

Mostly positive: the MARQUES position

We are very pleased that the long wait for the reform package is over and very pleased with many of the proposals. As a whole, the proposals reflect the interests of users; it is only on a few points that we feel the need to take the opposite view.

Generally speaking, MARQUES is keen to see initiatives that promote increased harmonisation. We are thus in favour of the proposal to abolish relative grounds examination. It does not make sense to have different systems in the European Union. On the other hand, it is up to all of us in the IP community to ensure that we communicate very clearly what is included in a trademark registration, what is not and what a young business needs to think of in order to take appropriate precautions.

We are particularly pleased to see the proposals for establishing administrative oppositions and cancellation procedures in all countries. Obviously, the option to go to court should remain open, but it will be a real advantage to have administrative cancellation where a decision will be made by the national office. Almost all countries already have opposition, but 10 countries do not have cancellation procedures.

There has been a lot of discussion about ‘cluttering’ of the registers, and I find that efficient cancellation for non-use is one way of helping to reduce these concerns. The commission has also proposed to reduce the number of classes included in the filing; this may also influence behaviour. Since the costs for three classes have not increased, we support the proposal, but we are happy to note that none of the other ideas that were floated have been taken up.

As mentioned, there are a few elements where we find that we must take a different view. The one that I will highlight here is the proposal that would make it possible for the Office for Harmonisation in the Internal Market (OHIM) surplus to go into the EU budget. The European Commission has stated that the accumulation of a significant surplus must be avoided. This is obviously fully supported by MARQUES. We are also supportive of the commission reviewing fee levels if a significant surplus accumulates – but it is further proposed that if these reviews do not prevent further accumulation of a significant surplus, the surplus will be transferred to the EU budget.

For several years, MARQUES has been a vocal supporter of the financial independence of IP offices. Their budgets should become and remain independent of a state budget, including funding from the state. MARQUES is strongly opposed to transfers of OHIM funds to the EU budget. We would encourage the commission to put forward a proposal for a proper and concrete system for reviewing fee levels.

Tove Graulund, chair of the MARQUES Study Task Force

The potential impact on national offices

In my opinion, perhaps the most important change concerns the proposed new provisions on absolute grounds for refusal, according to which a trademark will also be refused protection where the grounds for non-registrability apply in another member state or in another official language of the European Union. This will significantly change the practice of the national offices. It will be interesting to see how, in their daily practice, they will be able to check applications against all possible grounds for refusal in all member states and all official languages.

This change might also contribute to a (further) decline in the importance of the national trademark systems, as one important reason for filing national marks – the expectation that a

Talking Point: Revision proposals for the EU Community Trademark Regulation and the EU Trademark Directive

On page 72, proposals to revise the EU Community Trademark Regulation and the EU Trademark Directive are examined in detail. Following official publication of the documents, WTR asked a range of European trademark experts for their reaction to the content and their thoughts on the likely impact should the revisions be adopted

Community trademark (CTM) application will be refused because of a possible descriptive meaning in the language of only one or a few member states – will cease to exist. There will also no longer be any meaningful basis for conversions of CTM applications, as the existence of grounds for refusal at the European level almost automatically leads to grounds for refusal in every member state.

The proposed right of trademark owners to prevent the import of infringing goods into the EU customs territory, even if they are not to be released for free circulation there, is also an important change, closing the gap in the protection of trademark owners highlighted in the *Philips/Nokia* judgment of the European Court of



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MARQUES Study Task Force

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Till E Lampel
Harmsen Utescher

The proposed right of trademark owners to prevent the import of infringing goods into the EU customs territory, even if they are not to be released for free circulation there, is also an important change. This will be a significant boost in the fight against trademark piracy, which is to be applauded from the trademark owner's perspective.



Gavan Ferguson
FRKelly

It is proposed that counterfeit goods will be found infringing even if in transit. Trademark rights remain territorial within the European Union, so it is entirely possible that the same trademark may be owned by different entities in different countries. If this proposal is implemented, it will mean that Irish companies (which have no option but to import their goods through EU countries in order to reach the island of Ireland) will be infringing national rights in each of those transit countries.



