

# Ten key points about the Study

The European Commission will reveal the findings of its review of trade mark law in the new year. **James Nurton** of Managing IP and **Tove Graulund**, who has been following developments for MARQUES, give you a 10-point cheat sheet

If you have not yet read the 56 pages of the European Commission's tender document, the 290 pages of the report by the Max Planck Institute (MPI) or the 140-page survey of trade mark users by the Allensbach Institute, you may need a reminder of what's happening with trade mark reform in Europe. The European Commission is due to publish its proposals to reform the trade mark system in February next year, following a process that began in September 2008. It was then that EU member states agreed to conduct a study into the system, as part of a compromise agreement on OHIM fees. The MPI was commissioned to carry out the report, which included a survey of users, and this was published in March this year. In the months since then, the Commission has held meetings with trade mark users and others and is carrying out an impact assessment. Users' views, the MPI report, and input from member states, national offices and OHIM will be considered, and will form the basis of the recommendations expected next year.

MARQUES, along with other users' associations such as AIM, INTA and ECTA, has been closely involved in this process at all stages. As the Commission is in the final stages of planning its proposals, now is a good time to reflect on the overall aims of the Study, the recommendations in the Max Planck Report and the context in which they exist. There are 10 key points to consider.

## 1 The background

The study was just one part of the compromise solution agreed between OHIM member states. This compromise addressed the growing budget surplus at OHIM and encompassed a range of measures, including: a (second) reduction in the fee for CTM applications; the establishment of a Cooperation Fund to use some of OHIM's reserves to develop IP services throughout EU member states; a long-term arrangement whereby 50% of CTM renewal fees would be distributed to national offices; and a biannual review of the OHIM budget, including fee levels.

In the light of these substantial reforms, it was natural that the European Commission would also take the opportunity to study the functioning of the CTM system, which was launched in 1996, to see where changes were necessary. It is this study which has been taking place since, and which will almost certainly result in proposals to revise the EU Trade Marks Directive and CTM Regulation next year.

## 2 Users are happy with the system

Following a tender process, the Commission announced in November 2009 that the MPI would conduct the Study into the functioning of the trade mark system. The MPI in turn commissioned the Allensbach Institute to carry out a survey of users.

The year-long review process was thorough, and the Institute received input from OHIM and national offices as well as users groups and trade mark specialists. It led to the publication of a report on March 8 this year, which made a number of findings about the functioning of the system and several specific recommendations.

The key finding of the Report though was that users are generally happy with the CTM system, and no fundamental changes are needed.

## 3 Maintenance of existing routes

The Report found, in line with users' feedback, that the coexistence of three systems – national, Community and international (Madrid System) – is desirable and works well. The Institute examined the three options thoroughly, and concluded that there was a good balance between them, and that they provided all users – large and small – with the opportunity to choose the most suitable protection for their needs.

## One-minute read



The European Commission is conducting a study into the trade mark system in Europe, with fundamental reforms due to be proposed early next year. The plans date back to a September 2008 agreement between member states, and have included an in-depth study by the Max Planck Institute and a detailed survey of trade mark users as well as more general consultation among trade mark users and offices. The work so far has shown that while users are happy with most aspects of the system and the protection options available, there are a number of issues that need to be addressed. These include the question of cluttering of the register, as well as the need for more harmonisation. While it is too soon to say what exactly the Commission will propose, trade mark practitioners need to be prepared now for any changes that are made.

**4 Goods in transit**

One concern that the MPI report highlighted, and which is shared by many users, relates to the treatment of goods in transit through the EU. The Report found that the existing position, whereby goods that are in transit cannot be seized even if they are suspected of being counterfeit, was regarded as unsatisfactory, and it questioned whether the existing law deals effectively with such situations, as Customs authorities are effectively required to turn a blind eye, even to blatantly counterfeit goods, if they are intended for sale in a jurisdiction outside of the EU.

