

## **International Trademark Association**

### **Comments on the Proposed Revisions to the EU Community Trade Mark Regulation and Trade Marks Directive**

**17 June 2013**

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## Introduction

INTA has been closely following and engaged in the European Commission's review of the overall functioning of the EU trademark systems. This review consisted of several years of study, consultation and analysis, and resulted in the recent proposals to update and improve the Community Trade Mark Regulation (CTMR) and Trade Marks Directive (TMD). INTA has been grateful for the opportunity to participate in and contribute to many stages of this review.

INTA very much supports the Commission's goal to make trademark registration systems throughout the European Union more accessible and efficient and to promote coexistence and complementarity of the systems. We are pleased to see these goals well reflected in the draft legislation.

Overall, INTA agrees with the majority of the Commission's proposals, which include further harmonization of law and practice, and greater cooperation between EU national offices and OHIM. These proposals go beyond the current legislative scope, harmonizing not only provisions of substantive law but also procedural rules. This is a welcome step, particularly as the EU trademark system has evolved significantly since its inception.

The proposals for the CTMR and TMD cover a broad range of issues, many of which our association considers to be high priority. These include:

- OHIM's surplus and fees
- Counterfeit goods in transit
- Classification
- Territorial requirements for genuine use of a CTM
- Signs of which a trademark may consist
- Protection of trademarks with reputation
- Administrative invalidity and revocation procedures

Our comments and recommendations are arranged according the following themes:

- I. OHIM Finances, Governance and Tasks
- II. Anticounterfeiting Provisions
- III. Substantive Issue
- IV. Office Practices and Procedures

## I) OHIM Finances, Governance and Tasks

### OHIM Surplus and Fees

CTMR Article 144(2) and Recital 43 note that the “accumulation of significant budget surpluses should be avoided”, which INTA supports. However, we recommend that in the process of considering OHIM’s finances, careful attention be paid to OHIM’s efficiency, quality of review and services to users.

Article 144(2) also mentions the Commission’s review of the fees. We are highly concerned by the subsequent statement which says *“If this review does not lead to a reduction or modification in the level of fees which has the effect of preventing the further accumulating of a significant surplus, the surplus accumulated after the review shall be transferred to the budget of the Union”*. INTA is fundamentally opposed to any such transfer, which poses the risk that trademark owners would pay high fees to subsidize other activities of the European Union. We have long held that user-generated fees must be used specifically for trademark-related purposes, and not diverted to fund expenditures unrelated to the European Union trademark system. Accordingly, INTA maintains that OHIM’s financial independence is absolutely essential to its ability to continue delivering quality and efficient services.

Moreover, INTA believes that CTMR Article 144(2) also lacks precision, since the reference to a “significant” surplus is not defined. Clearly, a surplus needs to be maintained as a bulwark against unanticipated contingencies, but what would constitute a “significant” surplus?

We note that the 2012 Joint Statement of the European Parliament, Council of the EU and the European Commission on Decentralised Agencies<sup>1</sup> (paragraph 38) states that *“for self-financed agencies, fees should be set at a realistic level to avoid the accumulation of significant surpluses.”* Interestingly, the Commission's Roadmap refers to the surplus issue, providing that, by the third quarter of 2013, the Commission will *“produce an analytical paper to investigate the treatment of surplus, including the possible creation of a ring fenced fund.”* We look forward to the results of this analysis.

***Recommendation: Recital 43 and CTMR Article 144(2) should be maintained, but a definition of the term “significant” should be added. The reference to the transfer of the remaining significant surplus to the EU budget should be deleted. A mandatory reduction in the level of fees in case of a recurrent surplus should be added.***

Regarding fees, INTA believes that the reduction of the number of classes covered by the CTM application fee from 3 classes to 1 class and the new corresponding fee structure may

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<sup>1</sup> Following a 3-year review of the functioning of the agencies, the Parliament, Council and Commission issued a Joint Statement last July announcing the overhaul in the governance of agencies to make them more coherent, effective and accountable (see [Press Release](#) and [Joint Statement](#)). Although the Joint Statement is not itself legally binding, the Commission has produced a [Roadmap](#) outlining how it will implement these principles within the legal framework of each of the agencies.

play a role in helping to balance OHIM's budget. In our 2011 submission<sup>2</sup> to the Commission following the publication of the Max Planck Institute's report, we suggested that if it was determined that a CTM application should cover only 1 class rather than 3 classes, then the application fee should be reduced to reflect this change. We are pleased to see this reflected in the fees structure suggested by the Commission<sup>3</sup>. Additionally, we said that EU national offices should adopt the same practice in order to achieve harmonization across the EU, which is reflected now in TMD Article 44.

However, there is one area of OHIM's fee structure that we feel has yet to be rectified, as we reiterate our long-held view that CTM renewal fees should be no higher than the CTM application fee.

