

Brussels, 24 June 2013

**Reform of the European Trade Mark system –  
ECTA’s preliminary comments on the Proposal for a Regulation of  
the European Parliament and of the Council amending Council  
Regulation (EC) No 207/2009 on the Community trade mark<sup>1</sup> and on  
the Proposal for amending the Directive 2008/95/EC to approximate  
the laws of the Member States relating to trade marks<sup>2</sup>**

On 27 March 2013, the European Commission presented a package of initiatives to make trade mark registration systems all over the European Union “*cheaper, quicker, more reliable and predictable*”. The proposed reform intends to create better conditions for businesses to innovate and to benefit from more effective trade mark protection against counterfeits, including fake goods in transit through the EU's territory.

The proposed package contains three initiatives:

1. Recast of the 1989 Directive (now codified as 2008/95/EC) approximating the laws of the Member States relating to trade marks (The Directive)
2. Revision of the 1994 Regulation (now codified as 207/2009/EC) on the Community trade mark (The Regulation); and
3. Revision of the 1995 Commission Regulation (2869/95) on the fees payable to OHIM (The Fee Regulation).

The recast of the Directive and revision of the Community Trade mark Regulation are legislative proposals to be adopted by the European Parliament and the Council under the co-decision procedure. Currently the proposals have been submitted to the European Parliament and Cecilia WIKSTRÖM, Swedish Member of the European Parliament, was appointed as rapporteur on 26 April 2013.

ECTA welcomes the Commission’s decision to revise the current legislation. Although both Directive and Community Trade Mark Regulation were particularly well drafted and have endured remarkably well, the economic context has changed and it is necessary to give the European Union trade mark laws which may better reflect these changes and provide EU companies with efficient instruments to stay competitive in the global market.

The texts of the Proposal for a Regulation and Proposal for a Directive were extensively reviewed by various ECTA Committees, particularly the Law, Anti-counterfeiting, GI and

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<sup>1</sup>[http://www.europarl.europa.eu/registre/docs\\_autres\\_institutions/commission\\_europeenne/com/2013/0161/COM\\_COM%282013%290161\\_EN.pdf](http://www.europarl.europa.eu/registre/docs_autres_institutions/commission_europeenne/com/2013/0161/COM_COM%282013%290161_EN.pdf)



European Communities Trade Mark Association

Harmonization Committees, together more than 150 trade mark law practitioners from private practice, industry and academic environment.

The **Executive Summary** reviews some of the most important aspects presented in the Commission's proposals and condenses the **Substantive Analysis**, available through ECTA Secretariat.

ECTA has grouped 16 concerns herein below, while many appreciations and some further concerns and objections can be derived from the Substantive Analysis, if so required. Apart from that ECTA welcomes many of the proposals, such as the codification of GIs and traditional terms in Art. 7(1)(j), (k) CTMR, introduction of Certification Marks in Art. 74(b) – 74 (k), stronger cooperation among offices (Art. 123 CTMR, Art. 52, 53 TMD) and many others.

ECTA is supporting the Legislative Package as a whole and urges all concerned parties to come to a final wording which will guarantee a revised trade mark law which is capable to cope with the challenges of the future and will serve the people of the European Union in the best way possible.

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<sup>2</sup><http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0162:FIN:EN:PDF>

## **Executive Summary**

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## A. Prosecution Matters

Preliminary remark: ECTA considers the use of the term "European" as being incorrect since not all European countries belong to the European Union. ECTA therefore proposes to use the term "Union" instead. Hence "European Union Trade Mark", "European Union Trade Mark Regulation", "European Union Intellectual Property Office" etc. The Commission has proposed a similar terminology for the OHIM (European Union Trade Mark and Design Agency).

### **1. Signs of which a trade mark may consist (Art. 4 CTMR / Art. 3 TMD)**

The new articles should allow future methods of representation for unconventional / non-traditional trade marks. This is appreciated. It can be assumed that without the requirement of graphic representation more and different kinds of trade marks can obtain legal protection, leading to a more comprehensive protection of innovative ideas.

However, the new wording could lead the way to registration of marks which might be extremely difficult to search and to enforce like 'smell' marks, where for instance one may use descriptions involving chemical formulae and the like which would not be easily understandable by neither the Offices nor the public. Neither officials nor other traders should be expected to have to consider such matters when seeking clearance of a new mark. Similar problems arose with color marks, but with the adoption of the international color code, the problem could be cleared.