Two cases addressing the seizure of goods in transit, and the interpretation of the EU Regulation on Border Measures, are now before the Court of Justice of the EU. But, regardless of the outcome of those cases, the Report proposed that it be clarified that use in member states includes use in custom-free zones. It also proposed that apart from in specific situations such as in the *Montex/Diesel* case, use of trade marks on goods in transit should fall under Articles 5 of the Trade Marks Directive or 9 of the CTM Regulation if the goods are counterfeit goods in the definition of the TRIPs Agreement, and

**Important issues left out of the Study**

The Study was always intended to be limited in scope, and certain matters have not been addressed either in the Max Planck Report or in the wider consultation. These include:

- 1) Administrative opposition procedures in all member states.
- 2) Administrative cancellation procedures in all member states.
- 3) Abolition of examination on relative grounds.
- 4) Streamlining of conversion and transformation procedures.
- 5) Streamlining of replacements procedures and practices.
- 6) System of precedents.
- 7) Harmonisation of enforcement practice, unfair competition law, design law and customs practices.
- 8) Financial autonomy and self-financing of national offices.

While it is understood that the limited scope of the Study meant that not all the relevant issues could be addressed at this time, many users (including, in its submissions, MARQUES) have argued that these are some issues where clarification and - where relevant - harmonisation are required. Hopefully they will be addressed in the Study or in future work by the Commission and member states.

if they would be infringing in the country of transit and in the country of destination.

**5 Unitary character of the CTM**

Following many discussions about potential problems arising from territorial boundaries and different languages, the report discussed the unitary character of the CTM. Community rights, - trade marks and designs - have equal effect throughout the Community and can be registered, revoked or declared invalid only in respect of the whole Community.

Some commentators had argued that the unitary character of the CTM was no longer tenable in certain respects, for example regarding genuine use. The issue came to the fore last year with a decision by the Benelux office in the *Onel* case, which was followed by a similar decision in Hungary (*City Inn*). In both cases, the authorities found that Community trade marks had not been put to genuine use in the EU as they had been used in only one member state. The *Onel* case was referred to the Court of Justice of the EU, where a decision is awaited.

Nevertheless, in the years since the Study was launched, a consensus has emerged in favour of the unitary char-

**Managing Intellectual Property**

The Global IP Resource



Cases analysed | Laws reviewed | Trends reported  
Key figures interviewed | Markets surveyed | Statistics probed

**START YOUR FREE TRIAL**

Call: +44 (0) 20 7779 8788

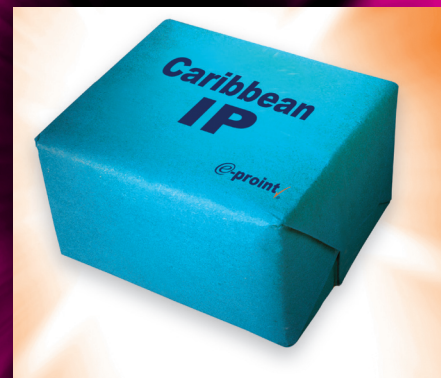
Email: [j\\_davies@euromoneyplc.com](mailto:j_davies@euromoneyplc.com)[www.managingip.com/freetrial](http://www.managingip.com/freetrial)

Corporate or firm-wide deals are available.  
To be set up a 2 week trial contact us today.

WORLDWIDE

FOCUSSED

COMPREHENSIVE



The Whole Package.  
Intellectual Property  
in the Caribbean and beyond...

Caribbean • Central America • South America • Other

**@-point**Vision, Knowledge, Expertise...  
Making IP Simple!

Caribbean Phone: (508) 2256-4260 Fax: (508) 2256-1010  
Web: [www.eprint.com](http://www.eprint.com) Email: [info@eprint.com](mailto:info@eprint.com)  
[caribbeanip@eprint.com](mailto:caribbeanip@eprint.com)

acter of the CTM although (as the MPI Report said) it has to be assessed on a case-by-case basis. This point is therefore no longer controversial; instead, attention has focused more on arguments about cluttering (see below).

**6 OHIM procedures**

The Report and Allensbach survey addressed many aspects of OHIM practice. In particular, it considered recommendations by OHIM that some aspects, such as deadlines, could be changed. Among the procedures discussed were: priority claims;

**Whether and to what extent the register is cluttered is probably the most controversial question**

seniority claims; deadlines, including for oppositions; grounds for opposition' acquired distinctiveness; and disclaimers.