***Recommendation: The CTM renewal fee should not be higher than the application fee.***

### **OHIM Funding of Cooperation Activities with EU National Offices**

CTMR Article 123(c) stipulates that instead of the 50% of CTM renewal fees that were proposed to be diverted to EU national offices (as determined in the 2008 Joint Meeting Conclusions of the OHIM Administrative Board and Budget Committee), up to 10% of OHIM's yearly budget will be transferred to national offices in the form of grants to finance cooperation projects, for reasons outlined in the Impact Assessment. INTA supports this proposal contingent upon the funds being directly tied to specific trademark-related cooperation projects. This would ensure that the funds, derived by fees paid by trademark owners, will be used for defined projects coordinated by OHIM that are closely related to the protection and promotion of trademarks and designs. However, as raised in our 2008 response<sup>4</sup> to the Joint Meeting Conclusions, the legislative language should be sufficiently flexible to permit periodic review of this diversion so that alterations can be made to this arrangement should the financial situation of the Office change.

We note that Article 123(4) states that "*financial support may take the form of grants.*" As the Impact Assessment identifies grants as the most appropriate means of carrying out such financing (as opposed to distribution keys or public procurement), INTA therefore suggests replacing "may" with "shall" in the above-mentioned text.

We believe that the financing of joint OHIM-national cooperation initiatives should be clear, efficient and transparent. Accordingly, we are concerned that it is the office representatives of the EU Member States' national patent and trademark offices who are voting on these decisions in the Budget Committee, and that grants can be awarded without calls for proposals. This seems to present a conflict.

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<sup>2</sup> <http://www.inta.org/Advocacy/Documents/June222011.pdf>

<sup>3</sup> As seen in the Frequently Asked Questions paper from the Commission ([http://europa.eu/rapid/press-release\\_MEMO-13-291\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-13-291_en.htm?locale=en)) and the Impact Assessment page 52.

<sup>4</sup> <http://www.inta.org/Advocacy/Documents/INTA's%20Response%20to%20Dr.%20Fröhlinger%20re%20the%20Joint%20Meeting%20Conclusions,%20October%202008.pdf>

We appreciate that users' groups have played a constructive role in these projects to date, such as those developed within the Cooperation Fund and Convergence Programme, and we hope that we will continue to be able to participate in these initiatives.

***Recommendation: We support the proposal for 10% of OHIM yearly income to be diverted to the National offices through grants for cooperation projects on trademarks, though there should be wording in the legislation to allow flexibility should the Office's financial situation change. As the Impact Assessment identifies grants as the most appropriate means of carrying out such financing (as opposed to distribution keys or public procurement), we therefore suggest replacing "may" with "shall" in Article 123(4).***

***There should be explicit references to the user's role and continued participation within OHIM and its Cooperation Fund and Convergence Programme projects. The possibility of conflicts of interest should be considered regarding the process by which the EU national offices are able to take decisions on money/funds that are ultimately transferred to their own budgets.***

### **Executive Board of the Management Board**

In addition to powers transferred from OHIM to the Commission via delegated acts, CTMR Article 127b(2)(c) and 127b(3) appear to limit the independence of OHIM by increasing the oversight by the Management Board (currently known as the Administrative Board) and the proposed Executive Board over the management of OHIM. INTA is concerned that this provision may result in too much political control over OHIM and create conflicts of interests.

CTMR Article 127b(2)(c) enhances the functions of the Management Board and also presents the option to establish a new layer of administration - the "*Executive Board*" of the Management Board – to assist and advise OHIM's Executive Director (currently "President") in the implementation of the decisions of the Management Board, with a view to reinforcing supervision of administrative management. The Executive Board shall be composed of one representative of the European Commission and four members of the Management Board (i. e. representatives of EU Member States). The Commission representative shall "*operate and be more closely involved in the monitoring of the Agency's activities, with a view to reinforcing supervision of administrative and budgetary management, in particular on audit matters.*"

INTA believes that an increase in influence of the Commission and Member States on the day-to-day business of OHIM may lead to less transparency. Over the past few years, INTA and other users groups have participated in OHIM's Administrative Board and Budget Committee meetings as Observers, and this has been a very positive experience. This enables users to share their views before decisions which impact their use of the system are

taken. We are concerned that this new layer will have the opposite effect and will instead result in less transparency and less interaction with users.

In implementing new governance principles, we would like to call to your attention the specific circumstances of OHIM that need to be taken into account. We caution that OHIM – contrary to most EU agencies<sup>5</sup> – is more like a public service company that serves the business community. OHIM is both an agency of the European Union, and an industrial property office with its technical function, the registration of industrial property rights. As a service entity, it has to place its clients (eg. the users that file trademarks and designs with OHIM) at the center of the overall mechanism of the Office and provide them with the best service at the best price, without compromising on quality. OHIM must respond to users in order to be successful and, as demonstrated by its continued growth. The users have, in effect, provided the oversight; additional political oversight would seem to be unnecessary and, as noted, could be counterproductive.

We note that the Common Approach also provides for an "alert/warning system" which the Commission can activate if it has serious reason for concern that an EU agency's Management Board is about to take decisions that may not comply with the mandate of the agency, may violate EU law or be in manifest contradiction with EU policy objectives. This allows the Commission to inform the Parliament and Council so that the three institutions can take action if necessary. This was not mentioned in the CTMR, but may be a welcome check against power to be introduced into the new Management Board policies.

