



International Chamber of Commerce

The world business organization



Prepared by the Commission on
Intellectual Property

Comments on the European Commission Proposals for Reform of the EU Trade Mark System

Highlights:

- Changes to the Directive
- Changes to the Regulation
- Changes to Fees

1. Introduction

On 27 March 2013, the European Commission presented a package of initiatives to make trade mark registrations systems in the European Union cheaper, quicker, more reliable and predictable. The proposed reform would improve conditions for businesses to innovate and to benefit from more effective trade mark protection against counterfeits, including fake goods in transit through the EU's territory.

The proposed package contains three initiatives:

- Recast of the 1989 Directive (now codified as [2008/95/EC](#)) approximating the laws of the Member States relating to trade marks;
- Revision of the 1994 Regulation (now codified as [207/2009/EC](#)) on the Community trade mark; and
- Revision of the 1995 Commission Regulation ([2869/95](#)) on the fees payable to OHIM.

The recast of the *Directive* and revision of the *Community Trade Mark Regulation* are legislative proposals to be adopted by the European Parliament and the Council of the European Union under the co-decision procedure (now called Ordinary Legislative Procedure). The adoption procedure is expected for 2014.

The proposed revision of the *Fees Regulation* will be adopted by the Commission as an implementing act and therefore requires prior endorsement by the competent Committee on OHIM fees. The first meeting of the Committee will take place before the summer 2013 with the aim of adopting the amended Fees Regulation before the end of the current year. These initiatives came two years after the Max Planck Institute published its *Study on the Overall Functioning of the European Trade Mark System*, in February 2011. The purpose of this Study was to provide the Commission with an in-depth assessment of the overall functioning of the trade mark system in Europe as a whole including both at the Community and at the national level. The aim was to analyse current performances and to identify potential areas for improvement, streamlining and future development of this overall system to the benefit of users and the society as a whole.

Now with the proposed package the main common objective of the proposal for the amendment of the Regulation and of the parallel proposal for recast of the Directive is to foster innovation and economic growth by making trade mark registration systems all over the EU more accessible and efficient for businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security. These adjustments dovetail with efforts to ensure coexistence and complementarity between the Union and national trade mark systems.

2. Changes to the Regulation

The Commission's initiative to revise the Regulation is not proposing a new system, but a well-targeted modernisation of existing provisions, with the following five (5) main aims:

i. **Adapting terminology to the Lisbon Treaty and provisions to the Common Approach on decentralised agencies:**

As a consequence of the entry into force of the Lisbon Treaty, the terminology of the Regulation is updated. This means changing 'Community trade mark' to 'European trade mark'.

Regarding the name of the OHIM, it is proposed to rename it as the ‘European Union Trade Marks and Designs Agency’ (hereinafter ‘the Agency’).

ICC comment: We welcome this change but suggest that the name could be European Union Trade Mark EUTM (versus European Trade Mark) to be in line with the name of the Agency, European Union Trade Marks and Design Agency.

We also note that the term “harmonization” is no longer part of the name of the Agency and sustain that the goal of harmonization should, however, remain a valid and active goal in the field of intellectual property in the Europe Union, at all levels.

ii. **Streamlining procedures to apply for and register a European trade mark:**

- Filing of applications (Article 25)
- Filing date (Article 27)
- Searches (Articles 38 and 155)
- Publication of the application (Article 39)
- Observations by third parties (Article 40)
- Revision of decisions *inter partes* (Article 62)
- Continuation of proceedings (Article 82)
- Opposition period for International Registrations (Article 156)

ICC comment: These are technical improvements to the regulation most of which are welcomed by the users and reflect a necessary revision of procedures in a system which has been in operation for 17 years. Some of these changes were already the practice of the Agency.

- Enforcement of decisions fixing the amount of costs (Articles 85 and 86)

ICC comment: According to proposed changes to the Regulation, the Commission could have powers to adopt delegated acts regarding, among other things, the procedures concerning the apportionment and fixing of costs.

We believe this could lead to a reform of Articles 85 and 86 of the current regulation:

According to current Article 85 re. apportionment of costs : “*The losing party in opposition proceedings, proceedings for revocation, proceedings for a declaration of invalidity or appeal proceedings shall bear the fees incurred by the other party as well as all costs, without prejudice to Article 119(6), incurred by him essential to the proceedings*”

According to Article 86, the enforcement of decisions has to be made according to the rules of civil procedure in force in the State in the territory of which it is carried out and it is thus left to national Courts.

For ICC, this enforcement mechanism implies engaging new costly and long proceedings for the winning party with uncertain outcome as to the final collection of the money due. In most cases, the outstanding money is not worth the money to be spent to proceed collecting the sums due.