As held by the Court of Justice of the European Union (hereinafter 'CJEU') in the principal decision '*Sieckmann*', the representation of a trade mark must be clear, precise, self-contained, easily accessible, intelligible, durable and objective. This has to be codified more clearly; otherwise the public will be confronted with uncertainty.

### **2. Absolute Grounds of Refusal (Art. 4 (2) TMD)**

National offices shall apply grounds of refusal which are valid in other member states. This is generally desirable, especially for the free trade of any so marked goods and services throughout the EU but seems to exceed the capabilities of national offices. National trade marks are often filed because there are grounds of refusals in other member states. The function of a national mark is not the same as the function of a CTM; it needs to function as a trade mark only in one Member State, not all of them. It would not be fair to deprive an undertaking of a right to his mark in the country in which he is trading under that mark solely because the word which forms his mark might not function as a trade mark in another country of the EU.

### **3. Classification of goods and services (Art. 28 CTMR / Art. 40 TMD)**

Clarity as to the level of detail in the identification and (hopefully) uniform use of the Nice system throughout the Union is of key importance, in particular since there are some differences in local interpretation of the effects of the IP Translator case, as well as different interpretations of the Nice classification.

The proposed articles in both the Directive and the Regulation codify almost verbatim the IP Translator decision, which seems a wise choice although there are a number of issues, especially with the new §8 (for new filings it is hard to predict which problems may arise, but on a balance ECTA thinks they will be limited).

First of all, ECTA considers that clarifications regarding the set of the date for 22 June 2012 are necessary, given that the IP Translator decision was delivered on 19 June 2012.

Second, ECTA would like to understand how the principles of clarity and precision can be observed in the case that a proprietor of a CTM registered earlier than the set date may claim protection of the *“goods or services beyond those covered by the literal meaning of the heading of that class, provided that the goods or services so designated are included in the alphabetical list for that class of the edition of the Nice classification in force at the date of filing.”* There is an inherent contradiction between §2 and §8 which seemingly cannot be resolved.

Furthermore, ECTA notes that in reality the problem of existing registrations is a temporary problem which will resolve itself in a few years. Indeed, all existing registrations granted before 22 June 2007, were -at that date- subject to proof of use and thus also liable to revocation, and the current draft has also explicitly provided for intervening rights. Therefore, to provide a blank protection does not seem justified, also considering that the Nice classification has changed during time and might no longer reflect the real interests of the registrant.

ECTA is also concerned about how the Office will handle the number of incoming declarations, and what this means in terms of legal security.

Finally ECTA notes that these Articles do not address the problem of already claimed seniorities/priorities, as well as ignores the issue of lists consisting in a long alphabetical list of a class; this practice creates a lot of problems. In the first place, due to the large scope of protection it creates a lot of concern to earlier trade mark owners, increases the work of watching, and may oblige to file more oppositions. In the second place, it gives a very wide scope of protection to the owners of these CTM's for a long period (5 years) not being open to challenge for lack of use.

ECTA believes that for the quite relevant issues of protection/enforcement and legal certainty, these articles should be reconsidered.

#### **4. Absolute grounds objections (in particular, EU and non-EU languages) and deletion of disclaimers (Art. 37(2) CTMR)**

Although it codifies OHIM's common practice that disclaimers are not used, ECTA is opposed to the deletion. The use of the disclaimers is to the benefit of the legal certainty of third parties. The Commission rather than proposing to eliminate this possibility, should insist the Office to make more use of it.

#### **5. Abolition of the ex officio examination on relative grounds (Art. 41 TMD)**

The ex officio examination on relative grounds still exists in 12 Member States. The abolition of this practice would therefore have a big impact.

While the abolition would clearly lead to more harmonization and is thus generally welcomed, it also has to be pointed out that industry, particularly SMEs, in many countries very much relies on this practice, partly also for financial reasons. For example, ex officio examination on relative grounds was about to be abolished in Sweden a few years ago, but the industry representatives argued heavily for keeping this practice and were successful.

Although the searches conducted by the National Offices might not be as comprehensive as full availability searches done by trade mark attorneys, it would still be helpful if applicants and owners of earlier rights were made aware of possible grounds of objections.

ECTA is of the opinion that abolition of ex officio examination on relative grounds should not be made mandatory but if made then the following amendment to Article 41 TMD should be added:

*"... provided that they may carry out searches of earlier trade marks for the purpose of notifying the applicant and others about the existence of earlier trade marks that might be relevant to the application."*

#### **6. Signs which are not distinctive (Art. 14 (1) (b) TMD)**

The provision seems to be unnecessary as if a sign is used which is not distinctive, it will not be used 'as a trade mark'. Therefore, there is no infringement pursuant to

Article 10 and you will not come to the question of a limitation of the proprietor's rights pursuant to Article 14.

