

INTA Comments on the Review of the European Trade Mark Systems

22 June 2011

From the outset of the European Commission’s review of the European trademark systems, INTA has stressed the need for users to be involved in the process. We are therefore very pleased that we have been able to share our views at various stages, from offering our initial response in January 2010 to the Max Planck Institute (MPI) regarding the Commission’s tender on a study, to being invited to the MPI hearing for users in June 2010 and most recently, the DG MARKT hearing on 26 May 2011.

With regard to the MPI study in particular, we commend the Institute for its highly detailed and comprehensive report which constitutes an important and well-researched contribution to the Commission’s overall review. Both MPI and the Commission are to be commended for examining an incredibly wide range of topics which affect INTA’s more than 5,700 members located in Europe and elsewhere. Like the Commission and MPI, INTA firmly supports the long-standing, fundamental principle that the Community Trade Mark System is a “unitary” system that puts aside political frontiers in order to build and strengthen the EU Single Market. We also believe that there now exists the unique opportunity to advance the evolution of trademark protection in Europe so that the Community Trade Mark System and those of Member States evolve not only in perception but in actual functioning as the European Trade Mark System.

In the following paper, we set out INTA’s views on the key issues discussed in the MPI report as well as those that have been identified during the course of the overall review. Of particular importance to our association are the following:

- Genuine use requirements;
- Financial management, e.g. a bi-annual review and Community Trade Mark (CTM) renewal fees;
- Further harmonization and coordination of the CTM and national trademark systems and the future role of the Office for Harmonization in the Internal Market (OHIM) and national offices;
- More consistency in national trademark office policies and procedures;
- Goods in transit.

INTA would like to thank the Commission for considering our views and concerns. Should you have any further questions or require additional input on these or other issues, please contact Carla Schwartz at cschwartz@inta.org or Christina Sleszynska at csleszynska@inta.org.

OHIM and CTM-Specific Issues

I. Legal Issues

Genuine Use

MPI advocates an interpretation of the “genuine use” requirement for CTMs that supports the unitary nature of the CTM, disregards political frontiers and builds the EU Single Market. MPI further urges that requirements for “genuine use” referred to in Article 15 CTMR must be assessed on a case-by-case basis taking into account the criteria developed by the Court of Justice of the European Union (CJEU). In short, MPI states that there is no reason for requiring that a CTM has to be used in more than one Member State in order to be maintained. This is in line with INTA’s long-held view 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 CTM) if the use has been confined to a single Member State. Therefore, a CTM does not have to be used in more than one Member State.

INTA does not support MPI’s proposal to allow coexistence between earlier CTMs and later national marks under narrowly defined circumstances as this would:

- (1) undermine the unitary character of the CTM; and
- (2) increase legal uncertainty for CTM rights holders through, among other things, unclear terms such as “remote.”

Acquired Distinctiveness: Territory

INTA agrees with MPI’s view that it would be extremely difficult to obtain a CTM registration if acquired distinctiveness had to be established separately for each Member State. MPI had proposed that instead of following a scheme of compartmentalization, the assessment of acquired distinctiveness should focus on the EU as a whole, an idea with which we concur. As stated in our November 2010 report, INTA believes that it is not necessary to amend the Community Trade Mark Regulation (CTMR) and the Directive in this matter, although it could be helpful if OHIM provided guidelines addressing how acquired distinctiveness has to be proven.

There is a need in practice for such guidelines, for two reasons:

- (1) It will be easier for both trademark owners and trademark professionals to decide on a course of action, and to assess where acquired distinctiveness will have to be proven.

(2) It will enable trademark owners and professionals to apply sooner for conversion of CTM's and CTM applications under Articles 108 et seq. CTMR.

Grace Period

MPI does not support reducing the current five year CTM grace period to three years. INTA agrees as three years is a rather short time in business. We also believe that the issue of the cluttering of the register is not a reason for reducing the grace period.

Well-Known Marks and Marks with Reputation

MPI proposed that a mark fulfilling criteria for extended protection based on reputation should be also considered as "well-known" in the meaning of Article 6bis of the Paris Convention. INTA disagrees; we believe that the criteria for assessing marks entitled to protection under Article 6bis should be kept separate from the criteria for assessing extended protection for CTMs with a reputation, as they apply different standards and imply different legal consequences.