ICC feels the proposed change of paragraph (2), Article 86 is insufficient to deal with this problem.

In order to enable the winning party to recover these sums more easily and to sensitize the parties initiating proceedings before the Agency after the cooling off period in case of oppositions, a possible mechanism could be that the maximum fee to be allocated to the winning party in a given proceeding (e.g. 650 Euros in the framework of opposition proceedings) be deposited by both parties to the proceedings (plaintiff and defendant) to a dedicated current account of the Agency and kept as a deposit by the Agency at the outset of the adversarial part of the proceedings in opposition or other proceedings (e.g. proceedings for revocation, proceedings for a declaration of invalidity or appeal proceedings). As with the other fees which usually have to be paid in opposition proceedings, proceedings for revocation, proceedings for a declaration of invalidity or appeal proceedings, the action shall be deemed not to have been made until the “*deposit cost*” has been paid.

The deposits made by both parties will then be refunded by the Agency to the winning party when the decision rendered in the framework of the proceedings becomes final.

The sums paid in excess by the parties (i.e. exceeding the amount set by the Agency at the end of the proceedings) will be refunded to the respective party or to both parties (e.g. if each party has succeeded on some grounds and failed on others, each party has to bear its own costs in an opposition proceeding, thus the sum paid by each party will be refunded to each party...).

While it is essential to change the system as it is today it is nevertheless relevant to weigh in the effects of any new mechanism on the applicants and opponents (such as SMEs), as this may cause additional burdens when faced with the prospect of filing an opposition or defending their trade mark against third party oppositions.

A careful consideration and revision of the system is therefore essential.

iii. Increasing legal certainty by clarifying provisions and removing ambiguities:

- Definition of a European trade mark (Article 4)
- Protection of geographical indications and traditional terms (Article 7)
- Limitation of the effects of a European trade mark (Article 12)
- European certification marks (Articles 74b - 74k)

ICC comment: all the changes above are welcomed and will provide the desired clarity.

On Article 7 ICC supports an amendment to clarify the scope of the provision making it less limitative:

Article 7:

(l) trade marks which contain or consist of an earlier variety denomination registered in accordance with Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety protection; with national plant variety protection laws or with variety registration laws of Member States with respect to the same UPOV class.

- Rights conferred by a European trade mark (Articles 9 and 9a)

ICC comment: ICC very much appreciates the referral to transit goods in the Regulation (and the Directive in Article 10). Further to the Philips/NOKIA decision the European Union has become an increasingly exploited transit territory for counterfeit goods. In order to protect the free trade of legitimate products and the health and safety of consumers, this deceptive practice must be clearly addressed.

The transparent wording contained in the European Commission's proposal will surely help to reduce the transit of counterfeit goods through the European Union, and sends a clear and strong message in the right direction.

It is in line with the European Union's international commitments to deny the transit of deceptive goods which infringe intellectual property rights and reflects the European Union's social responsibility for the well-being of global consumers.

We would propose a slight amendment to be inserted in the Article (9)5 of the regulation that would help trade mark owners, with the assistance of the relevant local authorities, to be able to prevent the bringing of such goods into the customs territory of the Union, and thereby to increase the effectiveness of this provision.

Amendment Article (9) 5:

(5) The proprietor of a European trade mark shall also be entitled, with the assistance of the relevant local authorities, to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trade mark which is identical to the European trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.

Please see ICC BASCAP paper on *Counterfeit Goods in Transit Must be Covered Effectively* for more details on this issue (add link later)

- Designation and classification of goods and services (Article 28)

ICC comment: Article 28 has been extensively changed mainly due to the IP Translator decision.

Paragraph 8 is specially problematic:

8. Proprietors of European trade marks applied for before 22 June 2012 which are registered solely in respect of the entire heading of a Nice class, may declare that their intention on the date of filing had been to seek protection in respect of goods or services beyond those covered by the literal meaning of the heading of that class, provided that the goods or services so designated are included in the alphabetical list for that class of the edition of the Nice classification in force at the date of filing. The declaration shall be filed at the Agency within 4 months from the entry into force of this Regulation, and shall indicate, in a clear, precise and specific manner, the goods and services, other than those clearly covered by the literal meaning of the indications of the class heading, originally covered by the proprietor's intention. The Agency shall take appropriate measures to amend the Register accordingly. This possibility is without prejudice to the application of Articles 15, 42(2), 51(1)(a) and 57(2). European trade marks for which no declaration is filed within the period referred to in the second subparagraph shall be deemed to extend, as from the expiry of that period, only to goods or services clearly covered by the literal meaning of the indications included in the heading of the relevant class.';

There is no doubt that the IP-Translator decision from the ECJ has led to changes regarding the specification of goods and services. However, in our opinion the regulation is going too far when it "touches" the scope of protection of all European Union Trade Marks (EUTMs) registered prior to June 22, 2012. The existing rights have to be safeguarded and should enjoy, in our opinion, the scope of protection "as registered".