Further, the provision also seems to be problematic, for instance in case where a proprietor tries to prevent use of the sign by a third party which is identical to its registered trade mark. Third party invokes new Article 14 (1) (b) and claims that the – identical – sign is not distinctive. This, logically, means that the registered trade mark is not distinctive. A court accepting this overrules the decision of the registration authority which granted registration to the – allegedly non distinctive – sign. Solution: third party has to have the trade mark declared invalid (Article 4 (1) (b) NEW Directive).

### **7. Regulations governing use of the collective mark (Arts. 31, 33, 34 TMD)**

- **Art. 31:** Considering the purposes of the regulations and the consequences of their amendments (see intra), the regulations should be published or anyhow made available to the public. Sanctions need to be defined. It may also be difficult to specify the persons authorised to use the mark as they may change on a regular basis. It may be better to provide that access should be provided to the list of members.
- **Art. 33:** It seems unusual that use by one person entitled to use the collective mark would be sufficient particularly when the whole point of a collective mark is to protect a mark that can be used by a number of entities/individuals.
- **Art. 34:** Considering the purposes of the regulations and the consequences of their amendments (see intra), the regulations should be published or anyhow made available to the public.

### **8. Relative grounds for refusal or invalidity (Art. 5 (3) (a) TMD).**

The new mandatory provision extends the relative grounds for refusal or invalidity to trade marks which are identical or similar to earlier national trade marks with reputation even if this reputation exists only in another Member State.

In the Explanatory Memorandum it is stated that Article 5 shall ensure that in all Member States national trade marks with reputation enjoy the same level of protection as the one afforded to Community trade marks.

To our opinion this is not justifiable. Why should a trade mark with reputation only in one Member State have such extended protection in all other Member States where it is maybe not even used, let alone known? As stated above with regard to Art. 4 (2), such provision seems to be contrary to the principle of territoriality.

Furthermore, this extension of protection would pose considerable risks and costs for applicants of subsequent national trade marks. In addition to the usual searches they would also have to investigate whether the trade mark might be identical with or similar to an earlier trade mark with reputation in any of the currently 27 Member States. The risk of invalidity would also hit the owners of already existing national trade marks.

## **B. Enforcement Matters**

### **9. New bad faith opposition ground (Art. 8.3.b CTMR)**

Art. 8.3.b introduces an additional ground for protection of non-EU marks, even where such are not 'well-known'. Such provision would put proprietors of trade marks protected outside of the EU in a more favorable position than those within the EU. Indeed, there is no justification and the comments in the 12th recital, i.e. "*It is appropriate to make the dishonest appropriation of trade marks more difficult by extending the possibilities to oppose European trade mark applications filed in bad faith*" do not explain why the bad faith is a ground for opposition when the right is from outside the EU, but not when it is from inside the EU.

### **10. Rights conferred by a trade mark (Art. 9 CTMR and Art. 10 TMD)**

There are several aspects of Art. 9, which need careful consideration, namely:

- **Art. 9.1** The first aspect is that the Commission missed an opportunity to properly define what "to own" a trade mark implies. The original CTM Regulation, and the current proposed draft Regulation, clearly treat trade marks as objects of property. The First Directive, being narrower in its scope, did not do this, but the proposed Second Directive does include (Articles 22 – 27) provisions which are essentially the same as those of the Regulation (now Articles 16-22). Trade marks, and also applications for registration of trade marks, are also treated as objects of property in some treaties, notably the European Convention of Human Rights and the EU Charter of Fundamental Rights. Yet nowhere (in the Directive or the draft Regulation), is there any provision that says clearly that registration of a trade mark carries with it a right to use the mark, contrary to the Community Design Regulation (Article 19). The proposition that registration only gives an 'exclusive' right, that is the right to prevent third parties from using the same or a similar mark, and not an actual right to use the mark, is out of date and inconsistent with the acceptance that a registered mark is a right of property. ECTA believes that the revision of the European Union Trade Mark system is an opportunity to



rectify this and a provision which clearly states so would be welcomed and would be consistent with Article 20 of TRIPS.

