



Tove Graulund

# The ambitious goals of EU Trademark Reform - An Update

An unprecedented surplus, a reluctance to depart from the tried-and-tested ways of old, and confusion over the new rules - Tove Graulund follows up on her 2013 article with an update on EU Trademark Reform today.

**I**n a 2013 issue of this magazine I wrote an article on EU Trademark Reform. It was titled 'An Ambitious Goal', and as the process seems to be coming to an end with the negotiations between the EU Parliament, the Member States and the Commission finishing up, it seems to be a good time to give readers an update and to review the result.

To set the scene, readers should remember that when the Study was started – and this is what we called it back then in 2009 – everyone agreed that the CTM system was working very well, and that there was no reason to rock the boat too much - that only a few adjustments were needed. One might then ask oneself why the whole thing was set in motion, and in my opinion the answer can be found in the surplus that the Office for Harmonization in the Internal Market (OHIM) has accumulated during several years.

Over the years the OHIM has been able to deliver an efficient and very popular product, which has resulted in the dropping of national applications in some Member States. On the one hand the OHIM has not been able – and wisely so - to make the expenses match the income, and on the other hand some National Offices were (and are) concerned about being able to deliver a high quality service to the national filers with the loss of work and staff. In a sense, this situation created a lethal combination of an unwillingness to take steps to bring down the income

of the OHIM by reducing the fees and the surplus that continued to grow.

In fairness, the OHIM fees were in fact reduced both in 2005 and 2009, but it did not solve the dilemma, and the drive for a “balanced budget” in Alicante continued to appear appropriate. In my view, this is the real reason for the reform of the legislation, because as I said, everyone had already agreed that the CTM system was working very well. There are many solutions to the luxury problem of having too much money in an EU institution, and while I may not personally agree that the best way-out has been found, it is with a certain sense of relief that the end is now in sight.

Much to my surprise, I realized that not many users are very interested in the surplus question. I do think that they should be more interested, but first let's look at how the reform might change the daily work of a trademark person filing and managing CTM rights.

## Day to day changes

Some things will change and as with all change, some will be for the better, some for the not-so-good; some big, some smaller; some will already exist in some countries, and some will not. This article will not go into all elements, but let me list some of the more important ones:

- We must say goodbye to the Community Trademark, which will become the European Union Trademark. It will perhaps be abbreviated to the EU TM – we will see, but in this article I will continue to refer to our good friend the CTM.
- Another departure will be the OHIM. The Office will have to change its name to the EU IP Office. Personally I don't see a good reason to change the name. It will be more difficult to tell the new name apart from imposters who issue fraudulent invoices because the new name is purely descriptive and there is nothing special about it. The Commission and the Parliament seem to have missed the purpose of a strong trademark which is to be so distinctive (and strange) that you can easily use it to tell its products apart from those of the competitors. OHIM, OAMI and the other abbreviations were perfect

## Résumé

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Tove is a Life Member of MARQUES and was Chairman of the association from 2001 to 2006. She is a Council Member and is presently Chair of the MARQUES EU Trademark Reform Task Force.

Previously, Tove was head of Corporate IP at Arla Foods, Director Trademarks at Zacco and is now the Principal of Graulund Consulting.

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trademarks, and I am sure that they will be sorely missed by their consumers.

- The CTM fees will be reduced. While this means that it will become less expensive to file an application in one class, but it will be more expensive to file for three classes. However, in view of the fact that the renewal fees will be significantly reduced and come down to the level of the application fees, this is acceptable overall.
- It was proposed that CTM fees were to become due immediately upon filing, not a month later, to prevent the filing of “test applications”. Fortunately, the proposal has not been accepted, and there will still be a month to pay the fees. However, the applicants should note that the examination will not be started until the fees are paid, because the OHIM has had the good sense to change its procedures.
- Unfortunately, the opportunity to make multi-class applications compulsory were missed, and for now Malta and Cyprus will remain single-class countries.
- Another unfortunate step was to insert a rule that says that the applicant is obliged to group the goods and services in accordance with the Nice Classification. Many non-experts, if not all, will have no knowledge of such a thing as the Nice Classification, and it is a shame that the system will become less accessible to the SMEs. We must put our trust in the Offices and ask that they guide all applicants through the process.
- The search of the CTM Register will become optional, and the current search of some national registries will be maintained as an option.
- Amendments have been made to incorporate the IP TRANSLATOR decision on specifications of goods and services, and to provide six months for owners of CTMs which predate the decision to amend their specification. It is very good that the practice will be changed to a system which ‘means what it says’ as it will create more clarity for all users. But these six months will probably result in a flurry of activities which may not all be justified the effort. On the other hand, it is understandable that the legislators found it difficult to disregard the rights of the owners who registered relying on the previous practice of the OHIM.
- The beginning of the five year grace period of use will be made clearer as it will be an obligation for the Offices to enter the actual date in the Register. This is a very good thing for all users.
- The five year term to provide evidence for use in infringement proceedings has also been harmonized and clarified, namely to five years preceding the date of bringing the action forward.
- The Commission did propose and the Parliament did initially agree that relative grounds refusals would be abolished in the 12 member states which still maintain it. However, this excellent opportunity to harmonize an important element of confusion was completely missed, and it will remain optional for Offices to refuse a national application based on prior rights. It is, of course, very nice for the national rights owners to know that their Office is upholding their rights in the administrative procedure. However, in my opinion, it keeps them from knowing and understanding that the procedure is different at the EU level, and that they need to keep watching the published CTM application. The risk is that a competing product could carry confusingly similar marks, and if the CTMs behind are old enough, it may prove to be very difficult to stop their use. This is all theory, of course, but the consequences can be dire, and the lack of clarity is very unhelpful.
- One good thing in relation to the relative grounds refusals is that Offices will be obliged to accept a consent or coexistence agreement between two parties, and this will help when an application is stuck from moving forward to registration when there is no real confusion on the market place and the companies in question do not see a conflict.
- One of the tougher points in the negotiations was the so-called goods-in-transit, although I would prefer to have called it the ‘counterfeits-in-transit’ as this was really what the users wanted to stop. A decent compromise was found, and the rights owners are now to be entitled to prohibit goods in transit, which would be regarded as counterfeit in the Member State where they come under Customs supervision. There is a catch though, namely that the compromise text includes a proviso that this right will be lost if the declarant or owner of the goods proves that the proprietor would not be able to prevent the goods being put on the market in the country of final destination. This may cause some difficult navigation in the future, but it was clearly the only way to find a compromise between the Member States.
- Another noteworthy item is that the EU certification mark will be introduced which will complement the existing EU collective

