

# Managing Intellectual Property

The Global IP Resource

## WELCOME TO THE EUROPEAN TRADE MARK

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**After five years of consultation and preparation, Europe has a set of final proposals to modernise its trade mark system. They have been welcomed as clear and sensible, but the issues are so wide-ranging that some changes will inevitably cause problems. James Nurton and Simon Crompton**



It's taken a long time, but the proposals for reforming the trade mark system in Europe have finally been seen. The results are not as controversial as they could have been, but still propose some fundamental changes to the Community trade mark and EU law.

The European Commission undertook a series of consultations on the EU trade mark system, including talking to user groups, to national offices, and commissioning a report from the Max Planck Institute in 2009. That report was handed in in 2010, but not released until March 2011. Much of the industry's attention focused on the Institute's 300 pages of proposals, which included some debatable points about cluttering, genuine use and coexistence of marks.

The Commission was supposed to issue its proposals in October 2011. Several things put that back, including cases such as *IP Translator*, which jumped ahead of proposals to harmonise the treatment of class headings across national offices.

Managing IP saw the Commission's draft proposals at the beginning of February, and they have been widely circulated among trade mark groups. But they are not final and are not expected to be published officially until around Easter.

A Commission spokesperson would only confirm that the proposals had not yet been published and there would be no comment on any leaks. An OHIM spokesperson equally said the Office could not comment on the drafts before they are officially published. Once the Commission's proposals are published, there is expected to be further consultation. They will have to be approved by EU member states before they can come into effect.

The proposals contain some headline-grabbing changes like renaming the pan-EU right the European trade mark, rather than Community trade mark, and some fairly fundamental amendments to the law. Here's what they could mean for trade mark owners.

## FIVE ISSUES FOR TRADE MARK APPLICANTS TO CONSIDER

Assuming the draft proposals become finalised without significant changes, here are five strategic questions that trade mark applicants and their advisers will have to consider when the reforms come into effect:

1. Do you want protection in one class (or two) rather than three? Applying for protection in only one class will save you €125 per mark. Renewing in only one class saves €250 per mark. Are these worthwhile savings or would you be more confident seeking broader coverage?
2. Are your watching services thorough and appropriate for your needs? Trade mark watching will become even more important with the abolition of relative grounds examination and national searches. Are you happy that your provider offers full and detailed coverage?
3. Are you prepared to oppose? Opposition procedures will become mandatory in all EU national offices, as will administrative cancellation actions, and it will also become easier to file third-party observations at OHIM. Are you or your representatives familiar with procedures and timings and are your budgets in place?
4. Will you file national marks? Since 1996, many big applicants have steadily shifted from national applications to CTMs and there's no reason that trend would change. But will greater harmonisation of procedures make filing nationally a little bit easier and should it be considered in any of your cases?
5. Do you know about certification marks? It's unlikely most CTM owners are familiar with

certification marks, and most will be happy to remain ignorant. But the introduction of European certification marks may mean that applicants in certain industries will need to take more care to be sure their rights do not overlap.

## Changes to the Directive

The proposals split into three sections: those for the EU Trade Marks Directive; the Community Trade Mark Regulation; and the Fees Regulation (see box overleaf).

The biggest changes under the Directive are that national trade mark offices will have to abandon examination on relative grounds and introduce opposition and invalidation procedures, if they do not already have them.

The Commission proposes that the ex officio examination of trade mark applications be confined to absolute grounds. It says that relative grounds examination creates several unnecessary barriers to registration and causes legal uncertainty. This involves changing Article 41 of the Directive.

There is no substantive examination at OHIM or in most national offices in Europe. However, some national offices have retained it, including Sweden and Portugal.

The draft proposals also require EU member states to provide an efficient and expeditious opposition procedure, and an administrative procedure to challenge the validity of a trade mark registration (Articles 45 and 47). In addition, it clarifies that non-use is a defence against opposition and invalidation proceedings (Articles 46 and 48).

Most EU member states already have oppositions (Italy recently introduced them), but not all have administrative invalidation procedures. The Benelux office, for example, is only expected to introduce them this year.

There has long been tension between OHIM and the national offices around the EU, and any controversy is likely to be around points such as these being imposed on the offices, or previously voluntary articles being made mandatory. There will also be an understandable fear that the new ETM will become much more attractive to foreign brand owners, making the national offices increasingly redundant.

## Changes to the Regulation

The proposals for the CTM Regulation include changing Community trade marks to European trade marks (ETMs) and renaming OHIM the European Union Trade Marks and Designs Agency.

They also propose introducing certification marks, removing the requirement for graphical representation of an ETM, and shifting the burden of proof in goods-in-transit cases to the holder of the goods.