While issues such as what the threshold should be for acquired distinctiveness are likely to remain the focus of debate among academic specialists, and will no doubt be addressed in future cases, it is unlikely that the Commission will recommend major changes to procedures as a result of the Study. Instead, the most likely outcome is that the status quo will remain.

**7 Cluttering**

At this stage, the debate about whether and to what extent the Community trade mark register is cluttered is probably the most controversial question among practitioners in Europe. Some attorneys argue that it has become much more difficult to clear marks, as a result of the growth in applications, the amount of deadwood on the register and the comparatively lenient use requirements.

But others (including MARQUES in its submissions) contend that to the extent that the register is cluttered, this is merely the inevitable result of the increase in cross-border trade and greater use of branding on products: the CTM simply reflects market reality. Following this logic, the answer to the cluttering problem (if you accept it exists) depends on companies, and particularly their marketing departments, working harder to come up with original names, rather than suggestive ones, and on businesses picking their battles when it comes to oppositions and invalidation actions – and being prepared to accept some coexistence.

It is not clear at this stage whether the Commission will recommend any reforms to address concerns about cluttering, but there are at least seven aspects of the system being discussed that could be changed: (1) the criteria for what constitutes genuine use of a Community trade mark, (2) the rule that three classes can be obtained for the price of one when applying for a CTM; (3) the use of full class headings in applications – an issue that is the subject of the IP Translator case before the CJEU; (4) the requirements for evidence of use; (5) whether the grace period in which a mark must be first used should be reduced from five years; (6) the term of the use period; and (7) the appropriate level of distinctiveness. Some of these issues were addressed in the Report, while others (such as distinctiveness) are more likely to be settled on a case-by-case basis in examination.

**8 Transparency**

The main aim of the 2008 compromise solution was to deal with the growing surplus at OHIM. Among the initiatives agreed were the establishment of a Cooperation Fund, which already has a number of harmonisation projects underway, and the proposed distribution of 50% of renewal fees in the future. The Cooperation Fund is now well established and the users have expressed satisfaction with the way the projects of the Fund are run, in particular the spirit of cooperation and transparency.

So far as the distribution of the 50% renewal fees is concerned, users remain hesitant and some are still strongly opposed. Users are demanding that the basic principle must be payment for services rendered and that there must be complete transparency on how, why and when the 50% renewal fees will be distributed. The distribution has the potential to lead to investment in and improvement of national trade mark systems. However, users (including MARQUES) insist that these initiatives must be observable, audited and measurable – meaning they can clearly see how the money is spent and whether value is being delivered. Until the Commission's proposal becomes public, it remains uncertain how the distribution of the 50% renewal fees will be done.

**9 New competencies for OHIM**

Earlier this year, as part of its IP strategy, the European Commission said that OHIM would be given oversight of the Counterfeiting Observatory. This development came alongside the Study, and will have an impact on OHIM's work and indirectly on the CTM. It is also likely that OHIM will take on responsibility for other IP-related issues, such as the maintenance of a database of geographical indications.

OHIM President António Campinos has said he is open to the office taking on extra responsibility in relevant areas, and there is now a reasonable degree of confidence among users that the office will not be distracted from its primary mission if it does so. Initiatives by OHIM, such as inviting observers onto its management boards, have helped to build trust among trade mark users.

**10 Convergence, simplification, harmonisation**

What unites all aspects of the reform programme – the specific proposals in the Report, the Cooperation fund and work with national offices and the OHIM initiatives – is the desire to create greater convergence, simplicity and harmonisation in Europe's trade mark system. OHIM is already planning specific practical projects on top of what is being worked on by the Cooperation Fund, and these will be funded and developed in a similar way. They are likely to be useful for both national offices and trade mark owners.

Users have long called for greater harmonisation in the trade mark area and most will agree on the importance of these priorities, even if debate will continue over their details in the months remaining until the Commission's proposals, and beyond.



Tove Graulund

© 2011. James Nurton is managing editor of **Managing IP** and Tove Graulund is director of **Graulund IP Services** and represents **MARQUES** as an observer on OHIM's Administrative Board

Interview with António Campinos  
May 2011  
Study proposes fee changes  
March 2011  
Five challenges for Campinos  
October 2010  
TM study focuses on cluttering  
June 2010