- **Art. 9(2)(a)** The addition of another factor to the double identity rule does not seem enough justified and would reverse the case law of the CJEU which recognized that the advertising, communication, and investment function of marks would deserve protection. The underlying problem was analyzed in detail by the Max Planck Institute (MPI) report which had proposed to clarify in the Preamble that the injury occasioned when the mark is used not for the goods or services of the third party but for those of the proprietor – in cases of comparative advertising, for example, or in exhaustion cases – is different from the damage where the third party uses the mark for his own goods or services. To balance the interests, additions to Article 12 of the Regulation (fair use) were suggested, but the draft is silent on this point.
  
- **Art. 9(3)(d)** The draft has decided to overrule the own name defense for companies set by the CJEU in its case law. There is no explanation why there should be a difference between individuals and legal persons and this provision seems discriminatory.

**Regarding Art. 9 (4) and (5)** ECTA would like to make the following comments:

- **Art. 9.4** covers importation where only the consignor is acting for commercial purposes.
  
- **Art. 9.5** appears to be a clear-cut provision, overcoming difficulties arising from recent CJEU rulings, such as in *Nokia* and *Philips*.

ECTA welcomes the provisions of Art. 9 (4) and (5) and the prospect of taking more effective action against counterfeit and infringing goods.

**As regards 9(4)**, ECTA welcomes the clarification that right-holders can prevent imports of counterfeit goods where only the consignor acts for commercial purposes. As a matter of fact, the sale of infringing goods via internet websites based outside of the EU causes considerable damage to law-abiding manufacturers, traders and right-holders, as well as deceiving and in some cases endangering the health and safety of consumers. ECTA, which appreciates that stakeholders' requirements were taken into consideration, also notes that Art 9(4) could also be relied upon to prevent parallel imports.

**As regards Art 9(5)**, the proposal to allow right-holders to oppose the transit of counterfeit goods in the context of a commercial activity even when the goods are not released for free circulation within the EU is welcomed. In practice, traffickers abuse the transit status of counterfeit goods to leak them into the EU market.

ECTA commends the Commission's proposal because it establishes a discipline which addresses concerns and issues which are so far unresolved. ECTA nonetheless believes that to be sure that in the end a fair and balanced rule, which takes into account all interests, is adopted, the proposed text requires further careful consideration as follows:-

- a. Whether the application of Art 9(4), in practice, should be limited to counterfeit goods and provide adequate protection for the privacy of individual consumers.
- b. Whether the application of Art 9(5), in practice, should be limited to counterfeit goods, as defined in footnote 14 under Art 51 of the TRIPS Agreement.

**11. Geographical scope of CTM, use obligation and lack of codification (Art.15 CTMR / Art. 16 TMD)**

The legislative package simply amends this article to codify a principle (i.e. *that use of the European trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, regardless of whether or not the trade mark in the form as used is also registered*) which matters only for a couple of countries which had differing internal legislations. Regrettably the draft instead does not make any changes regarding the territorial scope of genuine use of a European Trade Mark. While for other issues the legislative package did take into account (or disregarded) some CJEU's decisions, the Commission left out the findings by the CJEU in the Leno Marken case (C-194/11) dealing with the geographic scope, an issue which – like the class heading issue – is among the top most contentious issues and there is hardly any doubt that the lack of any consideration would greatly affect the predictability of outcomes which seemingly was and is among the most prominent goals that the legislative package sought to obtain.

ECTA does not believe that the solution presented by the Commission, which is basically to say that it is better to leave the status quo, which is that genuine use is decided on a case by case basis, is acceptable. This attitude would prolong a situation of legal uncertainty which no one really wants (especially SMEs) and believes that the draft should either make an express statement that use in one Member State is sufficient, or propose a different standard.

The pros of the former are that it is a simple, clear, easy way to dispatch of the issue once and for all. The cons are that it flies in the face of what the CJEU said in Leno Marken, given that the Court clearly held that territorial borders of the Member States are irrelevant and on the other, at §50, seems to have also indicated that absent exceptional circumstances use in one country is not sufficient: "*Whilst there is admittedly some justification for thinking that a Community trade mark should –*