The wording as it is used in the draft regulation does not clearly state how the "literal meaning of the indications included in the heading of the relevant class" would look. Let us

take e.g. the broad term “*chemicals used in industry*”. What happens in case the owner of an old EUTM does not file any declaration within the period referred to (4 months). In our opinion, the actual wording does not exclude the fear of a deterioration regarding the EUTM holder’s right, which in any case needs to be avoided.

Furthermore, we feel the period of 4 months starting from the date of entry into force is too short and suggest that 9 to 12 months would be a more adequate timeframe.

Lastly, it is also striking that we find this provision of paragraph 8 only in the draft regulation and not in the recast directive. It is relevant to know how the national offices will deal with this problem and may be considered a corresponding clause in the Directive.

iv. Establishing an appropriate framework for cooperation between OHIM and national offices for the promoting convergence of practices and developing common tools:

- Tasks of the Agency (Article 123b)

ICC comment: Article 123b) lists the tasks of the Agency but fails to prioritise or identify what are the core tasks. ICC welcomes the listing of the tasks but believes Article 123b should be re drafted to prioritise the tasks of the Agency and attribute them different levels of importance.

- Cooperation to promote convergence of practice and tools (Article 123c)

Article 123c provides a clear framework for mandatory cooperation between the Agency and Member State intellectual property offices with the aim of promoting convergence of practices and the development of common tools. It states that the Agency and Member State offices are obliged to cooperate, and stipulates the main areas for cooperation and specific common projects of Union interest the Agency will coordinate.

ICC comment: This represents a major change in the way the cooperation between the national offices and the Agency has worked in so far. Making the cooperation and adoption of common practices will inevitably render the national systems closer and similar.

ICC endorses and welcomes a very much needed harmonization in terms of national systems within the EU.

However, ICC feels that while the cooperation needs to be mandatory to be effective, there will be some reluctance from the national offices to adopt all cooperation tools or at least request a significant amount of time to adopt the new measures.

v. Aligning the framework to Article 290 of the Treaty on the Functioning of the European Union (TFEU):

The Regulation confers powers on the Commission in order to adopt certain rules. Those rules are currently provided in the Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community trade mark, Commission Regulation (EC) No 2869/95 of 13 December 1995 on the fees payable to the Office for Harmonisation in the Internal Market, and Commission Regulation (EC) No 216/96 of 5 February 1996 laying down the rules of procedure of the Boards of Appeal of the Office for Harmonization in the Internal Market. The entry into force of the Lisbon Treaty makes it necessary to align the powers conferred upon the Commission under the Regulation to Article 290 of the Treaty (new Articles 24a, 35a, 45a, 49a, 57a, 65a, 74a, 74k, 93a, 114a, 144a and 161a).

ICC comment: The national offices of the European Union are taking a very cautious approach towards these changes. The Commission is currently looking at the governance of the existing 32 decentralized agencies in the EU and wants to regulate them.

ICC approaches these provisions with caution as the financial independency of the Agency may be at stake.

The success of the Agency is largely due to the participation of the users and its financial surplus comes from the fees charged to the users. The loss of independence of the Agency could lead in the long term to the raising of the fees which ICC does not support.

3. Changes to the Directive (recast Directive)

The transposition of the Directive into the Member states must be done within 24 months after entry into force.

The initiative to recast the Directive is driven by the following objectives:

i. **Modernising and improving the existing provisions of the Directive, by amending outdated provisions, increasing legal certainty and clarifying trade mark rights in terms of their scope and limitations;**

- Definition of a trade mark (Article 3)
- Limitation of the effects of a trade mark (Article 14)

ICC comment: These provisions correspond to the changes effected in the text of the regulation and provide clarity and foster harmonisation of all the national laws with the European Union trade mark law.

- Rights conferred by a trade mark (Articles 10 and 11)

ICC comment: Article 10 (2) (a) of the Directive (identical signs and identical goods/services).

From the trade mark owner's perspective, when faced with the strongest form of infringement, it has been sufficient so far to prove an identity of the signs as well as an identity of the goods/services (without the determination of a risk of confusion).

This proposal introduces an additional requirement:

...and where such use affects or is liable to affect the function of the trade mark to guarantee to consumers the origin of the goods or services

At a first glance we can see that in case of an enforcement based on this Article there will be a need for further explanations. Why does the "double identity infringement" need further allegations, which as a general rule should be implied?