***Recommendation: In order to continue to be able to respond to business needs, additional, separate provisions should be included to protect OHIM's governance and ensure a certain degree of autonomy to facilitate its continued responsiveness to users.***

### **Increase in the Number of OHIM's Core Tasks**

CTMR Article 123(b) expands OHIM's formal responsibilities to include the Observatory on the Infringements of Intellectual Property Rights as well as cooperation and convergence initiatives. This manifests what OHIM is currently doing, but we note that these tasks are given equal standing to OHIM's core mission of registering of Community Trade Marks and Registered Design Rights.

***Recommendation: Prioritization of OHIM's tasks, ranking trademark and design registrations as primary tasks with the others secondary, should be made clear in CTMR Art. 123(b).***

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<sup>5</sup> [http://europa.eu/agencies/regulatory\\_agencies\\_bodies/](http://europa.eu/agencies/regulatory_agencies_bodies/)

## Delegated Acts

As regards the empowerment of the Commission to adopt delegated acts, the relevant CTMR draft provisions seem to cover all parts of the OHIM guidelines that relate to procedure (among other topics). Such examples of practical issues include Article 93a (requirements concerning the form of decisions, modality of oral proceedings and the taking of evidence, the rules on the means of communications, the rules governing the calculation and duration of time limits). We believe that OHIM, which deals with these issues every day, is the most suitable authority to find appropriate solutions and draft guidelines, especially when the Office consults users in reaching these solutions. We therefore suggest that practical issues should be left to the discretion of OHIM. We would also encourage the Commission to consult with users before adopting delegated acts.

***Recommendation: To mitigate the uncertainty and potential lack of transparency in the process of adopting delegated acts, a provision which would guarantee the consultation and involvement of users should be included in the CTMR.***

## OHIM's Mediation Services

CTMR Article 123(b) notes that *"the Agency may provide voluntary mediation services for the purpose of assisting parties in reaching an amicable settlement."* OHIM already provides mediation services, but these services are limited to appeal proceedings, and only employees of OHIM can serve as mediators. Neither requirement supports or promotes the idea of mediation as proposed by the EU Mediation Directive 2008/52/EC of May 21, 2008. These requirements may also explain why the number of mediations conducted to date by OHIM has been minimal.

It would be preferable if mediation is proposed and promoted at an earlier stage of the OHIM proceedings, e.g. during the cooling off period where the parties typically negotiate and may benefit from assistance from a neutral person. Furthermore, neutral mediators from outside OHIM could also increase the acceptance of mediation for finding amicable settlements in OHIM proceedings. These neutral mediators could mediate cases alone or as co-mediators with mediators from OHIM. INTA believes that this could increase the number of mediations in OHIM proceedings, and therefore the number of settlements considerably and would also be in line with the objectives of the Mediation Directive. The Mediation Directive of the EU states that mediation shall play a more important role for dispute resolution within the EU in the future, and a modernized CTMR should reflect this idea.

The current proposal in Article 123(b) only describes mediation as one of the many tasks of OHIM. It does not refer to mediation at an early stage of proceedings and furthermore does not refer to external mediators. Hence, the current proposal for the CTMR is unlikely to improve the acceptance of mediation in OHIM proceedings.

***Recommendation: A separate provision should be included in the CTMR to promote mediation at an early stage of proceedings and to also allow for neutral mediators that are not OHIM employees to be eligible to be appointed as mediators.***

## II) Anticounterfeiting Provisions

### **Counterfeit Goods in Transit**

INTA strongly supports the referral to transit of counterfeit goods in TMD (Recital 22 and Article 10(5)) and in CTMR (Recital 18 and Article 9(5)), which are aimed at strengthening trademark protection and combating the dangerous phenomenon of counterfeiting more effectively.

The European Union has in recent years – and in particular after the Philips/Nokia decision of the EU Court of Justice<sup>6</sup> – become an increasingly exploited transit territory for the lucrative and dangerous international trade in counterfeit products. Its transit hubs (e.g. Germany, Italy, France, Spain, Malta and Poland) have been clearly abused, thus fueling the growth of counterfeit networks worldwide. This harmful practice can – and must – be clearly addressed in the European Union trademark legislation for the benefit of legitimate businesses and in the best interest of the health and safety of consumers.

The Commission's proposal will be an effective measure to reduce the transit of counterfeit goods through the European Union. Clearly defining counterfeit goods and limiting the respective provisions to such goods only will mean that products like generic medicines, which do not infringe trademark rights, will not be subject to action under the trademark laws. These provisions make it clear that only the most serious type of infringement, counterfeiting, is the target for action. The proposed solution is therefore consistent with the European Union's commitments to combat the trade of goods which infringe intellectual property rights.

***Recommendation: The language in the draft proposals on counterfeit goods in transit should be maintained.***

### **Consignments from Commercial Suppliers**

INTA welcomes the inclusion of the provisions on consignments from commercial suppliers in the TMD (Recital 23 and Article 10(4)) and CTMR (Recital 19 and Article 9(4)) that will more effectively prevent the entry of trademark-infringing goods into the European Union, particularly in the context of sales of counterfeits over the Internet.

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<sup>6</sup> <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-446/09>

A rising number of counterfeit goods are entering the European Union in small consignments as a result of increased sales of counterfeits on the Internet. This situation has presented serious challenges for customs authorities dealing particularly with goods imported through postal delivery services. The proposed change to the substantive trademark law is therefore adequate and consistent with the procedure that will be instituted in 2014 under the new Customs Regulation concerning customs enforcement of intellectual property rights that will replace Council Regulation 1383/2003 to deal with small consignments.

