What is the future for fees?

Debates about what to do with OHIM's budget surplus have thrown up questions about everything from the role of national offices to the purpose of registration fees. **Tove Graulund**, a trade mark user who has been involved in many of these discussions, addresses some of the most commonly asked questions

Since its opening in 1996, the Community trade marks and designs office has been an unprecedented success, with applications filed ahead of many expectations. The result has been the accumulation of a budget surplus, leading to debates about how that surplus should be used. At the end of last year, the European Commission proposed that the money effectively be returned to users through a rebalancing of fees for the CTM – the second time in recent years that a fee cut has been proposed. While the proposal to set up an automatic review of fees was rejected by member states, a one-off reduction is due come into effect.

That proposal led to a debate in Europe about the purpose of application and registration fees, the impact of changes in the fee structure on applicants' behaviour and the role of national offices. While most users have welcomed cheaper applications (provided standards of service are maintained and investment is not cut back) other users, as well as some representatives of national offices, have voiced concerns about the potential impact of changes in the fee structure. This debate has come against the background of similar questions being asked in relation to patents filed in national offices in Europe, worksharing and offices' relationship with the European Patent Office.

MIP has been following this debate regularly over the past year, and recognizes that while the fee changes have been approved, many questions about their potential impact remain obscure or controversial. In the interests of furthering understanding and open discussion, we asked Tove Graulund, who has been active in representing trade mark users' views over several years in her capacity as chair of MARQUES, to address some of the commonly asked questions regarding changes in fees and their impact.

We invite anyone (whether user, practitioner or representative of an IP office) who has points to add to this debate, or who disagrees with any of the arguments made here, to send their comments, marked "for publication" to mip@managingip.com. A selection of views will be published in the October issue.

National offices

What is the role of the IP offices in Europe, are they fulfilling that role and how could they fulfil it better?

It is, I think for obvious reasons, difficult to give a short answer to this question. The role is to respond to the needs of users while at the same time remaining responsible for the role of IP in society, which is to protect the creations of individuals to benefit progress. This means that they need to give to users in an efficient and cost-effective manner, while not giving too much: only protecting where protection is deserved.

When I started in IP back in the 1980s, I remember that some offices seemed to consider the users as an obstacle that was making their jobs difficult. That has changed completely, and most offices understand that the users are their clients who basically pay their salary. However, it is clear that some offices are not doing the best job simply because they do not have the proper resources to hand.

What do you think of diversion of fees from national patent and trade mark offices (NPTOs) to national budgets?

In my mind this is not logical. I know that it happens in too many countries, but I cannot see why the NPTOs have to struggle to fulfil the push from users for improved services and keep enough funds for promoting the benefits of IP and then at the same time fight to keep the income that they have from fees. I know of offices that are not able to keep their qualified staff because they cannot pay proper salaries and must stand by and watch their people go into private practice. And this is because the fees go to the national budgets and end up paying for activities completely unrelated to IP. Other offices struggle to respond to an increase in filings and are hamstrung by the fact that they are not able to hire more people because the number of staff is included in the law, and changing the law may be politically impossible or very slow. It does nothing for the progress of society, it is not good for national users and it is unfair to foreign users. I know that this can be considered as a Westerner's luxury perspective, but countries need to understand that protecting IP is working towards progress and creating jobs.

Some governments need to recognize that their PTOs need to be modernized, for instance by creating a searchable electronic database and by moving to e-business. To make this possible governments need to make the PTO fully independent so that the PTO management can make their own financial planning towards achieving this result with full control over income and expenditure.

Has the CTM increased the workload at the NPTOs? Would outsourcing of work to some NPTOs from EPO, OHIM and other NPTOs be a solution?

Most European offices have not seen any decline in national filings, so there has not been a decrease. Nor has there been an increase in workload as a result of the CTM except in countries where applications are examined for relative grounds. In those countries there has been an increase without any financial compensation. But you cannot really blame the CTM or OHIM for that. The decision not to have relative grounds in Alicante, which was made many years ago, created the situation. The countries in question need to consider dropping relative grounds as well. Some people say that offices have much more work because they have to explain what the CTM is to

local users, but I find it hard to believe that it can have increased very much – maybe in the days just before and after 1996, but not now.