The Regulation changes can be summarised as:

- A requirement for graphical representation to be replaced by "represented in a manner which enables the competent authorities and the public to determine the precise subject of the protection afforded to its proprietor" (Article 4). The Commission believes this will provide more flexibility, while retaining legal certainty for applications such as sound marks.

- The use of general terms of the Nice Classification to cover all goods or services clearly covered by the literal meaning of the term (Article 28). This implements the recent *IP Translator* decision.
- Burden of proof in cases where there is suspicion that goods in transit will be placed on the EU market to be switched to the holder of the goods from the trade mark owner (Article 9). The Commission says this is the only workable solution to the issues arising in the Philips and Nokia transshipment cases.
- The option to file ETMs at national offices to be abolished (Article 25).
- The one-month period for payment of application fees to be abolished (Article 27).
- National searches to be abolished (Articles 38 and 155).
- Third parties to be able to file observations immediately (Article 40).
- Various changes to be made to rights conferred by an ETM, regarding rights conferred without prejudice to prior rights, use as a trade or company name, use in comparative advertising and consignments from commercial suppliers (Article 9).
- Introduction of certification marks (Article 74b to 74k). The Commission says this will fill a gap at the EU Level.

## LOWER FEES

The European Commission is proposing to slash both the costs of applying for and renewing trade marks. But it will also end the practice whereby applicants get protection in three classes for the price of one.

The Commission proposes changing Fees Regulation 2869/95 to reduce the cost of applying for a CTM in one class from €1050 to €925, with the cost of filing online reduced from €900 to €775, or €725 if the online classification database is used.

But in what is likely to be an attempt to address criticisms that the CTM registry is becoming cluttered, applicants will no longer be able to get protection in three classes for the standard price. Instead, they will have to pay an extra €50 for a second class and €75 for a third class.

The same principle will apply to renewals, with the cost coming down to €1150 (or €1000 for electronic filing) for the first class, but new charges of €100 for the second class and €150 for the third class. There are also reductions proposed for applying for and renewing collective marks, with renewal fees coming down significantly.

"We argued that the current fee for protection in three classes should not be changed, and the Commission has agreed with that," says Tove Graulund. "It seems like a good solution, which addresses both concerns over cluttering and applicants' needs to keep costs low. We are also pleased to see renewal costs being lowered."

See the table opposite for a full list of the current and proposed fees.

OHIM now receives more than 100,000 CTM applications a year and has hundreds of millions of euros in the bank. CTM fees were last reduced in 2009. Since then, some of the surplus money has been spent on cooperation projects involving OHIM and national offices in Europe.

<b>Individual marks</b>	<b>Current fee €</b>	<b>Proposed fee €</b>
Basic fee	1050	925

Basic fee – e-filing	900	775
Basic fee – e-filing using online classification database	n/a	725
Fee for second class of goods/services	n/a	50
Fee for third class of goods/services	n/a	75
Fee for each class of goods/services exceeding three	150	150
Basic fee – renewal	1500	1150
Basic fee – renewal – electronic	1350	1000
Renewal – second class of goods/services	n/a	100
Renewal – third class of goods/services	n/a	150
Renewal – each class exceeding three	400	300

<b>Collective marks</b>	<b>Current fee €</b>	<b>Proposed fee €</b>
Basic fee	1800	1000
Basic fee – electronic filing and online classification database	n/a	950
Fee for second class of goods/services	n/a	50
Fee for third class of goods/services	n/a	75
Fee for each class of goods/services exceeding three	300	150
Basic fee – renewal	3000	1275
Renewal – second class of goods/services	n/a	100
Renewal – third class of goods/services	n/a	150
Renewal – each class exceeding three	800	300

## **Faster and more modern**

Many of the changes indicate a desire by the Commission to centralise and streamline trade mark practice in Europe. For example, the growth in e-filing of marks means that it has become less necessary for applicants to be able to go through their national office. Moving everything to OHIM, and therefore encouraging even more filing online, will cut costs and speed up the application process.

"This is about the Commission and OHIM catching up with developments in trade marks and creating a much more attractive, modern system," says Kate Swaine at Wragge & Co in London. "Even renaming the right and OHIM itself point towards making the European system easier to understand and more attractive to foreign brand owners."

She also points out that removing the one-month period for paying fees will remove the practice of test applications. At present brand owners can file a trade mark and gauge reaction to it, but

withdraw it before the end of the month if they want and not pay a fee. Removing that possibility will be one more thing that will speed the process up.

Abolishing the requirement for a graphical representation is an obvious step to modernise the system, and will have the greatest impact on sound marks. "It recognises the fact that much of the process now takes place online, and there's no reason that sound files can't be included. We no longer have to include the silly sonograms that no one could read," says Verena von Bomhard, partner of Hogan Lovells in Alicante.