However, INTA believes that the text of the proposed provisions should more clearly specify what kind of legal action the trademark proprietor is entitled to take against the consignee, to prevent the importing of infringing goods, where it is only the consignor who acts for commercial purposes.

***Recommendation: In addition to the current provisions, an additional provision should be included, clarifying what kind of legal action the trademark proprietor is entitled to take against the consignee to prevent the importing of infringing goods, where it is only the consignor who acts for commercial purposes.***

### **Preparatory Acts**

INTA supports the introduction of TMD Recital 24 and Article 11 and CTMR Recital 20 and Article 9a, which define preparatory acts and clarify that various preparatory acts indicated in the respective provisions constitute infringements of trademark rights and can therefore be grounds for an action by trademark owners. These preparatory acts include affixing identical or similar trademarks on the packaging of the product or placing on the market or in stock the packaging or other means on which the mark is affixed.

Although the proposed provisions do not bring anything new to national laws of some Member States which already classify various preparatory acts as trademark infringements, such an explicit reference was lacking in the texts of TMD and CTMR.

***Recommendation: The language in the draft proposals should be maintained without amendment. The new provisions harmonize the practice across the Member States and will enable trademark owners to fight counterfeiting more effectively.***

### **III) Substantive Issues**

#### **Signs of Which a Trademark May Consist (Graphical Representation Requirement)**

INTA supports the new CTMR Article 4 and TMD Article 3 which eliminates the requirement for a sign to be capable of being represented graphically from the definition of a trademark; the rationale for this move is that given advances in technology and in the use of new

indications of course, this requirement is out of date. INTA, in addition to our previous submissions to the MPI and the Commission, has long encouraged the recognition, registration and protection of non-traditional marks, including color, touch, sound and 3-D marks.<sup>7</sup>

The proposed definition allows more flexibility; however, we stress that it will be necessary to ensure that all offices are equipped to manage different kinds of non-traditional filings and provide for search mechanisms; otherwise, disparities will remain across EU offices.

***Recommendation: The draft proposals should be maintained, though INTA would prefer to see clarification as how it will be applied in practice at national level.***

### **Rights Conferred by a Trademark**

INTA supports the new CTMR Article 9 and TMD Article 10(1) which state that the registration of a Community trademark shall confer exclusive rights on the proprietor.

***Recommendation: The language in the draft proposals should be maintained without amendment. This is a welcome provision, as it clarifies that the principle of priority actually limits the exclusive rights conveyed by a trademark, not only its enforceability.***

INTA supports the proposals in CTMR Article 9(3)(d) and TMD 10(3)(d) noting that using the sign as a trade or company name, or part of a trade or company name, may be prohibited. This is a welcome clarification and change from the previous understanding by the Court of Justice whereby the trademark owner first had to show whether the use of the trade name was liable to have an impact on the protected functions of the trademark. This clause makes it clear that trade names, in principle, have the exact potential to create confusion with regard to trademarks.

INTA also supports CTMR Article 9(3)(f) and TMD 10(3)(f) which notes that further prohibited actions may include using the sign on business papers and in advertising and using the sign in comparative advertising in a way that is contrary to Directive 2006/114/EC on Comparative Advertising.

***Recommendation: CTMR Article 9(3)(d) and TMD 10(3)(d), and CTMR Article 9(3)(f) and TMD 10(3)(f) should be maintained to provide guidance on conflicts with trade names and comparative advertising, respectively.***

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<sup>7</sup> INTA Board Resolutions – see “Nontraditional Marks”:  
<http://www.inta.org/Advocacy/Pages/BoardResolutions.aspx>

### **Five-Year Non-Use Grace Period**

INTA supports TMD Article 16 which sets the commencement date of the five-year grace period effective at the "date of registration", instead of the previous unclear reference to "the completion of the registration procedure". INTA supports the clarification in that article on the treatment of trademarks registered under international arrangements having effect in Member States.

Regarding trademarks subject to post registration opposition proceedings, TMD Article 16(2) also provides the following clarification:

*"Where a Member State provides for opposition proceedings following registration, the five years referred in paragraph 1 shall be calculated from the date when the mark can no longer be opposed or, in case an opposition has been lodged and not withdrawn, from the date when a decision terminating the opposition proceedings has become final".*

This a welcome clarification since the existing TMD does not have any mandatory rules comparable to the CTMR with regard to the defense of non-use in opposition/cancellation/infringement proceedings; it only obliged Member States to have provisions for the revocation on grounds of non-use and refusal of invalidation on grounds of unused earlier marks.

However, INTA believes that the new wording may still lead to uncertainty and divergence in practice. Accordingly, INTA calls for national trademark offices to be required to make the date of commencement of the grace period clear in their databases/ registers.

We do appreciate that no declaration of intent to use is requested in the proposals in order to avoid additional burdens on proprietors and the offices, taking into account the doubtful efficiency of such a measure.