I am not a patent specialist, but I know that there is already some outsourcing of work from the EPO to national offices. If I understand correctly, it is done to avoid duplication of work, and also to ensure top-quality patent expertise in member states to further technical innovation locally. This seems to make sense. Based on this, outsourcing of patent work from one NPTO to the other should not happen, but more advanced offices offering assistance to set up efficient offices in other countries is good. When it comes to trade marks, however, the same reasoning does not work. The European Patent Convention and the Community trade mark are completely different animals legally and otherwise, and examination done at OHIM works well. I can see no advantage in outsourcing this type of work to NPTOs.

Would diversion of the OHIM surplus to NPTOs be a solution? What about creating a front office/back office relationship between the NPTOs and OHIM?

No, diversion of OHIM surplus to NPTOs is not a solution. While users definitely want to see NPTOs keep all of their own funds, users see nothing but disadvantages in sending money from Alicante to NPTOs. All offices need to show that they can compete in this new trade mark environment that we have had in the EU for more than 10 years now. OHIM is doing a very good job and apart from the CTM making business sense in many cases, the fact that OHIM is run in an efficient manner also makes the CTM attractive. There is a situation of free competition, and under these conditions you need to prove yourself. There is still a need for national rights, be it directly or through WIPO, so NPTOs that are run well need have no concerns at all. Many of them do a very good job as it is.

I have heard talk about a front and back office operation with the NPTOs in the front and OHIM in the back, if I have understood it correctly. But I do not see what the purpose would be, and it sounds like a way for national offices to get to the OHIM surplus.

Users see the NPTOs and OHIM as completely independent entities and have a close dialogue with both parties about their functioning.

OHIM surplus

What should be done with OHIM's surplus? Do you consider the measures adopted at the last discussions of reduction of OHIM fees useful?

Many good people have wracked their brains to come up with initiatives that are good, and users appreciate projects that give benefits back to them. Some very good projects are being worked on at the moment. Users look forward to the Euro Register which sounds like a good plan that users will be actively pushing to see finished and launched. Also the Euroclass project and continued investment in improving the electronic tools such as My Page and e-renewal are useful and OHIM should continue to have a budget for new tools in the future.

At the last discussion of the Commission's proposal to reduce fees, objections from NPTOs resulted in the so-called cooperation agreement. A certain amount of flux of money towards the NPTOs was created, but users do not want to see this increased nor that any of the other projects are used to generate income for the NPTOs. As I said before, users are absolutely against diversion at any level.

Some say that part of the surplus needs to go to the courts who have to uphold the CTM rights, but I have never heard this argument before in connection with for instance patent fees or International Registrations – maybe because there is no surplus at the EPO or at WIPO. Diversion in this manner would be against Community law in any case.

So apart from investing in electronic improvements and obviously continued attention to efficiency and quality and a solid, responsible financial condition, I see no way of keeping the surplus at a balanced level other than lowering the fees.

Users fully supported the Commission's proposal for an automatic review of OHIM fees. Why it was not accepted by member states remains unclear, especially since member states are fully represented in the Administrative as well as Budget Committee of OHIM, so I do not understand their concerns about an annual procedure. It is quite normal in any business to set your prices when you make your budget every year according to last year's result and expected income for the next year.

Some say that you should not just pay for the work involved in processing an application, but rather for the value of the registration that you get. Do you agree? When you get a trade mark registration, what is that you get?

No, I do not agree. The people who say this forget that a registration is not written in stone. It is a piece of paper that you can use to try to stop someone from copying your product. But you really do not know if the registration will hold up until you have a court decision. I know that this sounds quite exaggerated, and you do feel quite sure of the right in many cases. But still, it is no more than a piece of paper – very useful, yes, but not 100% secure.

The other thing is that there is no recognized formula for valuing an IP right, so how can you possibly be asked to pay for the value – a value that may change up and down over time. It should not be forgotten that it can be quite costly to protect your trade mark in the market. You have to keep on your toes to manage your right internally, you have to keep a watching service for confusingly similar marks in application procedure and you have to follow through with oppositions. You have to keep a watch for infringements and you have to follow that through with costly court cases or expensive settlements. So it is not too much to ask that a registration procedure is conducted in as cost-effective and reliable a manner as possible.