E-Certificates

INTA's members have generally indicated that they have not relied on e-certificates for legal and other proceedings, but support the suggestion that the CTMR could formally address their legal value to help avoid uncertainty. If national authorities have expressed doubts about the evidential validity of these documents, it seems reasonable that the CTMR should formally confirm their status. Including specific wording in the CTMR could help prevent further conflicts and subsequent delays due to a need for interpretation and/or further discussion.

Certification Marks

MPI's suggestion that a Community system for certification marks be established, which could be administered by OHIM, does appear to have several advantages:

- It would help to ensure protection for certification marks throughout the EU as some, but not all, Member States provide for the registration of such marks. Where there is no official recognition of certification marks, there is no real and effective alternative means of protecting them, to the detriment of the owner of the mark and the public.
- Certification marks benefit consumers by establishing standards that facilitate comparisons across otherwise competing products.
- Certification marks are unique in that they are registered by one party, but may be used by any party that satisfies the conditions specified by the owner at the time of filing. They therefore benefit consumers by offering a level of objectivity and transparency to the certification process that is not obtainable through ordinary trademark registrations.

MPI did emphasize that detail on establishing a certification mark system could not be presented within the framework of its study. Therefore, in order to better assess the merits of this proposal, INTA would like more specific details on how this would be implemented.

II. OHIM Procedures

Accelerated CTM Registration Procedure

MPI does not support introducing an option for requesting the accelerated registration of a CTM application upon the payment of a higher fee. INTA concurs with MPI and encourages maintaining the current system.

Opposition Procedure: Relative Grounds – OHIM

In response to the question, “*To what extent have the relative grounds under articles 8 (3) and (4) CTMR proved to be appropriate subject matter to be dealt with in opposition proceedings with a view to their legal and evidentiary complexity?*”, MPI and INTA reached the same conclusion in regards to Art. 8(3) CTMR and do not advocate any changes to this provision.

However, INTA recommends that Art. 8(4), which grants owners of non-registered marks or other signs used in the course of trade the right to lodge an opposition, should be revised to address a number of concerns which include: the lack of expertise at OHIM with respect to national laws; difficulty in ascertaining and proving that the non-registered right exists; encouraging appellate claims based on the alleged misapplication of national law by OHIM; and questions over the final court of jurisdiction in deciding questions of local law. Given these well-documented issues, we were disappointed to note that MPI’s study recommended maintaining the status quo on this provision.

There are various options to improve Art. 8(4) CTMR. One is removing this provision from the list of opposition grounds (in such case, it should be replaced with a national procedure). Another is to provide a connection between OHIM and the national CTM Court, whereby OHIM would refer an opposition based on Art. 8(4) CTMR to the national CTM Court for a preliminary ruling on the validity of the alleged national prior right.

Other suggestions to improve the current provision and practice may be:

- entitling OHIM opposition examiners to enlist the assistance of local experts, e.g. from a panel of neutrals, when Art. 8(4) CTMR is raised in an opposition;
- annotating the national laws publication section of the OHIM database <http://oami.europa.eu/en/office/diff/pdf/National_law.pdf> so as to reference OHIM case law, as Art 8(4) cases are finally adjudicated; and
- providing better training and developing a manual for OHIM opposition examiners concerning Art. 8(4) CTMR.

Reducing the CTM opposition period from 3 months to 2 month / Calculation

MPI and INTA agree that there is no need to reduce the current period of three months to file a CTM opposition, although INTA has recommended additional ways to improve the opposition system, namely the quality of decisions, decision times, checking the admissibility of oppositions, and the availability of the decision being translated into other languages (at least English).

INTA also supports the MPI proposal of reducing the term from which the three-month opposition period is calculated for Madrid marks designating the EU.

Examination Practice

MPI did not draw conclusions or take any specific position on the extent to which OHIM's examination practice meets users' expectations of certainty that the resulting CTM registrations are entitled to a presumption of validity. However, MPI did emphasize that the quality of decisions at OHIM and national offices could be improved, with a higher level of information exchange on subjects, elaboration of common guidelines, best practices, etc. To this point, INTA notes the lack of consistency in interpreting EU case law, examiners' reliance upon the Internet, and use of the catchall objection "non-distinctiveness" which is often applied inconsistently.