***Recommendation: Include in TMD Article 16(1), (2) and (3) a requirement that EU national trademark offices should also make clear in their databases/registers the date of commencement of the 5-year grace period.***

### **Territorial Requirements for Genuine Use of a CTM**

INTA notes that there is no provision in the CTMR regarding the territorial requirement for genuine use of European trademarks. Following the judgment of the Court of Justice of 19 December 2012 in Case C-149/11, Leno Merken BV v Hagelkruis Beheer BV, there remains a great deal of uncertainty in this area of the law. We consider that now may be the opportunity to provide clarity on what is a critical issue with serious consequences for trademark proprietors by including a specific statement in the legislation that "Genuine use of a CTM in a Member State shall be considered genuine use within the meaning of CTMR Article 15(1)."

INTA's long-held view is that so long as use is "genuine", it should be sufficient to defeat a claim for revocation on grounds of non-use, even (in the case of a Community Trade Mark) if the use has been confined to a single Member State or part of a Member State.

INTA's members have not perceived any serious issue of cluttering of the registers in Europe, and as such, it does not appear to be justified to set a higher geographic standard, which would result in discrimination against small and medium-size businesses, as well as be a clear departure from the Joint Statement of the Council and Commission of 20 December 1993<sup>8</sup>, on which many trademark proprietors and practitioners rely in good faith. INTA therefore calls for legislative clarification on this issue.

***Recommendation: There should be a statement in the CTMR confirming that use of a CTM in one Member State shall be considered genuine use.***

### **Use of a Registered Trademark in a Form Differing in Elements**

INTA supports the provision in Articles 15(1)(a) of the CTMR and 16(4)(a) of the TMD that use of a registered trademark in a form differing in elements which do not alter the distinctive character of the mark shall also constitute use of that mark regardless of whether or not the trademark in the form as used is also registered.

***Recommendation: The language in the draft proposals should be maintained without amendment.***

### **Intervening Rights**

INTA supports the introduction of provisions in CTMR 13(a) and TMD Article 18 dealing with the issue of intervening rights of proprietors of later registered trademarks, and allowing such proprietors a defense in trademark infringement proceedings. The intervening right provision is a great advance for trademark owners and promotes legal certainty and equity.

Where a CTM cannot be declared invalid because of acquiescence, or because another party's earlier registered mark was not enforceable when the later CTM came into existence, that later mark must also be able to be used in the marketplace.

Recital 28 of the TMD sets forth an idea which is welcome in principle. In principal, the owner of an earlier trademark A cannot obtain the refusal or the invalidation of a later trademark B if B has been acquired when A was liable to be invalid or revoked; for instance, if A at that time had not acquired distinctiveness through use or had not yet obtained a reputation.

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<sup>8</sup> <http://oami.europa.eu/en/mark/aspects/reg/reg4094.htm>

However, Recital 28 is framed in vague terms and could, in INTA's view, lead to unnecessary and unhelpful argument. We take issue with the use of "for example," which appears twice. We consider that this could lead to substantial argument over when the owner of a later trademark could raise the defense of intervening rights. It would be preferable to remove the two "for examples" altogether. Another issue is the use of the word "acquired" to refer to the time period when the intervening right crystalizes. It would be better to use a word with a concrete meaning such as "filed" to refer to the filing date of the later trademark, rather than "acquired" which may be taken to refer to a later assignment of the mark.

Making these amendments, the recital would read as follows:

*In order to ensure legal certainty and safeguard trade mark rights legitimately acquired, it is appropriate and necessary to lay down, without affecting the principle that the later trade mark cannot be enforced against the earlier trade mark, that proprietors of earlier trademarks should not be entitled to obtain refusal or invalidation or to oppose the use of a later trade mark when the later trade mark was filed at a time when the earlier trade mark was liable to be declared invalid or revoked, or when the earlier trade mark could not be enforced against the later trade mark because the necessary conditions were not applicable.*

***Recommendation: INTA supports CTMR Article 13(a) and TMD Article 18. INTA also welcomes Recital 28; however, it should be clarified using the rewording above.***

### **Fair Use Provisions**

CTMR Article 12 and TMD Article 14 provide a list of cases where a trademark cannot be used by its owner to prohibit certain fair uses.

INTA supports the proposal in CTMR Article 12(1)(a), parallel to TMD Article 14(1)(a), that the "own name defense"<sup>9</sup> should be limited to personal names or addresses. The contrary EU Court of Justice case law shifted the discussion entirely to "honest practices in trade", which created legal uncertainty and significant differences between the case law of the Member States.

INTA also supports CTMR Article 12(1)(b) and TMD Article 14(1)(b) , as they provide that fair use is no longer limited to descriptive uses but covers generally non-distinctive signs.

It is, however, unfortunate that the Commission did not include MPI's proposal<sup>10</sup> whereby elements of marks that are not per se registrable generally should also constitute fair use

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<sup>9</sup> CTMR Article 12: *A European trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade (a) his own personal name or address.*

<sup>10</sup> [http://ec.europa.eu/internal\\_market/indprop/docs/tm/20110308\\_allensbach-study\\_en.pdf](http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf) p. 57: "...no possibility exists pursuant to the ECJ to consider the "need to keep free" as a relevant element in the assessment of the limitation set out in Article 6 (1) (b), in addition to those expressly mentioned in the provision: "The requirement of availability cannot in any circumstances constitute an independent restriction of

and cannot be protected against third party registration. The MPI proposal had put this in the preamble as it concerns both registration and enforcement. This omission should be reconsidered to discourage weak or even descriptive elements of trademarks being granted protection that is broader than they deserve.