Table showing the current and new fee structures

|                 |                             | (€) Current      | (€) New       |
|-----------------|-----------------------------|------------------|---------------|
| Application fee |                             | 900 (3 classes)  | 850 (1 class) |
| Class fees      | 2nd class                   | --               | 50            |
|                 | 3rd class                   | --               | 150           |
|                 | 4th and subsequent classes  | 150              | 150           |
| Total amounts   | Application fee (1 class)   | 900              | 850           |
|                 | Application fee (2 classes) | 900              | 900           |
|                 | Application fee (3 classes) | 900              | 1050          |
| Renewal fee     |                             | 1350 (3 classes) | 850 (1 class) |
| Class fees      | 2nd class                   | --               | 50            |
|                 | 3rd class                   | --               | 150           |
|                 | 4th and subsequent classes  | 400              | 150           |
| Total amounts   | Renewal fee (1 class)       | 1350             | 850           |
|                 | Renewal fee (2 classes)     | 1350             | 900           |
|                 | Renewal fee (3 classes)     | 1350             | 1050          |



mark. I am not sure how big the take-up will be, but it is always good to have options and to be able to choose the one that is best suited for the business.

- I have saved the best for last. All National Offices must offer administrative opposition and cancellation procedures. This will mean that a business that is looking to clear a new name will not be forced to go to court to have an old and perhaps unused trademark cancelled. Taking a matter to court will still be an option, but it will be much faster and much less expensive to take the administrative route. It is a great win, especially for the smaller businesses. It is a bit sad that some Member States asked for seven years to implement this new procedure, but hopefully it will be possible for most to do it a lot faster. It is the perfect opportunity to start a cooperation project at the OHIM so that the Offices who already offer these procedures could share their experiences and best practices. There is no reason for each Office to develop its own way of doing things when the procedures could be harmonized from the outset, and a lot of time could be saved by sharing information and know-how.

### Surplus review

Coming back to the OHIM, the cooperation between the National Offices and the OHIM continues to be encouraged. The projects to promote convergence of practices and tools will be funded through the OHIM's budget by a sum of up to 15% of its yearly revenue. The projects must be beneficial for undertakings using the trademark systems in Europe, and the OHIM must consult with user representatives particularly during the phases of definition of the projects and evaluation of their results.

Furthermore, readers will remember that the Member States were asking for 50% of the renewal fees. This has changed now, which is probably also why the users were successful in having the renewal fees reduced. In order to keep OHIM's budget in balance (i.e. to not have an accumulation of surplus in the future) a so-called 'offsetting mechanism' will be put in place. The offsetting mechanism is meant to offset the costs incurred by the National Offices (including the Benelux Office) as a result of specific tasks which they carry out as functional parts of the EU trademark system in the context of the following services and procedures:

- Oppositions and invalidity procedures involving CTMs.
- Provision of information on the CTM.
- Enforcement of CTMs.

The offsetting shall correspond to 5% of the yearly revenue (i.e. the fees paid by the users and not calculated based on the actual yearly surplus). However, if there is a surplus, the offsetting may be put up to a maximum 10% of the yearly revenue. Finally, if an accumulation



of a significant surplus continues for five years, a transfer to the EU budget may be decided.

One may like this or not, but the fact is that not only do the large majority of users not seem to care too much – perhaps because they assume that they will not be listened to – but in addition to this nobody has been able to put forward a really realistic solution to the luxury problem of the surplus. So at the end of the day, in my humble opinion, it is better that the money is put to good use in places where it is needed. One would hope that the National Offices who do need help to raise the awareness of IP and innovation and the good that it does for society will receive their allotted portion in full. The very big concern is that the funds resulting from the offsetting mechanism will disappear into the national budget of each Member State, especially in those Member States where the Office is not financially independent. The user organizations and the National Offices have a joint interest in working together to ensure that the funds go towards benefitting the work that is done for trademarks and designs at a national level.

Even though the end is in sight, the work is not all done. The legal experts at Commission have been polishing up the language after the political agreement, and the translators are still busy translating the documents into all official languages of the EU. The EU Parliament and the Council will then need to adopt the new Directive and Regulation before the two are published. Then, and only then, will the clock start to tick for the implementation periods. The regulation will enter into force 90 days after its publication, but there will be further work to do for the Commission, namely the delegated acts that will need to be adopted before these provisions can be implemented. The Directive will enter into force 20 days after its publication, and then Member States will have three years to transpose the Directive into their national laws, except for the mentioned seven years for the administrative invalidations and revocation procedures.

Hopefully, the entry-into-force will come early next year.

*For background information and to keep up to date on future developments, visit: <http://www.marques.org/eutrademarkreform> and <http://www.inta.org/Advocacy/Pages/EuropeanUnionTrademarkSystem.aspx>*

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