Other ways in which the process will be streamlined include dropping relative grounds of examination, which isn't performed by many existing member states but is in new member states in eastern Europe. And revocation actions will now be compulsory at trade mark offices, saving money in those member states where court proceedings are still required.

"Abolishing relative grounds in all the national offices makes complete sense. Most offices including OHIM do not examine on relative grounds now and it only complicates things for applicants to have two different systems in Europe," says Tove Graulund of Graulund IP in Denmark, who has followed the reforms closely on behalf of European trade mark association MARQUES.

Annette Kur from the Max Planck Institute warned that there may be opposition to this, however, as "the user survey undertaken in the course of our study showed that ex-officio examination is evaluated positively by a good part of proprietors and agents". Kur was speaking in her private capacity and not on behalf of the Institute.

Will trade mark owners take on more of the responsibility for policing the system though? "Yes, I think this is a possible concern. Renewal fees may be lower but more monitoring will be required, given the increased speed of filings and instant observations," says Swaine.

Von Bomhard disagrees, however: "For most sophisticated jurisdictions this is how things already work. It's always been the case in Germany, for example, and remember you are speaking to a German lawyer, even if I'm now in Spain. Everyone uses monitoring systems and they will appreciate how much more efficient things will now be."

One thing was made very clear in the Commission proposals: it expects them to be budget-neutral, so the drop in fees will be offset by cost savings in switching some of the burden to holders of prior rights.

## HOW DO NATIONAL OFFICES VARY?

**Examination on relative grounds:** 12 of the 25 national offices conduct ex-officio examination on relative grounds – Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia and Sweden. Sweden recently reviewed its law and decided to retain relative grounds examination.

**Oppositions:** all member states except Malta have an opposition system, after Austria and Italy recently introduced them. However, oppositions in Bulgaria and Estonia are limited.

**Cancellation:** the offices in Benelux, Estonia, Finland, France, Lithuania, Malta, Romania, Slovenia, Spain and Sweden do not provide administrative cancellation proceedings. Italy does, but only following a court request. The Benelux office is planning to introduce a cancellation

procedure.

*Source: Max Planck report (published 2011)*

## Sensible and independent proposals

Overall, many IP practitioners have reacted very positively to the proposals.

Tove Graulund says: "The latest draft of the proposals looks very good and well prepared. There are a lot of things brand owners will be very happy about." MARQUES and other IP associations had called for many of the reforms, including the abolition of national searches and the changes to the graphical representation requirement. "We have got much of what we wanted," says Graulund.

Kur was "positively surprised" that many of the substantive proposals from the Max Planck report were taken on board, "not least the proposals for further harmonization, where the Commission goes even further than what we considered appropriate".

Trade mark owners and applicants will also probably be reassured that the Commission is not proposing changes to fundamental aspects of the system such as the periods for use (five years), renewal (10 years) and opposition (three months).

"I've been really impressed with the tone," says von Bomhard, who compares the latest draft favourably with the more conservative Max Planck report. "They are clear, straightforward and aren't afraid to set out what the Commission thinks is right, even if it contradicts the Court of Justice [of the EU]."

One area in which the proposals go against the Court of Justice is fair use of a trade mark, where the *Anheuser-Busch* and *Céline* decisions had said that the principle applies to both personal and company names. "That didn't make any sense, because a company name is freely chosen," says von Bomhard. The reform proposals state that only personal names will be included under fair use, though there is also a general referential exemption as well.

Elsewhere, implementing *IP Translator* on classification of trade marks will be welcome, given that the law was entirely silent on classification previously. And while shifting the burden of proof in transshipment cases entirely onto the owner of the goods is obviously better for brand owners, most agree with the Commission that it is the only workable solution. "Previously you had to prove a negative, which is always that much harder," comments Swaine.

One proposal that comes in for particular criticism is securing registration for marks with acquired distinctiveness. "We would strongly recommend that the date of application, not a later date, should be the determining date by which an applicant should be obliged to provide evidence of acquired distinctiveness," says Dawn Franklin, chairman of the AIM trade mark committee.

Despite admirable quality throughout, the impact of some proposed changes will only become clear over time, however. These include a raft of amendments on bad faith, intervening rights, geographical indications and comparative advertising, as well as the introduction of certification marks.

"Overall, I think the most profound legal change will be the greater emphasis on the priority date. Everything will now revolve around this," concludes von Bomhard. "For example, there is a

clarification that the use of an earlier right cannot be prohibited. That sounds pretty sensible, but it wasn't in the law. There was no rule that you couldn't claim infringement based on use of a right with an earlier priority date. It will be interesting to see how English judges deal with this in passing-off cases."

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