, including new types such as movement marks. There is no need to define or limit this. Technology will determine what is possible in reality and this reality will likely evolve over time.

The new definition should comply with the criteria set out in the *Sieckmann*<sup>27</sup> case (the representation must be clear, precise, self-contained, easily accessible, intelligible, durable and objective).

##### **Article 25 Filing of applications**

This article, in addition to allowing direct filing at the Office, makes provision for filing through national offices. If filing through national offices is retained an obligation must be placed on them to transmit the contents of the application to the Office electronically, according to standards established by the Office (Presidential decision).

##### **Article 27 Date of filing**

At present a period of one month for payment of the application fee is allowed without loss of the filing date. This now causes difficulties. The speed of the examination process is such that in many cases examination on absolute grounds, classification or formalities is completed before the one month has elapsed. Some applicants have reacted to notifications of problems on any of these grounds by declining to pay the application fee. In these cases the Office has already carried out an extensive amount of work. It is unreasonable to have this work subsidised by other users of the system. The application fee should be paid at the time of filing; no fee no file.

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<sup>27</sup> C273/00



## **Article 30     Claiming priority**

The notion of examining priority claims is outdated, bureaucratic and probably cannot guarantee the validity of the claim in any event. The mere recording of a claim should be sufficient, as is the case in some jurisdictions (e.g. Mexico) already and any challenge to the claim should be reserved for *inter partes* proceedings. In any event, it is unlikely that any office can thoroughly check a fundamental condition, namely, that the filing in question is indeed a first filing.

## **Article 33     Exhibition priority**

### Paragraph 2

This requires the filing of evidence. Since it is proposed that we only record claims there is no need to file evidence or to check what is filed. These claims are rare but we should be consistent in removing unnecessary requirements.

## **Article 38     Search**

The recent change from automatic national searches to an optional system which is carried out in return for a fee has shown a marked reluctance by applicants to opt for having these searches carried out. The number of national offices participating in the system continues to fall. Now only eleven offices take part. Currently, only about 3% of applications have national searches carried out.

These facts suggest that the Commission's previous proposal to abolish national search should be revisited. If the vast majority of users place such a low value on national searches they no longer have a proper place in the system.

The search for and communication of earlier CTMs and applications to new CTM applicants serves no useful purpose. Furthermore as mentioned below in relation to publication, the existing system causes unnecessary delays in the formal publication of applications. There is little or no evidence that the availability of Community search reports deters applicants from proceeding with their application. In these circumstances the efficient and appropriate reaction is to abolish Community search reports.

Any perceived disadvantage would be offset by the reality that information to applicants is readily available free online at an earlier point in time than search reports become available.

## **Article 39 Publication**

Publication of an application cannot take place until one month after the search reports have been notified. This delays the process without adding and real benefit. In practice few applicants avail of the possibility of withdrawing the application before publication. If search in some form is retained this time limit should be abolished.

In any event the notion of publication (related to proactively making public something by formal, means) should be abolished and replaced by just make information available to public, in whichever format or pull/push strategy.

## **Article 40 Observations by third parties**

The detailed administration of this provision relies exclusively on a Communication of the President. The Article should allow for details to be laid down in the CTMIR, reflecting the current content of the Communication<sup>28</sup>.

## **Article 41 Opposition**

The opposition period of three months was established in an era when electronic communication was not the norm and information was not available on line.

A look at the communication and notification provisions of the Implementing Regulation shows that post was the default method of communication that was envisaged.<sup>29</sup>

Publication was traditionally by means of paper and it was only with the publication and distribution of the Community Trade mark Bulletin that third parties would become aware of the content of CTM applications. Now publication is exclusively electronic and so available instantaneously. Furthermore, the Office has used the existence of the internet to make information in respect of CTM applications available on line well before formal publication. Moreover, the Office offers a watch service allowing potential opponents having identified a “dangerous” CTMA to be warned when the CTMA has been published and therefore the opposition period has started.

The typical decision path for a third party considering a CTM opposition would run as follows:

- Notification by watch service or professional representative to the potential opponent. Sometimes two intermediaries will be involved where the CTM proprietor is a non-EU entity.
- Internal reflection on whether to oppose and decision to oppose.
- Filing of an opposition and payment of the fee.

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<sup>28</sup> Communication No 2/09 of 9 November 2009

<sup>29</sup> Rules 61-65, 68, and 79-80 CTMIR

Where communication between all the entities involved was by post and information only became available on formal publication a period of three months for filing an opposition was justified. Now that justification no longer exists: the information is available on line within days of the CTM application being filed and electronic communication is almost instantaneous. An opposition period of two months would be suitable to these circumstances.