What about looking at the big picture and the quality of work before reducing OHIM fees?

Yes, I have heard this too. Some NPTOs talk about the big picture that needs to be considered, but I do not understand what they mean. Maybe they feel that there is some sort of connection between themselves and OHIM – I am not quite sure. The NPTOs live in an environment of competition in the sense that there are different routes for protecting trade marks, and it is of course difficult for some to accept this after years and years of monopoly. But businesses still need national protection, and the CTM is not always the best route for many different reasons, so they will continue to have an important part to play.

The new buzzword seems to be quality, but again I am not too sure what it means. Some NPTOs criticize OHIM for lack of quality, but users would disagree, or at least feel that this a topic that users will talk to OHIM directly about. It is obvious to users that quality needs to be high at any office, but it sometimes sounds as if some are looking for excuses not to lower the fees.

Would you prefer applications to be examined for both absolute grounds and relative grounds?

A good question that somehow relates to the quality issue – and not easy at all to find a good answer. On the one hand you

would want the registration certificates to be more than paper, but on the other hand market realities such as counterfeiting demand speedy examination. In a way it would be really nice to have relative grounds included, but it is an illusion and completely unrealistic at this point. When you have it nationally, it slows the process down. When you have to seek consent from companies that do not exist or that have not used their mark for four-and-a-half years, it seems silly. Just thinking of having it in the CTM procedure makes you feel overwhelmed. It would be frightfully slow for OHIM to search 25 registries and in reality it would not add any value. Obviously, as a result there are many oppositions at OHIM, but most of them are settled amicably, and business really just want to avoid unnecessary problems if there is no real conflict on the marketplace. It puts an onus on companies, and SMEs need to understand that they must have a watch running. But on balance I prefer the system without relative grounds. As it turns out, businesses are quite capable of dealing with the issues in a pragmatic manner.

How do you feel about the national searches for CTM applications becoming optional in 2008?

What can I say? I feel good about it. These searches did not represent any value in the first place. Searching is vital, but is done before filing. You have to be certain of your selection of trade mark before you print packaging, brochures etc and you cannot possibly wait for a search that is done months after you started selling. So typically these searches represented no value and held up the registration process for no reason. I have heard that some NPTOs are not happy that they will be losing the income, but the NPTOs need to offer services that users need and not something that does not add value. Instead they should actively support the Euro Register project that will make pre-filing searches easier. Applicants who are lucky enough to have a long time to select their new trade mark still have the option of using the facility, so it is all good.

What do you think will happen when OHIM fees are reduced again?

We have a saying: it is easy to make predictions, except about the future! Some say that if the fees are reduced, there will just be more applications, and then the surplus will go up again, and the fees will have to be reduced again. The NPTOs will become useless, and it will be impossible to find a new trade mark because there is always something blocking, and we will go from bad to worse.

I believe that businesses like to keep their money, and when they spend it, they want to spend it on something useful. I do not think that filings will increase, and I certainly hope that businesses will exhibit some ethics before they use the systems to block free competition. I honestly do not believe that this will happen, not by serious businesses that really hold up the foundations of our society.

You register a trade mark when you need it. You do not refile after five years' non-use just to keep it. Either you need a trade mark or you do not, and when you do, you spend the money. If not, then you spend your money on something more useful. It goes without saying that we need courts to uphold this principle – and clearly by now, we need a good ECJ decision on use requirements for CTMs.

Some say that the CTM is too wide a right. Do you believe that there should be restrictions on the possibility to apply, for instance by proving the size of the applicant and market relevance?

I am not sure where this is coming from, but I have heard it before. While it is true that full availability searching and clearing of new marks have become more complicated in Europe, I do not think that this would be the right solution. We have the common market, and the CTM fits the thinking of the common market. I do not think that it would be appropriate for some authority to decide whether you deserve to be selling on the common market. In any case, it will self-regulate. Business will file CTMs when they need to. If not, they will file nationally or if they only need part of the EU, they will use the International Registration system.

National, CTM and Madrid systems

Some say that rather than lower OHIM fees, we must first study the complementarity of the national, CTM and the IR systems. Do you agree?