At a second glance we see that the draft proposal explicitly refers to one function of the trade mark, namely the origin function. In particular in the last year the ECJ rendered several decisions in which the Court revealed some more functions, e.g. the advertisement function or the quality function. There have been some comments from parties involved in the discussion of the new texts that the authors of this draft share the opinion that this Directive only assumes one function – in intentional deviation from the ECJ's decisions which is surprising. In our opinion the Highest Court in Europe should shape the legislation but here the contrary is proposed. More explanation on this topic is therefore necessary.

ii. **Achieving greater approximation of national trade mark laws and procedures with the aim of making them more consistent with the Community trade mark system, by (a) adding further substantive rules and (b) introducing principal procedural rules into the Directive in accordance with provisions contained in the Regulation:**

ICC comment: The proposal does not address and mandate consistency of decision making including but not limited to the question of assessing inherent or acquired distinctiveness at and within the Agency (to note that the new name does not even include anymore the “Harmonisation” aspect) nor does it deal with these issues at national EU level.

Greater consistency does not require primary legislation but implementation of tools and administrative changes and proceedings, rule making and monitoring policies to secure consistency within the Agency and between the Agency and the National Offices in the EU. This could also include the establishment of a shared database of first filings at the Agency and/or National Office levels with monitoring and rule making standards at the Agency level to secure coherency in the assessment of absolute grounds of refusal.

The more strict a unified assessment in this question will be, the less will the registries be cluttered with very weak or non distinctive trade marks which may not hold the test of distinctiveness in litigation and avoid further inflation of the registries with doubtful trade marks and priority searching.

a) Substantive law

- Absolute grounds for refusal – foreign descriptive terms – Article 4 (2) (a) (b)

ICC comment: The proposal provides for non-registerability on absolute grounds of terms that would be descriptive if translated or transcribed into any script or official language of a member state.

The ECJ decision MATRATZEN-CONCORD (ECJ -Decision dated March 9, 2006 - C-421/04) addressed this issue. In this decision the Court explains:

§24: In fact, to assess whether a national trade mark is devoid of distinctive character or is descriptive of the goods or services in respect of which its registration is sought, it is necessary to take into account the perception of the relevant parties, that is to say in trade and or amongst average consumers of the said goods or services, reasonably well-informed and reasonably observant and circumspect, in the territory in respect of which registration is applied for (see Joined Cases C-108/97 and C-109/97 Windsurfing Chiemsee [1999] ECR I-2779, paragraph 29; Case C-363/99 Koninklijke KPN Nederland [2004] ECR I-1619, paragraph 77; and Case C-218/01 Henkel [2004] ECR I-1725, paragraph 50).

§25...

§26:does not preclude the registration in a Member State, as a national trade mark, of a term borrowed from the language of another Member State in which it is devoid of distinctive character or descriptive of the goods or services in respect of which registration is sought, unless the relevant parties in the Member State in which registration is sought are capable of identifying the meaning of the term.

Therefore, there is already a common understanding between all member states and within the Agency, confirmed by the ECJ in this decision, that should be maintained. There is no reason to deviate from this basic principle.

In addition, the way the proposal is drafted in the Directive is detrimental to small and medium sized companies because it increases the scope of the necessary prior search - and

the costs related thereto – in a disproportioned way. It is also a disrespect of the principle of territoriality applicable to trade marks.

Lastly, there is no regulation on how to handle requests for declarations of invalidity based on absolute grounds, which refer to trade marks applied for before the entry into force of these changes of practice. Even a regulation for a kind of "transition period" would be helpful.

- Trade marks as objects of property (Articles 22, 23, 24, 25, 26 and 27)

ICC comment: Proposals regarding trade marks as objects of property (Articles 22, 23, 24, 25, 26 and 27) are in general acceptable.

Nevertheless, regarding Article 22 (5), ICC is of the opinion that the requirement that the transfer of a mark should be registered before the successor in title could invoke the trade mark right against third parties is unreasonable. Instead, it would be sufficient that the request to register the transfer of the mark in question should be filed and pending within the register before the successor would be able to invoke the right arising from the mark against third parties.

Thus the right holder would be able to invoke its rights the same way in all the member states even if the practices of the trade mark offices would differ from country to country. In addition in Article 26 (3) the term "formal notice" should be clarified. In general it should be enough to use a term "notice" or "written notice" and not "formal notice".

b) Procedural rules

- Designation and classification of goods and services (Article 40)

ICC comment: See comments made before on Article 28 of the Regulation.