#### **Article 45    Registration**

The registration fee is now set at zero and is effectively abolished. This reality should be reflected by deleting this Article.

#### **Article 60    Time limit and form of appeal**

The grounds of appeal should be filed within the same two month time limit as the filing of the appeal. The extra two months serves only to delay proceedings.

#### **Article 62    Revision of decisions in *inter partes* cases**

This provision is cumbersome and does not work in practice because it requires consultation with the parties. It should be repealed or the Office should be allowed to revise without consulting the parties.

#### **Article 65    Actions before the Court of Justice**

Provision should be made that in *inter partes* cases appeals to the CFI/ECJ should be between the parties with the Office having an automatic right to be an intervener. At present the Office is the defendant in all such cases whereas *inter partes* cases are essentially disputes between private parties about their economic interests. The Office has no material interest in their outcome. The Office should retain the right to intervene where points of law or principle are at stake.

#### **Article 80    Revocation of decisions**

In *inter partes* cases, such as the revocation of an opposition decision, the period of six months allowed for the determination of a decision to cancel or revoke is often too short. The current system requires consultation with the parties. Only in cases where the defect in the original decision is detected almost immediately will it be possible to consult the parties concerned before making a determination.

The tenor of the Article should be altered to allow revocation where the error has come to the attention of the Office (*ex officio* or by notification from one of the parties) within a period of six months.

## **Article 85    Costs**

The levels of costs that are allowed do not appear to have influenced the behaviour of parties to proceedings. Neither do they reflect the real cost of proceedings to the parties. Indeed the level of costs is so low that from anecdotal evidence costs are nothing more an irritation to many involved.<sup>30</sup> Representatives of parties in whose favour costs have been awarded may feel obliged to attempt to collect those costs even though the collection process itself may well be more costly than the yield from the collection process.

Costs should be set at a level which will both influence behaviour, such as deterring vexatious proceedings, and be worthwhile collecting.

Otherwise costs before the Office should be abolished.

## **Article 86    Enforcement of decisions fixing the amount of costs**

The future of this Article depends on that of Article 85.

## **Article 88    Inspection of files**

### **Paragraph 1**

The deferral of inspection until publication of the application should be repealed. There is no compelling case for retaining it. While such a provision is common for patents and designs where disclosure and confidentiality are important concerns, the same is not true for trade marks.

## **Article 130    Competence**

This Article distributes competence in a way that implies something about the organisation of the Office. It is for the President to make the appropriate administrative arrangements to meet the changing needs of the Office. The Article should be deleted. The provisions on the competence of examiners, opposition and cancellation divisions in subsequent Articles should be retained.

## **Article 133    Administration of Trade Marks and Legal Division**

This should be amended to allow the President to assign responsibilities for other decisions to the units and persons s/he considers appropriate.

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<sup>30</sup> Informal discussions with users, including exchanges at an INTA table topic in 2007.

## **Article 144 Fees regulations**

### **Paragraph 3**

This paragraph provides for the fees regulation to be adopted by the normal comitology process. An important issue of governance arises here, as mentioned in the introduction.

Comitology puts Member States in control of setting of fees. It is intended in the future that national offices be beneficiaries of 50% of the revenue arising from renewal fees. There is a clear potential conflict of interest in Member States on the one hand setting the level of the renewal fee and on the other hand their national offices having a direct benefit from those decisions.

Overall fees should be set at a level that will ensure a balanced budget for the Office (paragraph 2). In making decisions on the balance to be drawn between the fees charged by the Office account should be taken of the effect on the behaviour of the users of the CTM system. There is clear evidence that for those who choose to use the CTM system fee levels have a big impact on behaviour.<sup>31</sup>

There is anecdotal evidence that the existing balance between the application fee (€900) and the renewal fee (€1,500) may induce some CTM proprietors to allow their CTMs to lapse by non-renewal and instead file new applications<sup>32</sup>. This is unlikely to be in these proprietors' interests.

To avoid two adverse consequences, namely, the appearance or reality of a conflict interest for Member States and the possibility of unintentionally inducing changes in users' behaviour, fees should be set by another more independent mechanism. This mechanism should include the two yearly review of Office finances previously proposed by the Commission.

## **Article 154 Examination as to absolute grounds for refusal**

### **Paragraph 4**

The refund of the part of the fee is no longer necessary since the reduction of the registration fee to zero.

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<sup>31</sup> Two examples suffice: firstly, the introduction of a discount for e-filing lead to a sudden and dramatic increase in the use of the method of filing, secondly, the reduction of the registration fee to zero without the corresponding increase in the application fee induced applicants to file early.