Moving on to CTMR Article 12(1)(c) and TMD Article 14(1)(c), the proposed broader "referential use" provision makes sense and allows greater liberty for judges to make equitable determinations, without increasing legal uncertainty (which at this point in time derives mainly from the "function theory" developed by the EU Court of Justice to achieve that very aim, namely, arrive at equitable solutions).

CTMR Article 12(2) and TMD Article 14(2) clarify situations where use by a third party shall not be considered as honest practice. We agree with this proposal, which picks up and clarifies the "function theory" of the Court.

***Recommendation: CTMR Article 12 and TMD Article 14 should be clarified regarding elements of trademarks which are not per se registrable.***

### **Double Identity and "Origin Function"**

CTMR Article 9 and TMD Articles 10 and 11 propose to reduce the protection of trademarks against identical marks for identical goods or services (i.e. in case of so-called "double identity") to cases where the "origin function" of the earlier mark is affected. These amendments propose that "double identity" protection is subject to the requirement that *"use affects or is liable to affect the function of the trade mark to guarantee to consumers the origin of the goods or services."*

INTA opposes these provisions, which could cause uncertainty in a number of situations including:

- a) Clear cases of counterfeiting (cheap fake luxury products that could not be confused with the actual brand, if only based on price or point of sale – for example, consumers cannot expect 10€ "Gucci" sunglasses to be genuine);
- b) Contrary statements (allegedly) avoiding confusion as to origin (meaning statements whereby the infringer simply hangs up a sign saying that he has nothing to do with the trademark owner), as in the Arsenal Football Club case<sup>11</sup>;

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*the effects of the trade mark in addition to those expressly provided for in Article 6 (1) (b) of the Directive. It must be stated in that regard that, in order for a third party to be able to plead the limitations of the effects of the trade mark in Article 6 (1) (b) of the Directive and rely in that respect on the requirement of availability underlying that provision, the indication used by it must, as required by that provision of the Directive, relate to one of the characteristics of the goods marketed or the service provided by that third party".*

<sup>11</sup><http://curia.europa.eu/juris/showPdf.jsf?jsessionid=9ea7d2dc30dbed80b51a8ffb4630b38189c3d91fd590.e34KaxiLc3qMb40Rch0SaxuLa310?text=&docid=86479&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=64995>

- c) Adword and keyword cases which would often be reduced to marks with a reputation, as in Interflora<sup>12</sup>; and
- d) Parallel import cases where original goods have been sold with the consent of the trademark owner only outside the EU (so that the trademark owner retains his rights to prevent original goods bearing the same trademark from circulating within the EU without his consent). Trademark owners could no longer enforce their rights against such goods entering the EU and circulating within the EU, since the origin function in these cases is not affected (as the goods stem from the trademark owner).

The proposal also seems to contradict the express understanding that use of a company name identical to a trademark is an infringement (which, as such, INTA applauds), as that use may often not affect the origin function of the trademark but rather the goodwill or advertising function.

In our opinion, the existing legal requirements for trademark infringement in the context of double identity should not be changed. "Excuses" can be addressed in the exceptions (fair use, referential use etc.). There is a reason why the existing legislation expressly refers to double identity protection being "absolute" (notwithstanding the exceptions). The reference to the origin function creates legal uncertainty for trademark owners that is not counterbalanced by legitimate interest on the part of third parties.

***Recommendation: Reference to the origin function in CTMR Article 9 and TMD Articles 10 and 11 should be deleted.***

### **Protection of Trademarks with Reputation**

TMD Articles 5 and 10 state that the protection of trademarks which enjoy a reputation will no longer be optional for Member States. INTA supports these proposals.

CTMR Article 8 is amended to make it clear that the protection of trademarks with reputation should also apply where the goods or services are identical or similar and the other conditions of TMD Article 5 are met. This amendment follows the EU Court of Justice decision in Davidoff, and this is a positive proposal.

***Recommendation: The language in the proposed TMD Articles 5 and 10 and CTMR Article 8 should be maintained without amendment.***

### **International Registrations**

INTA supports the amendment in CTMR Articles 147 – 149 changing the start of the opposition period from six months following re-publication to one month following re-publication (Art 156(a)). Starting the opposition period for international registrations (IRs)

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<sup>12</sup> <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-323/09>

earlier has long been called for and will be widely welcomed. While OHIM usually notifies applicants of absolute grounds objections within one month, there is no obligation in the Regulation that they must do so, so an opposition could be started before the absolute grounds examination is complete. In the case of an absolute grounds refusal then arising, the opposition would probably be suspended (as provided by the current rules).

***Recommendation: The language in the proposed CTMR Article 156(a) should be maintained without amendment.***

#### IV) Office Practices and Procedures

##### Classification

The new sentences in CTMR Article 28 and TMD Article 40 confirm the EU Court of Justice's *IP Translator* means-what-it-says ruling (i.e., that applicants must specify the goods/services to be covered as opposed to using the general class heading except in certain circumstances) and explain the reason for allowing owners of CTMs to adapt their list of goods and services. INTA supports the adoption of a legal basis for the Nice Classification in the EU trademark law which is long overdue. Moreover, removing the legal uncertainty created in particular for old registrations and in general by the *IP Translator* decision would also be extremely welcome.