Complementarity is a weird and new word that has come up recently. Coexistence is much more appropriate. Users do not mind studies of how the three different routes function, but there is no reason for holding up the reduction – a conclusion that the Council of Ministers also came to. Users are assuming that the studies that member states are requesting the Commission to undertake are meant to clarify areas for improving services, for increasing efficiency and for reducing costs. Users believe that OHIM must remain independent. From the users' perspective, it is simple, and not complementary. There are three different routes for registering trade marks in Europe: national, CTM and IR, and a business will make its choice on the basis of the business needs, simple as that.

Madrid fees going to NPTOs for Agreement designations are very low – are they too low? How do you feel about the cross-subsidisation from national applications to Agreement applications? In light of the situation of the NPTOs, do you consider the option for Individual Fees in the Madrid Protocol more appropriate?

This topic was discussed rather intensely at a WIPO Working Group meeting recently. It is of course good when applicants pay low fees, but it is concerning when a fee does not cover the cost of paying the service. It is up to an office to set the fees for the different services at an appropriate level, and I am sure that there is an amount of cross-subsidization between for instance applications and renewals, which is not wrong. But it is concerning when a company filing one sort of application is subsidizing another company which is filing an application using a different entry point, when in the end they get the same right. To be honest, I do not think that it is right and from this perspective the low Agreement fees are wrong.

Users are also looking to improve the IR system, and it would be better if companies are contributing in the same way. The point that some users have pushed is that if you pay individual fees, that is almost the same as a national filing fee, then you need to get the same level of service as a national filing. Companies paying Agreement fees may expect to get the same treatment as users paying Individual fees under the Protocol, but it is difficult to persuade NPTOs to give the service users want, if users are not willing to pay. So yes, on that basis Individual fees seem to make sense. But only, of course, if users get value for money.

Relevance to users

Some talk about the cluttering of the trade mark registries. Do you see this as a problem? If so, what would be the solution?

Yes, this has been touched on. It is becoming difficult to conduct clearing searches in Europe. But let's face it; there is always a downside to something good.

We need a clear decision from the ECJ on use requirements for a CTM: is use in one member state enough, or does it have to be in a "market" as some say. We need a clear decision on class headings – whether they cover the entire class or not, and in what way will your list of goods be limited to reflect actual use. We need to know because this will have a self-regulating effect. When you know that you cannot win, you will be friendlier to an approach from another company, and you will file less oppositions and generally act differently.

Possible solutions might be not to include three classes in the first fee. The concept of intent-to-use could also be considered, but that seems a difficult road to go down. Some have mentioned filing proof of use at renewal, but that would hugely increase the workload at OHIM without creating much value – simple declarations of use without actual proof might be more manageable. In the end direct contact with a CTM owner is much more efficient. Obviously, a cancellation action must run efficiently and reliably through OHIM.

I think that most EU businesses understand that when you launch a product with a new trade mark, you always take a chance on a certain level. So clearing searches has become a matter of risk management.

Generally speaking, what are the fees in your opinion – fees or taxes?

By taxes I suppose that you mean that the money is going to the state and not to the NPTO. In many countries the payments go to the state which then grants a budget to the NPTO that has no relation to the amounts paid by users. I prefer to call them fees that would belong to the NPTO. Diversion can never be good for any long-term thinking as it makes is impossible for NPTOs to respond to changes in the market.

Businesses pay a fee to get a service. If there is a surplus, then it belongs to the users and should be given back to users somehow.

If member states believe that we are paying taxes and not fees, they should say so.

Generally speaking then, who do you feel that the money belongs to?

To the businesses that put the money down in the first place. Just imagine diversion of OHIM fees to NPTOs who in turn have their fees diverted into the national budget. I wonder how governments and applicants from outside the EU would feel about this.

But I do not think that it will come to this. We have serious and hard-working NPTOs who run a very good show, and who listen to users and to common sense. We just need more transparency in the discussions and that officials include users in the talks. Users should respond by acting in the interest of all businesses, and we should all think out of the box.

Do you agree with the views expressed here?

Are you a trade mark owner, attorney, examiner or other interested party in these discussions? Next month, MIP will publish responses to this article. If you have a view you would like to include, please email mip@managingip.com and include your name and contact details.

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