- Ex officio examination (Article 41)

ICC comment: ICC supports the abolition of relative grounds examination in the remaining European Union states where it still exists (12 member states).

- Fees (Article 44)

ICC comment: See comments below on Fees.

- Procedure for revocation or declaration of invalidity (Article 47)

ICC comment:

Article 47 (3) states that:

3. The administrative procedure for invalidity shall provide that the trade mark shall be declared invalid at least on the following grounds:

(a) the trade mark should not have been registered because it does not comply with the requirements provided for in Article 4;

Although ICC supports the introduction of the administrative procedure as such, we would appreciate to have a time limit for filing a request for declaration of invalidity based on the absolute grounds mentioned in Article 4. It is in the interest of the trade mark owner that one day he may rely on the valid existence of the trade mark right in question. Therefore we propose to introduce a time limitation of e.g. 5 or 10 years.

Article 47 (4) (a) states that:

4. *The administrative procedure shall provide that at least the following shall be able to file an application for revocation or for a declaration of invalidity:*

(a) in the case of paragraph 2 and of point (a) of paragraph 3, any natural or legal person and any group or body set up for the purpose of representing the interests of manufacturers, producers, suppliers of services, traders or consumers, which under the terms of the law governing it has the capacity to sue in its own name and to be sued;

According to Article 47 of the Directive, Member States need to have an administrative procedure for revocation or declaration of invalidity. These provisions mirror Article 56 of the Regulation regarding the proceedings in the Office in relation to revocation or invalidity of Community trade marks. ICC suggest that a modification is included in Article 47 (4) (a) by limiting the range of entities who can ask for revocation to those having a legitimate interest in order to prevent abuses and to secure national trade mark systems. National offices do not have the same resources as OHIM. Therefore it is necessary to introduce a suitable administrative procedure for national trade marks.

iii. Facilitating cooperation between the offices of the Member States and OHIM for the purpose of promoting convergence of practices and the development of common tools, by putting in place a legal basis for this cooperation.

As a complement to the legal framework for cooperation proposed in the context of the review of the Regulation, Article 52 provides a legal basis to facilitate cooperation between OHIM and the intellectual property offices of the Member States for the purpose of promoting convergence of practices and the development of common tools.

ICC comment: The excellent results of the Convergence Programme show that cooperation between the national offices and Agency will benefit the users of the system and any measure to ensure the continuation of the convergence practices is welcomed.

4. Fees

ICC comment: We welcome the change of the one fee per class practice. This change will mean that the trade mark owners will be more careful when deciding on the list of goods and services.

ICC notes, however, that this change does not imply a real reduction of the application fee for those Applicants that usually file in 3 classes and will continue to do so. ICC would support a real reduction of the application fee irrespective of the number of classes filed.

ICC would further support the reduction of other fees such as the cancellation fee, appeal fee but, most importantly, the renewal fee, that continues to be excessive.

5. Discrepancies in the versions of the documents in the EU official languages

ICC requests that great care is taken when translating the final versions of the documents into the EU official languages, as there may be some discrepancies.

Article 10 (2) (b) recast Directive in the English version is currently different in the French version. In the French version the last sentence “*the likelihood of confusion includes the likelihood of association between the sign and the trade mark*” is missing.

6. Conclusion

The national offices of the EU are taking these changes in a very cautious approach. There is a general feeling of uncertainty, especially among national offices, of the future coexistence of national system and the community system.

ICC defends the maintenance of the dual system for the registration of trade marks (national/community) since it responds to the needs of the business community but strongly supports the proposed harmonization between the two systems.

ICC is pleased to present this paper to the EU Institutions with a strong belief in the benefits of the public consultation of the legislative proposals.

The changes proposed in the March 2013 package represent a major change and revolution in the trade mark registration system in Europe and for this proposal to obtain the necessary and useful support from the stake holders, it is of major importance that these stakeholders play an active role in the process.

ICC also strongly advocates that the users of the European Union Trade Mark system continue to be an active partner of the Agency, namely that the User Associations continue to be called upon to comment, participate and make suggestions on the everyday issues of the European Union Trade Mark so that it remains the success that it has become.

The International Chamber of Commerce

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote open international trade and investment and help business meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the 20th century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice. ICC also offers specialized training and seminars and is an industry-leading publisher of practical and educational reference tools for international business, banking and arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include anti-corruption, banking, the digital economy, telecommunications, marketing ethics, environment and energy, competition policy and intellectual property, among others.

ICC works closely with the United Nations, the World Trade Organization and other intergovernmental forums, including the G20.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with ICC members in their countries to address their concerns and convey to their governments the business views formulated by ICC.



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Policy and Business Practices

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