Examination of Relative Grounds

MPI stated that OHIM's practice of examination on relative grounds only upon opposition (i.e. not ex-officio) is the result of compromise, as OHIM is not equipped to evaluate realities of conflicts between trademarks ex-officio. INTA believes that the current procedure is working well and therefore agrees with MPI that no change is necessary.

Appeal Procedure – provision of an additional two month period:

MPI did not recommend changing the current procedure. INTA also recommends keeping the appeal period of two months plus the two months to file the arguments. We find the two month term after the notice of appeal to be useful and are unaware of any criticism of the current two month term to file the ground of appeal.

III. OHIM Practices

Maintaining the Option to file a CTM application at a Member State's IP office

INTA agrees with the overall results of the Allensbach survey, as discussed by MPI, indicating that the option to file a CTM application at the central IP office of a Member State is still appropriate.

Searches

With regard to the mandatory search in the CTM register, whereas MPI's discussion in its report of the Allensbach survey results indicated strong preferences for maintaining the current system, INTA believes that the mandatory search in the CTM register has very limited value. We therefore would welcome the mandatory search becoming optional.

Regarding whether users would wish for OHIM to offer different or additional search services, MPI proposed that OHIM should be given the authority to conduct pre-filing searches against payment of a special fee. INTA does not support having OHIM offer search services. As the competent body for granting CTM rights, there is a potential conflict of interest in OHIM also assessing the results of search reports.

Seniority: Option of Claiming Seniority of a National Trademark

On the question of whether this option still meets the needs of users, MPI's study only analyzes the Allensbach survey results, attempting to explain the reason for the low percentage of seniority claims, without drawing a firm conclusion as to whether the option of claiming seniority of a national right still matches the needs of users. INTA believes that the option of claiming seniority of a national right must be maintained, and that there is a need to further develop the system and its modalities in order to eliminate possible legal uncertainties attached to this process.

Seniority: Verification by OHIM

INTA continues to have questions as to whether seniority claims should be verified by OHIM in the future. MPI's report proposes that OHIM should also require the submission of sufficient documentation proving the existence of the earlier national mark, until such time as a common database is established. It is also suggested that OHIM should cooperate with national offices in examining seniority claims. As a supplementary measure, MPI proposed that a seniority fee be introduced. However, we suggest that the costs related to the maintenance of relevant rights in the national databases might be supported by renewal fees (fifty percent of which is slated to go to national offices) paid for CTMs for which a seniority claim has been made.

E-business Tools

INTA echoes MPI's findings of general satisfaction with OHIM's e-tools, although there is a continued need for improvements in MYPAGE. Nonetheless, we believe that e-tools should not completely replace traditional means of communication, especially considering that not all users are professional trademark practitioners, but include individuals and small companies which do not systematically rely on e-methods.

IV. Financial Issues

Sound financial management and streamlined processes have allowed OHIM to thrive, as demonstrated by its substantial surplus. Still, the surplus itself has presented a significant challenge for the Office and those responsible for its current operations. INTA remains especially concerned about a number of financial issues that need to be addressed.

Bi-annual Review

INTA supports the formal biannual review of OHIM's finances by the European Commission as called for by the September 2008 Administrative Board–Budget Committee joint meeting conclusions. We look forward to seeing this mechanism implemented as soon as possible and hope this will encourage the relevant adjustments in fees and other costs as appropriate (such as renewal fees). In the future, we assume that the OHIM Administrative Board and Budget Committee will recognize economic changes, office operations, and other financial factors, and will provide OHIM with the flexibility to adapt as necessary.

CTM Fees - Renewal Fees and Diversion

MPI stated that among various CTM fees, the current balance between the principal income-generating fees (namely application/registration fees and renewal fees) seems appropriate. However, INTA strongly believes that there is still a need for a reduction of the renewal fee, as this should not be higher than the CTM application/registration fee. INTA also calls for more information to be made available on what actual projects/initiatives will be financed by the proposed 50% of CTM renewal fees to be distributed to the national offices.

INTA acknowledges OHIM's assurance that half of the renewal fees provided to national offices will be strictly targeted for trademark-related purposes but remains concerned that these user-generated funds could be redistributed to projects that would not benefit the European trademark system. This is particularly worrisome in EU Member States in which trademark offices do not have autonomous budgets. INTA is steadfast in our opposition to diversion of renewal fees, and stresses that to retain users' confidence, there must be a clear link between the fees paid and the services received, as well as appropriate control and evaluation mechanisms.