Making classification by applicants obligatory is an equally good idea for streamlining processes and obliging applicants to carefully consider the scope of their filings.

We do take issue, however, with part of CTMR 28(8) which states:

*"Proprietors of European trade marks applied for before 22 June 2012 which are registered solely in respect of the entire heading of a Nice class, may declare that their intention on the date of filing had been to seek protection in respect of 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", and goes on to say that "The declaration shall be filed at the Agency within 4 months from the entry into force of this Regulation."*

As regards the above proposal (28(8)), we believe that four months is too short. The period should be extended to at least one year in order to be able to evaluate and reformulate the list of goods/services. Affected trademark owners must make decisions on the exact new wording of the goods or services that shall be designated in addition to the class headings. This will require time, and trademark owners with larger portfolios will need to do the same exercise for a number of CTM registrations.

Also, all affected CTM owners should be individually notified about the possibility of transformation, because it is a limitation of their rights. OHIM will be able to extract these from their database and should be able to send emails in most cases.

We do not agree with the word “**solely**” in the first sentence of CTMR Article 28. This was never included in the President’s Communication 4/03 of 16/06/2003<sup>13</sup> which clarified the Office’s practice in regard to class headings, nor was it practiced as such by the OHIM opposition division, but has been inserted here thereby limiting the opportunity to amend or clarify marks filed before 22 June 2012 to those that cover only full class headings. This raises doubts as to marks that cover full class headings in one class but not in another. “Solely” should be deleted as there could be specifications including an entire class heading as well as a list of goods in a non-limited way, for instance class headings “including but not limited to” plus specific goods and services. In such cases, the owners should be given the opportunity to specify as well.

For example:

DECISION of 31/05/2010 in Case No B 1381054

“The opponent’s specification is identical to the class heading of class 35 of the Nice Classification, **with the addition of commercial retailing and retailing via global computer networks of building materials (non-metallic), non-metallic rigid pipes for building, asphalt, pitch and bitumen, non-metallic transportable buildings and monuments, not of metal**”. (INTA’s emphasis added in bold.)

The Communication of the President No 4/03 concerning the use of class headings in the list of goods and services for Community Trade Mark applications and registrations, states the following:

*“The 34 classes for goods and the 11 classes for services comprise the totality of all goods and services. As a consequence of this, the use of all the general indications listed in the class heading of a particular class constitutes a claim to all the goods or services falling within this particular class” and “As regards opposition and cancellation proceedings, the rule that the use of the whole class heading of a particular class means that all the goods within that class are included has the consequence that when the later application or registration contains goods or services properly classified in that same class, the goods or services are identical with the goods or services in the earlier mark”.*

Therefore, as the opponent’s mark is registered for the class heading in class 35<sup>14</sup>, it is deemed to cover all services that are to be classified in class 35: the services covered are identical to the earlier mark.

***Recommendation: In CTMR Article 28(8), the four month transition period for transformation of earlier trademarks should be extended to one year;***

<sup>13</sup> <http://oami.europa.eu/en/office/aspects/communications/04-03.htm>

<sup>14</sup> [http://web2.wipo.int/nicepub/edition-20130101/taxonomy/class-35/?pagination=no&lang=en&mode=flat&explanatory\\_notes=hide&basic\\_numbers=show](http://web2.wipo.int/nicepub/edition-20130101/taxonomy/class-35/?pagination=no&lang=en&mode=flat&explanatory_notes=hide&basic_numbers=show)

***the reference to “solely” should be deleted; and OHIM should be required to individually notify all affected CTM owners of the possibility of transformation of their trademarks.***

### **Administrative Invalidity and Revocation Procedures**

INTA supports TMD Article 45 which mandates that all Member States shall provide for an efficient and expeditious administrative procedure before their offices for opposing the registration of a trademark application on the ground provided for in Article 5 and Article 47 which oblige Member States to provide for administrative revocation and invalidity actions, without the parties having to refer to long and costly court procedures. These proposals seek to reduce areas of divergence within the trademark system as a whole. In regard to Article 47, similar administrative procedures, where already existing, are generally faster and substantially less expensive than ordinary litigation.

***Recommendation: The language in proposed TMD Article 45 should be maintained.***

### **Relative Grounds for Refusal or Invalidity (CTMR) – Bad Faith**

INTA supports proposed CTMR Article 8(3)(b) which enables bad faith to be a basis of opposition proceedings.

***Recommendation: The language in proposed CTMR Article 8(3)(b) should be maintained without amendment.***

### **Transfer of a Trademark Registered in The Name of an Agent**

INTA supports the change to allow claims for assignment under CTMR Article 18 to be brought to OHIM or CTM courts. To date these claims could only be brought in regular civil proceedings and not before CTM courts, except when accepted as ancillary claims.