<sup>32</sup> Informal discussions with users

## **Article 155 Search**

See Article 38

## **Article 156 Opposition**

### **Paragraph 2**

The existing delay of six months between publication under Article 152(1) and the opening of the opposition period should be abolished. It artificially delays the processing of international registrations. Direct and Madrid designations can have an initial examination on absolute grounds completed within a month. Since national searches are rarely requested publication of direct applications can take place within a few months. Delaying the opening of the opposition period for Madrid marks for a further three or four months is no longer justified. While the parallel sequence of events between the direct and Madrid routes might occasionally be disturbed the legislation should accommodate the advantage that this proposal would give to the majority of international marks which designate the Union.

### **Paragraph 4**

The refund of the part of the fee is no longer necessary since the reduction of the registration fee to zero.

## **Section II    Implementing Regulation (CTMIR)**

### **Rule 1        Content of the application**

#### Paragraph 1

##### (b) Details of name and address of the applicant

The existing rules require far more detailed information than is actually necessary to identify and communicate with an applicant. In an electronic environment the name and email address should be sufficient.

##### (e) Details of name and address of the representative

The same considerations as under (b) apply.

##### (h) Seniority

The existing provision requires more information than is needed to record such claims. It should be limited to identifying the earlier registered mark by its number and the IP office in or for which it is registered.

##### (k) Signature

There is no need to require a signature

### **Rule 2        List of goods and services**

One idea considered for future simplification of classification is to restrict lists of goods and services to terms contained in approved databases. This rule should allow the President to determine the database(s) from which lists of goods and services must be compiled.

### **Rule 3        Representation of the mark**

This rule contains detailed provisions for word, colour, 3D and sound marks. A simpler approach can be adopted in an electronic environment. Modelled on the current provision in respect of sound marks filed electronically the representation of the mark, where it is not a word mark, should consist of an electronic file containing the mark. A word mark (defined as a mark that can be typed) can be entered directly into the electronic form. The President of the Office would determine the formats and maximum size of the electronic file for other cases.

## **Rule 5        Filing of the application**

### Paragraph 2

This concerns filing through national offices. If this option is retained an obligation must be placed on them to transmit the contents of the application to the Office electronically, according to standards established by the Office (Presidential decision). If it is not, the provision in the CTMR should be deleted.

## **Rule 6        Claiming priority**

### Paragraph 1

The requirements for making a claim should be limited to identifying the office of the earlier filing and the relevant trade mark number.

### Paragraph 3

There would be no need for this provision and it should be deleted.

## **Rule 8        Claiming the seniority of a national mark**

### Paragraph 1

The requirements for making a claim should be limited to identifying the office of earlier registration and the relevant trade mark number.

### Paragraph 2

The possibility of claiming seniority after the filing of the application for the CTM should be eliminated. Seniority can always be claimed after the registration of the CTM. The effects of seniority arise only after registration.

### Paragraph 4

If the basic requirements are reduced as proposed there is no further need for this paragraph.

## **Rule 9        Examination of requirements for a filing date and of formal requirements**

### Paragraph 2

There should be no possibility of remedying filing date deficiencies. The electronic filing should not allow submission of an application that is deficient in these basic respects.



Paragraph 3

- (c) and (d) priority and seniority claims should be treated as claims that are not verified by the Office

Paragraphs 6, 7 and 8

As for paragraph 3.

### **Rule 14a Observations by third parties**

The essential provisions of the Communication of the President, refined to deal with some minor issues (e.g. observations filed before publication) should be included in a new rule.

### **Rule 15 Notice of opposition**

Paragraph 2

The notice of opposition should be limited to the minimum information required for the applicant to know what is the potential scope of the attack that he might have to defend against. All other information should be supplied at a later stage in the proceedings. The following elements should be contained in the notice:

- The number of the CTM opposed
- Oppositions based on registered marks or applications need to indicate the office(s) concerned and the trade mark number(s)
- Oppositions based on well known marks an indication of in which Member State(s) it is well known and identification by office and number and a representation of the mark
- Oppositions under Article 8(4) need to indicate the kind or nature of the mark, a representation and an indication in which Member State(s) it exists
- Oppositions under Article 8(5) need to indicate the Member State(s) in which there is a reputation and in respect of which goods and services
- The grounds on which the opposition is based (Article 8 (1), (3), (4) or (5))
- The goods and services on which the opposition is based
- Identification of the goods and services in the application which are opposed
- Identification of the opponent

## **Rule 16a      Information to the applicant**

Instead of obliging the Office to transmit documents to the applicant the obligation should fall on the opponent, as is the case in some national systems. In the future the Office will offer an electronic platform that will enable this to be done electronically.