Fee Structure

MPI takes the view that a separate application and renewal class fee should be payable for each class beyond the first and not the third as is the current situation. INTA suggests that, if it is determined that a CTM application should cover only one class rather than three classes, the application/registration fee should be reduced to reflect this change. Additionally, national offices should adopt the same practice in order to achieve harmonization across the EU.

Application Fee Payment Deadline

INTA does not support MPI's proposal to abandon the one month deadline for payment of the application fee and its substitution by a system according to which at least the order for payment

must be made together with the application. From a cash-flow perspective, practitioners need this time to organize funds. 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.

Costs

INTA agrees with MPI's recommendation that there be no changes for OHIM's regime on costs. However, some consideration might be given to the possible increasing of the claimable amounts of the awards of representation costs in opposition, revocation, cancellation and appeal proceedings.

V. Expanded Competences for OHIM

INTA has followed with keen interest the discussions regarding the possible expansion of OHIM's competences, such as administering the EU Observatory on Counterfeiting and Piracy¹ and the creation of a registration system for non-agricultural geographical indications. For the GI proposal in particular, there remain many details that need to be worked out, such as how this new responsibility would be financed and integrated into the Office's operations. A major concern for INTA is that any new activities might divert OHIM's focus from its primary mission of granting trademark rights. Moreover, the Office should maintain its emphasis on streamlining its internal and external processes, facilitating harmonization with Member State systems, and coordinating with national offices, as stated in its recent draft Strategic Plan.

Harmonization and Consistency Issues

While great progress has been made towards harmonizing the basic principles of EU trademark law and attaining greater consistency, there remain some challenges and differences that cannot be easily solved, such as linguistic and cultural differences, and varying legal concepts and definitions. Nonetheless, much more can be done, and INTA strongly recommends that the current review seek further harmonization in EU trademark laws and consistency in procedures. Below, we briefly discuss various issues for consideration.

Grounds for Refusal and Invalidity

Bad Faith: MPI's study stated that there was no evidence that including applications filed in bad faith in the catalogue of absolute grounds of refusal for CTMs would yield specific benefits to users. This is consistent with INTA's November 2010 statement, noting that we do not support adding bad faith to the list of absolute grounds for refusal for CTMs. However, there are varying ways in which Member States establish criteria for "bad faith." While INTA is still

¹ As laid out in the draft Regulation of the European Parliament and the Council adopted by the European Commission on May 24 on entrusting OHIM with certain tasks related to the protection of IPRs, including the assembling of public and private sector representatives as a European Observatory on Counterfeiting and Piracy.

considering what further actions it may recommend, we would support a more harmonized approach throughout the EU in regards to bad faith and consistency between the national offices in this matter.

TMD Optional Provisions (Articles 3 & 4): MPI proposed that a number of optional provisions of the Trade Mark Directive (TMD) should become mandatory. INTA has only considered relative grounds of refusal in case of conflict with a reputation mark and agrees that this should be consistent in national legislation. However, MPI also mentions further provisions which are currently optional but recommends that they become mandatory. INTA has not yet fully considered all of the ramifications of these provisions, but these recommendations do not appear to conflict with our conclusions.

Graphical Representation Requirements

MPI proposed that there should not be a requirement for graphical representation of a mark in the TMD and the CTMR so as to not bar the option for developing new ways of representation that may be equally informative and reliable. INTA takes the position that in addition to allowing a mark to be “visually perceptible,” other graphical (e.g. “digital”) representations depicting marks should be permitted. Our comments in January 2010 to MPI provide a more in-depth discussion of this issue.

We therefore endorse MPI’s proposal that graphical representation not be a requirement and that the TMD and the CTMR need to be reformulated in order to afford greater flexibility in protecting non-traditional marks in Europe.

Procedural Issues: Examination, Oppositions and Cancellation

The MPI study states that the initiative for further harmonization between the systems should also be extended to provisions of procedure-- a proposal that is strongly supported by INTA and other user associations. However, the proposals contained in the study regarding provisions that shall be introduced into the TMD (and thus be harmonized) are not very detailed and merely allude to provisions concerning procedural issues in accordance with the regulations contained in the CTMR which should be included into the TMD. One exception is a suggested provision in respect of opposition proceedings where earlier rights can be evoked and the defence of non-use must be allowed as part of the opposition proceeding. This is indeed good news, as it is in accordance with one of INTA’s main suggestions on this issue.