*because it enjoys more extensive territorial protection than a national trade mark – be used in a larger area than the territory of a single Member State in order for the use to be regarded as ‘genuine use’, it cannot be ruled out that, in certain circumstances, the market for the goods or services for which a Community trade mark has been registered is in fact restricted to the territory of a single Member State. In such a case, use of the Community trade mark on that territory might satisfy the conditions both for genuine use of a Community trade mark and for genuine use of a national trade mark*. Now, by reading this sentence in reverse, it seems arguable that the CJEU says that while it is possible (it cannot be ruled out, i.e. but it could) that when the market for the goods or services for which a Community trade mark has been registered is in fact restricted to the territory of a single Member State, the use of the Community trade mark on that territory might satisfy the conditions both for genuine use of a Community trade mark and for genuine use of a national trade mark”, when the market for the goods or services for which a Community trade mark has been registered is not in fact restricted to the territory of a single Member State, use will not be sufficient. Therefore the Commission could very well adopt the language of paragraph 50 (in the same way it adopted almost verbatim the language of several parts of the IP Translator’s decision) which would have the advantage of instantaneously get rid of thousands (if not hundreds of thousand) CTM registrations which now clutter the Registry and would shift the burden to the registrant to show (in an opposition or revocation action) that *“the market for the goods or services for which a Community trade mark has been registered is not in fact restricted to the territory of a single Member State”*.

## **12. Limitation of the effects of a trade mark – (Art. 12 CTMR)**

The draft describes more at length the situations under which fair use may be pledged. It also provides additional standards for determining what is or not in accordance with *“honest practices”*, and possibly introduces a *“de minimis”* rule (like in the US) for the use of third party’s registered trade marks.

The abolition of the own name’s defense for companies does not find any real justification. The reasons provided in recital 25, i.e. *“in order to create equal conditions for trade names and trade marks in case of conflicts against the background that trade names are regularly granted unrestricted protection against later trade marks, such use should be considered to include the use of one’s own personal name only”* are predicated upon *“an unrestricted protection”* which is unproven. In addition, it is questionable whether or not it was necessary to codify what is or is not in accordance with *“honest practices”*, given that these situations are fact dependent and therefore should be left to fact finding bodies, i.e. Courts.

### **13. Non-use as defence in opposition proceedings (Article 46 (1) TMD)**

The principle that a trade mark on which an opposition is based must not be liable to revocation is naturally approved. However, the proposed provision does not clearly indicate the time frame in which such trade marks subject to obligation of use must have been used. In order to be consistent with the proposed provisions of Article 48, Article 46 should also provide a time frame for the proof of use and it should be the same as in Article 48.

The provision seems therefore incomplete.

## **C. Financial Matters**

### **14. OHIM Surplus (Article 144 (2) CTMR) and financial support to national trade mark offices (Article 123c (4) CTMR)**

ECTA is deeply concerned with Article 144 §2 of this article and in particular with the sentence *“If this review does not lead to a reduction or modification in the level of fees which has the effect of preventing the further accumulation of a significant surplus, the surplus accumulated after the review shall be transferred to the budget of the Union”*.

This is another fundamental change to the system of funding registrations by paying fees. It has in fact already been changed in the Regulation (as it has been in fact in the past) to a legal obligation to pay fees which are then used to finance other offices (and this continues to be a questionable approach, criticized by many users). However to go even a step further giving the Commission the power to review and to effectively and without any review take away funds which were paid by the users gravely affects the complete financial autonomy which the Office had in the past, without any apparent justification (the more so, in light of the expanding duties which have been given to the Agency). ECTA hopes this paragraph is reconsidered OHIM shall rather divert the money to where is useful for the trade mark system so that the surplus will not exceed a certain amount.

## **D. Legal Matters**

### **15. Increase of use of delegated powers by the Commission (namely Articles 24a, 35a, 45a, 49a, 57a, 65a, 74a, 74k, 93a, 114a, 144a, 161a) and especially art. 163a**

ECTA notes with preoccupation that the legislative package all too often delegates to the Commission the power to effectively legislate in many areas of the new CTM regulation and Directive. While it is true that in some minor areas this delegation may be the fastest and most effective way to deal with minutia, the frequency with which

entire sectors are left to the unchecked and absolutely non-transparent internal procedures of the Commission is not a welcome development. On the contrary, many of these areas concern practical issues where a dialogue among all interested parties, users and their association included, should be sought.

**16. Independence of Board of Appeals in light of new powers of Chair of the Boards of Appeal (art. 136 CTMR)**

ECTA appreciates that it is now clearly stated that the President and the Chairpersons as well as the Members of the Boards shall not be removed, rather than “MAY not” as in the previous version. In addition, ECTA believes that linking the reappointment to a positive evaluation by the Administrative Board is an important feature.

On the other hand, ECTA fears that subjecting the reappointment of the Chairpersons/Members to a favorable opinion by the President of the Boards of Appeal is highly risky. The President could potentially cause members not “in line” with the President’s policies to be removed. There seems to be no mechanism for appealing that “opinion”. This also undermines the independence of the members as laid down in Art. 136 (7). The performance review should be conducted only by the Administrative Board.

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