## **Rule 17      Examination of inadmissibility**

Examination of admissibility should be confined to payment of the fee on time and compliance with Rule 15(2). In very few cases (less than 100 in 2008) did admissibility examination on other grounds lead to rejection of the opposition. All other elements, including production of documents, should be left to substantiation which will only take place if both:

- (a) a decision on the opposition is required and
- (b) admissibility has been challenged by the CTM applicant.

## **Rule 19      Substantiation of the opposition**

### Paragraph 2

There should be no need for proof to be filed in respect of registrations of or applications for national trade marks. These can be checked by the applicant and the Office where necessary on line.

## **Rule 20      Examination of the opposition**

### Paragraph 1

Verification of the existence of the claimed right should be deferred to the main proceedings rather than being decided as a preliminary issue. This may be considered as marginally shifting the balance between applicant and opponent but would be more economical in procedural terms.

## **Rule 22**

### Paragraph 1

A real gain in terms of time would be made if the applicant were obliged to file its request for POU when the cooling off expires so that the evidence of use can be brought by the opponent together with the substantiation. To this end, Rule 22(1) should be changed to reflect this obligation. It would mean that most proceedings where POU is required are shortened by at least 4 months.

## **Rule 24      Certificate of registration**

### Paragraph 2

The obligation to provide certified or uncertified copies should be removed. Proprietors should be able to acquire these from the website.

## **Rule 28      Claiming seniority after registration of the Community trade mark**

This provision should be aligned with the revised Rule 8.

## **Rule 40      Examination of the application for revocation or for a declaration of invalidity**

### Paragraph 6

Unlike in opposition proceedings there is no time limit within which the proprietor of the CTM must request proof of use of an earlier mark. This should be provided for.

## **Rule 41a      Suspension of cancellation proceedings**

Provision should be made for suspension of cancellation proceedings, just as is possible in opposition proceedings.

## **Rule 61      General provisions on notifications**

### Paragraph 1

Documents should be defined as items in electronic format.

### Paragraph 2

Delete notification by post, hand delivery, deposit box, or telecopier.

## **Rules 62, 63 and 64**

Delete all these rules which deal with post etc

**Rule 65      Notification by telecopier and other technical means**

This Rule needs to be recast. Paragraph 2 allowing the President to determine “other technical means” should be amended to allow the President to determine the rules for electronic communication. A new paragraph 3 should be introduced to permit the President to allow for non-electronic notification in case of serious difficulty with electronic means.

**Rule 68      Irregularities in notification**

Delete

**Rule 79      Communication in writing or by other means**

Delete (a) and (b) which refer to post etc.

**Rule 79a      Annexes to written communication and  
Rule 80      Communication by telecopier**

Delete

**Rule 82      Communication by electronic means**

Delete paragraph 2 which refers to Rule 80(2).

**Rule 88      Parts of the file excluded from inspection**

Paragraph (c)

Delete. The possibility to claim confidentiality on parts of the file should be abolished. If retained it should be made clear that any such material will not be taken into account in the proceedings for which it is filed.

**Rule 89      Procedure for the inspection of files**

Online inspection should be the rule.

**Rule 90      Communication of information contained in the files**

Delete. All information is available free on line.

**Rule 108 Seniority claimed in an international application**

The requirement to file a copy of the earlier registration should be deleted.

**Rule 109 Examination of seniority claims**

Delete.

**Rule 110 Seniority claimed before the Office**

The detailed requirements can be limited, as with direct CTMs, to the registration number(s) and Member State for which the claim(s) is made. Paragraph 3 can be shortened and paragraphs 4,5 and 7 deleted.

**Rule 111 Decisions affecting seniority claims**

Delete

**Rule 112 Examination as to absolute grounds of refusal**

Paragraph 5

Consequent to the change proposed in Article 156 the statement of grant of protection should be sent if no provisional refusal has been issued within six months of the republication of the international registration.

**Rules 112, 113, 114 115 and 116**

These Rules need to be amended in order to reflect the changes introduced in the Madrid system on September 2009 as regards the issuance of interim status of the mark and statement of grant of protection.

### **Section III Fees Regulation**

#### **Article 2 Fees provided for in the CTM and CTMR**

Item 1	Delete application fee for non-electronic filing
Item 1a	Delete. No search.
Items 7 to 11	Delete. No registration fee.
Item 12	Delete fee for non-electronic renewal
Item 26	Delete. No certified or uncertified copies supplied.
Item 27	Delete. There will be no fee based inspection of files.
Item 28	Delete. No certified or uncertified copies supplied.
Item 29	Delete. There will be no communication of information from the file, only on line inspection.

#### **Article 13 Refund of fees following refusal of protection**

Delete. Since there is no longer a registration component of the designation fee there is no need for a provision on refund.