Classification and Class Headings

INTA, through its Guidelines on Trademark Examination, discourages the acceptance of the class headings of the Nice classification system as the list of goods and services, which is OHIM’s practice. We note that use-related problems can result following this practice, such as triggering possible revocation, cancellation and opposition procedures, as well as inducing infringement actions and creating legal uncertainty. We agree with MPI that Member States and OHIM, for the sake of harmonization, should apply the same criteria when classifying goods and services.

Assignment of Trademarks, License Agreements

MPI's conclusions regarding this assignment are consistent with INTA's recommendations, with one exception. Under point 8.6. of the conclusions, MPI proposes to introduce provisions concerning licensing going beyond the scope of the current article 8 TMD in accordance with article 22 (3) to (5) CTMR. The recommendation states, "*On request of one of the parties a grant or transfer of a license in respect of a Community Trade Mark shall be entered in the register and published.*"

INTA takes the position that mandatory trademark license recording requirements should be eliminated. While, in our understanding, MPI's proposal does not represent a mandatory recording requirement, we are concerned that there may be negative consequences if the license has not been recorded (cf. article 23 CTMR). We therefore believe this issue needs further analysis to determine if it would be acceptable to trademark owners to have a provision similar to article 22 (5) CTMR as part of the national trademark laws in Europe.

Goods in Transit

INTA supports MPI's comments and conclusions on transit issues as they are consistent with INTA's general position posited in our *Nokia* submission before the CJEU and the UK Court of Appeal².

We also support MPI's proposal to introduce in the CTMR and the TMD explicit rules allowing proceedings against import, distribution and sale of labels, packaging and similar products, which may be combined with products and converted into infringing products.

Remedies

INTA recognizes that the implementation of the Enforcement Directive has led to substantial harmonization of remedies in cases of trademark infringement throughout Europe. Nevertheless, we believe that further harmonization is necessary. MPI's study does not delve into this issue in detail, aside from some remarks that the remedies available in cases of infringement of CTMs should be part of the CTMR and not merely those available under national law, and that this could be achieved with a provision in the CTMR for all substantive and procedural remedies currently part of the Enforcement Directive. The study goes on to say that in view of the review of the Enforcement Directive currently underway, no proposals are made to integrate remedies into the CTMR. INTA agrees that remedies should be addressed in the separate review of the Enforcement Directive and looks forward to working with the Commission to move this forward.

Protection of Unregistered Trademark Rights

INTA believes that it would be desirable that the laws of the Member States which do afford protection to unregistered trademarks should be harmonized. Thus, we agree with MPI's support of general harmonization on the issue (e.g. under point 5.3, MPI suggests that "*the relative*

² <http://www.inta.org/Advocacy/Pages/Amicus.aspx>

grounds for refusal applying in case of conflict with a non-registered trademark or another signed used in the course of trade currently in article 4 (4) (b) TMD shall become mandatory”).

Shape Marks

MPI proposed that it should be indicated in the preamble of the relevant legislation that the shape of product marks usually needs to establish acquired distinctiveness for registration. As a general rule, INTA does not support this proposal, even if the requirements for acquired distinctiveness in the Community are eased (as also proposed by the MPI). We see no reason to make an exception for shape of product marks from the general principle that the standards to be applied in the assessment of distinctiveness are the same for all forms of marks. Furthermore, there are already markets in which consumers are used to seeing the shape of a product as an indication of origin, and therefore shape marks can acquire distinctiveness. (However, in our analysis we did agree with MPI’s proposal to delete Art. 7 (1) (e) (iii) CTMR and Art. 3 (1) (e) (iii) TMD, because the objective of these clauses is unclear and the implementation is difficult (as was also stated by the MPI) and the recommendation to apply Art. 7 (1) (b) or (c) CTMR and Art. 3 (1) (b) or (c) TMD in the relevant cases instead.)

Consistency

MPI offered a vague response in its analysis of the question “*to what extent do stakeholders see a need for trademark offices practices becoming more consistent,*” stating “there is still substantial room for improvement both at the level of OHIM and at the level of national offices.” INTA encourages the Commission to consider our suggestions contained in our November 2010 report which provides a more detailed discussion of inconsistencies, particularly in regards to decision practices, central filing and information portals, conversion, classification, formalities, and procedural inconsistencies.