Ian Starr
D Young & Co

One proposal that intrigues me is the new Article 9(b)(3) – “The court seized of a case may not decide upon the *merits* of the case until the registration [of the mark] has been published” [emphasis added] – is this suggesting that courts could grant interim relief (which is not a ‘merits’ hearing) before registration?

Justice (ECJ) (C-446/09 and C-495/09). This will be a significant boost in the fight against trademark piracy, which is to be applauded from the trademark owner's perspective.

The new provisions prompted by the *IP Translator* case (C-307/10) are another important change. The clarifications in the proposed Articles 28(3) and (5) of the regulation – according to which class headings may be used and are to be interpreted as covering all goods and services covered by their literal meaning – are welcome. However, the proposed Article 28(8) of the regulation – according to which owners of trademarks registered before June 22 2012 may declare that their intention on the date of filing was to seek protection in respect of goods or services beyond those covered by the literal meaning of the class headings – is in my view highly problematic. That provision might allow trademark owners to retroactively expand the scope of protection of their trademarks, and thus runs counter to basic and commonly accepted principles of trademark law.

It also leads to various practical questions, such as whether the relevant trademarks will be re-published and whether there will be new opposition deadlines. This proposal should, in my opinion, be revisited and reassessed.

Finally, the proposal includes welcome confirmation of the ECJ's *Protifit/PROTI* judgment (C-553/11), by clarifying that use of a

trademark in a differing form can constitute genuine use, even if the trademark in the form as used is also registered.

Till E Lampel, partner at Harmsen Utescher

The dangers of a compromised trademark right

The proposals include notable changes that will have an impact on national rights holders. For example, it is proposed that counterfeit goods will be found infringing even if in transit, regardless of the situation in the country of origin or the country of destination (Article 10(5) of the directive/Article 9(5) of the regulation). Trademark rights remain territorial within the European Union, so it is entirely possible that the same trademark may be owned by different entities in different countries. If this proposal is implemented, it will mean that Irish companies (which have no option but to import their goods through EU countries in order to reach the island of Ireland) will be infringing national rights in each of those transit countries.

It is bizarre that the imported goods will not be liable to taxes or other issues of commercial policy in those countries by virtue of the Customs Code, and yet they will be infringing national trademark rights. The European Commission should reconsider this proposal and provide an exception either where there is a limitation of rights



Verena von Bomhard
Hogan Lovells

In my view, the European Commission's proposals are overall very positive, thoroughly considered and courageous. The commission has tried to provide greater clarity on issues where the case law may have given rise to legal uncertainty, while on occasion also opting for correction where the case law seems to have departed from what the legislature intended.

in a particular country or for a defence in the country of transit or destination where the goods may be legal to sell.

It is noted that the 'own name' defence will apply only to personal names (Article 14 of the directive/Article 12(1)(a) of the regulation). This proposal is unhelpful to anyone other than individuals or companies whose names consist of the personal names of their owners. In order to avoid a discrepancy between the defences available in effectively identical scenarios for trademark infringement and/or passing off, it would be preferable to retain the status quo – that is, to allow the possibility for use of a company name to serve as a defence to infringement, subject to such use according with honest practices in industrial and commercial matters.

Lastly, it is proposed to abolish relative grounds examination within member states and thereby limit official examination to absolute grounds (Article 41 of the directive). The Irish Patents Office reviewed these provisions following a consultation process in 2009 and decided to continue with examination based on relative grounds for refusal. It decided that a move to a 'search and notify' system, similar to that of OHIM, would mean that in the absence of a response from a prior rights holder (for whatever reason), the Irish office would end up registering trademarks that failed to perform their fundamental function as required under the Irish Trademarks Act. There would no longer be any guarantee of origin and so the integrity of the Irish register would be compromised. If the proposed change is adopted, rights holders may find themselves in possession of a 'compromised' trademark right.