***Recommendation: The language in proposed CTMR Article 18 should be maintained without amendment.***

### **No Ex Officio Examination by EU National Offices Based on Prior Rights**

Although the right to file an opposition to the registration of a later trademark is in principle reserved for the holders of earlier rights, currently 11 national offices in the EU also conduct an ex-officio examination of relative grounds for refusal concerning conflicts with earlier rights, by raising the relevant objection even if the rightholder chooses not to do so.

TMD Article 41 proposes that “*offices shall limit their examination ex officio of whether a trade mark application is eligible for registration to the absence of the absolute grounds for refusal provided for in Article 4.*”

INTA supports this proposal in that it will help move EU national offices towards closer harmonization. Indeed, one concern about ex officio examination is that each national trademark office has a different approach in their respective procedures and as such, maintaining these examinations could stand in the way of further harmonization.

An alternative to the examination being dropped is to institute a structure whereby the registry notifies the holder of the prior mark of an application for a similar mark. This could provide a balance between the interests of the parties, providing the holder with an opportunity to object and the applicant with notification of a potential problem. This system already exists at OHIM<sup>15</sup>.

***Recommendation: INTA supports maintaining the wording in proposed TMD Article 41. Alternatively, we suggest exploring the implementation of notification system at national office, similar to the one currently in place at OHIM for prior trademark holders.***

#### **Lack of Distinctive Character or of Reputation of an Earlier Mark Precluding a Declaration of Invalidity of a Registered Trademark**

Until now, an earlier registered trademark was never considered as lacking distinctiveness, a fact that caused unfair results<sup>16</sup> especially in national systems where relative grounds are examined. INTA supports the new provision in TMD Article 8, which requires that both distinctive character and asserted reputation of a mark must be proved in invalidity proceedings which will help to prevent unfair results.

***Recommendation: INTA supports maintaining the wording in proposed TMD Article 8.***

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<sup>15</sup> [http://oami.europa.eu/ows/rw/resource/documents/CTM/legalReferences/manual/Part\\_B\\_Examination\\_Section\\_1\\_Proceedings.pdf](http://oami.europa.eu/ows/rw/resource/documents/CTM/legalReferences/manual/Part_B_Examination_Section_1_Proceedings.pdf): p. 4, Section 2.1 (3): *Prior international registrations designating the European Union. The Community search takes into account the filing date, the verbal elements of the trade mark, the figurative elements of the mark (if applicable) and the classes of goods and services according to the Nice Classification. The search is designed to identify earlier marks filed for the same classes, or classes considered by the Office as being similar. The Community search report will be sent to the applicant by means of a standard letter. Once the new application is published, the Office will send a surveillance letter to the holders of earlier Community trade marks cited in a search report.*

<sup>16</sup> Example from Greek case law of the trademark office examination of a trademark application regarding both absolute and relative grounds for refusal: Greek trademark application No. 169127 FITNESS LIFESTYLE CLUB, filed in classes 16, 25, 28, 35, 36, 41 was refused by decision No. 6396/2004 on the relative grounds of similarity to: a) prior trademark registration No. 96615 FITNESS LIFE filed in class 28; b) prior CTM No. 1577634 FITNESS LIFE & device filed in classes 35, 41, 42 c) prior CTM No. 3111424 LIFE FITNESS filed in class 36; d) prior CTM No. 937763 LIFESTYLECLUB filed in classes 4, 8, 11, 14, 21, 25.

### **Establish A Posteriori of Invalidity or Revocation of a Trademark**

In regard to the proposed TMD Article 6, EU national laws must allow challenges to marks that are no longer registered but which are the basis for a CTM seniority claim. INTA does not agree with this proposal. Under current law, the seniority effect is lost if the national mark is declared to be revoked or to be invalid, or if it is surrendered prior to the registration date.

The current approach should be maintained as far as invalidation is concerned, as the effect of invalidation is that the national mark is deemed not to have existed *ab initio*.

As regards revocation the effect should only be lost if the revocation is effective from a date prior to the filing or priority date of the CTM.

***Recommendation: The proposed TMD Article 6 should be deleted and the existing language should remain unchanged.***

### **Date of Filing (Payment of CTM Filing Fee)**

INTA disagrees with CTMR Article 27, which abolishes the one month grace period for paying the filing fee. Given the very rigid law and practice relating to changes to the CTM once filed, the possibility to withdraw and re-file in a short time period after the filing without having to pay the hefty CTM filing fee twice is important from a cash-flow perspective.

Furthermore, it was noted that as errors can occur in online filing, the one month period allows the option of withdrawing an application, which brings an additional practical advantage.

Additionally, we question the alleged negative impact of decisions by applicants to withdraw (without paying the fee) when receiving an objection and re-file in an acceptable form. Our members view this as an incredibly fast and efficient way of dealing with OHIM objections.

***Recommendation: The existing one month grace period should be maintained.***

### **Claiming Priority**

Regarding CTMR Article 30 on claiming priority, INTA believes that the two-month grace period for filing the priority claim should not be abolished.

***Recommendation: The existing two-month grace period should be maintained.***

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## **About INTA**

INTA is a global organization founded in 1878 with over 6200 members established in 190 countries, including all EU Member States and candidate countries. One of INTA's key goals is the promotion and protection of trademarks as a primary means for consumers to make informed choices regarding the products and services they purchase.

INTA is one of the user associations with an Observer status to OHIM's Administrative Board and Budget Committee.

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