Gavan Ferguson, partner at FRKelly

Questions over the treatment of parallel imports

I first became involved with the Approximation Directive on Trademarks in the early 1990s, while on a committee considering how to implement it in the United Kingdom. Although the committee was aware of some of the changes to our historical understanding of trademarks (moulded by the 1938 Trademarks Act), few (if any) would have appreciated the quite fundamental differences that the ECJ, in particular, decided the legislation brought about.

It is fair to say that the ECJ's involvement and some of its judgments have not been well received by many trademark practitioners (not least the two-year plus delay that a reference causes). One of the interesting aspects of the proposed changes to

the EU trademark legislation is that the European Commission is trying to clarify and even overturn (in some cases) its decisions.

Counterfeiting has increased very significantly in the last few years, fuelled not just by the rise of the Far East, but also by the Internet. When I first began to do anti-counterfeiting work in the late 1970s, the majority of the counterfeiting was 'home grown'; nowadays it is all mainly imports from Asia. The proposals to do away with the effect of the *Phillips/Nokia* decision (in relation to counterfeit goods being untouchable if they were not entered for free circulation) is to be welcomed, but its extension to parallel imports (while welcomed by brand owners) will raise issues where genuine goods are in transit and yet were never intended to enter the EU market, but another country where parallel imports are allowed.

Similarly, the clarification about the import of goods infringing from commercial suppliers outside the European Union (currently a reference to the ECJ in *Blomqvist v Rolex*) being an infringement is welcome, but the drafting is not restricted to counterfeits and would also include all infringements, and private purchasers of genuine goods may feel aggrieved.

The proposal to restrict the 'own name' defence (in Article 12) to a "personal name" is not one I welcome. In particular, it will disproportionately harm smaller traders, who often do not trade under their own name, but either incorporate their business or enter into partnership using a different name. Few of them register these names as trademarks.

One proposal that intrigues me is the new Article 9(b)(3) – "The court seized of a case may not decide upon the merits of the case until the registration [of the mark] has been published" [emphasis added] – is this suggesting that courts could grant interim relief (which is not a 'merits' hearing) before registration?

Ian Starr, partner at D Young & Co

A non-EU perspective

From a Norwegian perspective – as an introductory remark – attention should be drawn to the fact that Norway is not a member of the European Union and the CTM system. The proposed amendments to EU Directive 2008/95/EC and EU Regulation 207/2009 do not, therefore, have a direct impact on Norwegian trademark legislation. As a member of the European Economic Area (EEA), Norway will have to implement the amendments to the directive when the procedure for their inclusion under the EEA Agreement has been completed.

It appears that the Norwegian Trademark Act is already in line, to a great extent, with the proposed changes. Implementation would therefore involve minor amendments to national legislation, the key differences being as follows:

- Section 14 of the Norwegian Trademark Act – general conditions of registration – requires that the mark be capable of being represented graphically. This section must be modified according to the proposed amendments (Article 3).
- The Norwegian Trademark Act contains no provisions on goods in transit. It is assumed that Norwegian law accords with the *Phillips/Nokia* judgment (C-446/09 and C-495/09), and the proposed changes to the rights conferred by a trademark (Article 10(5)) require an amendment of the law.
- The Norwegian Trademark Act contains no provisions similar to the proposed Article 11. An amendment is thus required for the sake of clarity.
- The proposed rights *in rem* (Article 23) are contrary to current

Norwegian law, according to which IP rights may be used as security only collectively as part of security in the equipment of a business enterprise (to our understanding, this concept is similar to a floating charge). In 2012 the Norwegian Ministry of Justice held a consultation on whether to introduce legislation permitting the use of IP rights as separate security. The consultation was based on a report that the ministry had commissioned from Grette partner Astri M Lund. This report included proposals for legislation that would permit the use of registered rights as separate security, but advised against the introduction of rights *in rem*, except for patents and plant breeders' rights. It also argued that in the case of trademarks, rights *in rem* would not be appropriate, since there would be multiple overlaps with other rights (eg, trademarks established by use, trade names and designs). Further, there is the issue of changes to marks or to their use over time, which would also make the administration of a rights *in rem* based system impractical, complicated and somewhat difficult to rely on.

In conclusion, we agree with the European Commission that it is important to foster innovation and economic growth by making trademark registration systems throughout the internal market more accessible and efficient for businesses, and by facilitating cooperation between the national offices and OHIM. For the reasons mentioned above, however, we do not consider the introduction of rights *in rem* as desirable. With this exception, we support the proposed amendments.

Astri M Lund, Amund Brede Svendsen and Felix Reimers, partners at Grette

Improved clarity a welcome objective

In my view, the European Commission's proposals are overall very positive, thoroughly considered and courageous. The commission has tried to provide greater clarity on issues where the case law may have given rise to legal uncertainty, while on occasion also opting for correction where the case law seems to have departed from what the legislature intended.

The application or priority date of trademarks is given greater importance, including for the question as to when an opponent must prove use in opposition proceedings. There is also a clear rule for when the five-year grace period begins in the case of national and international registrations, which harmonises widely different practices in the member states.

The proposals further clarify some issues relating to genuine use of trademarks, essentially confirming ECJ case law, and contain an interesting and welcome proposal relating to so-called 'intervening rights'. This protects marks that were filed at a time when an earlier mark was unused from an attack based on that same earlier mark once it has been put to use. The current CTM Regulation contains a rule to this effect with respect to cancellation, preventing CTMs from being cancelled on account of an earlier previously unused mark. However, it does not protect the use of the CTM later on. The result can be that the younger CTM cannot be cancelled because of a particular earlier mark, but cannot be used either because of that same earlier mark. The proposed provision – which mirrors existing legislation in Benelux and Germany, and extends to national marks and CTMs – can only be applauded.

There is not enough space to highlight the many other positive points, which include in particular use in transit and use of a mark as a company name, both of which constitute trademark

infringement under the proposals.

On a critical note, the proposal to make double-identity infringement dependent on the origin function of the trademark gives rise to concern. It allows a way out where the current legislation provides for absolute protection. The (amended) fair use provisions, as well as the case law relating to infringing use, allow equitable solutions without having to open a Pandora's Box in the context of the double-identity rule.

Verena von Bomhard, partner at Hogan Lovells

Change overdue, still a way to go

With its new proposals, the European Commission aims to protect trademarks from the risks of counterfeiting while at the same time improving conditions for business.

The unitary CTM procedure in the European Union was created more than 15 years ago, with no further major modifications. This procedure, in particular, remains in force notwithstanding the significant changes in the business environment over the past two decades.

In general, the European Commission has assumed that efforts towards harmonisation during this period have been limited, and that there is inconsistency between the Trademark Directive and the CTM Regulation. In light of the above, the commission's proposal focuses on two principal directions: the EU Trademark Directive and the CTM Regulation.

The commission proposes that the directive be recast, designating the adoption of a new legal act which incorporates the potential previous modifications to a basic act, making new and significant changes. The regulation is also due to be revised and updated, while the new initiative relating to fees aims to rationalise and grant a cheaper way to proceed to CTM registration for companies and owners. Under the proposal, for example, a company will pay only for those classes which it actually needs – if one is enough, the company will pay only for one class, with a significant cost saving.

The proposals aim not to create a completely new system, but rather to better organise and implement existing provisions. If well targeted, the proposals could boost innovation and economic growth, while also ensuring the coexistence of the national and EU trademark systems (thus increasing legal certainty and limiting the risk of lawsuits between economic players).

While the revision process for the fees proposal should be quite fast, the legislative proposals will be sent to the European Parliament and Council for a 'co-decision procedure'. This 'tailor-made' route to the adoption of these proposals – notwithstanding its laudable intent – means that there is still some way to go. The beneficiaries of the new measures – companies and trademark owners – are therefore still waiting, especially in this critical period, for a real package that can lead to effective improvement of the system.

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By Trevor Little