

OPEN LETTER TO THE EUROPEAN PARLIAMENT, MEMBER STATES AND COMMISSION ON THE EU TRADE MARK REFORM



The above organisations, representing thousands of companies across all industry sectors, from SMEs to multinationals, and the majority users of the European trade mark systems, thank the European Commission, Parliament and Member States for their engagement and understanding of the importance of the Trade Mark Reform to Europe's business community, innovators and consumers.

Based on the recent study of the EU Observatory on IP Infringements, which demonstrated that trade mark-intensive industries account for 21% of all jobs and for 34% of EU GDP, the current system has proven to be a success. We therefore appreciate the efforts by the Commission, the Parliament and Member States to ensure that it continues to meet the needs of its users in the future. In that respect, we strongly support the objectives to modernise and harmonise the trade mark systems at substantive and procedural levels.

We hereby wish to highlight a few critical points for the co-legislators to consider when engaging in trilogue discussions.

1. Control of Counterfeit Goods in Transit [Article 9(5) CTMR, 10(5) TMD]

We welcome and strongly support the Commission's proposals and the vote in February 2014 by the European Parliament to include robust measures to fight the transit of trade mark counterfeit goods in the EU. The measures provide an efficient solution, which would not affect the trade of legitimate goods, including genuine generic medicines, under the EU's WTO international obligations. We urge the Rapporteur and Shadow Rapporteurs to defend this approach and continue to show leadership on this important opportunity to fight counterfeit goods.

We also acknowledge that the compromise reached by Member States at COREPER level should maintain the balance between the need to stop counterfeit goods in transit and the need to ensure smooth international legitimate trade.

Trade mark counterfeiting is a global, pervasive and serious hindrance to growth and jobs, and often a threat to citizen health and safety. The exponential growth of the global trade of counterfeits and the recent massive drop in seizures at the EU borders highlight the urgent need for the EU to adopt adequate rules to stem the tide and show leadership in the global fight against counterfeiting in order to protect all consumers from accessing substandard and dangerous fakes. We thus commend the three institutions for their commitment to finding a solution that will enable European customs to stop trade mark counterfeit goods in transit.

We recommend that the final text provide Member States with the necessary certainty and the appropriate tools, within the framework of the Customs Regulation, to allow them to stop goods in transit when they are counterfeit, whilst being cautious not to introduce any loopholes that could benefit counterfeiters. These measures will help prevent the EU becoming the counterfeiters' transit hub of choice.

2. Consultation of trade mark users [Article 123(b) and (c), 124, 125 and/or 127 and 138 CTMR]

Right holders need both National Offices and the OHIM to be effective, efficient and responsive to the needs of businesses – large and small - and offer high-quality services to its users.

It is essential that users of the systems be fully involved in trade mark-related projects and in the OHIM decision-making process if its procedures are to be of practical use. This involvement should be explicitly mentioned in the Regulation.

We commend the Parliament for taking a step in the right direction by introducing an explicit reference to the consultation of users throughout all phases of cooperation projects in Article 123(c), CTMR. This would enable users to continue playing a constructive role in these projects.

A reference to *the interest* of users is also necessary. For any initiative to reflect and respond to users' needs, any common project must, by default, be of interest not only to the Union and the Member States but also to the users. If users see no value in going forward, projects should not be started.

3. Balancing OHIM's budget [Articles 139(3)(a),(ab) and (c), 144(2)]

Users should also be involved in the determination of the use of OHIM funds, all of which have been gathered from trade mark and design registrations. Such use should include strict control mechanisms, be in compliance with sound financial governance norms and evidenced by accurate and transparent financial records.

We welcome that all institutions agree that OHIM should operate a balanced budget and avoid the accumulation of further budgetary surpluses.

To achieve a balanced budget, the fees of the Office need to be set at an appropriate level to cover all the reasonable running costs enabling OHIM to provide an efficient and effective trade mark system of the highest quality possible and that fully meets the needs of its users. However, we object to the Council's proposal that the level of OHIM fees must be set *"taking into account the size of the market"*, that OHIM fees have a role in ensuring *"coexistence and complementarity"* or that the level of OHIM fees should affect how *"the rights of proprietors of EU trade marks are enforced efficiently in the Member States"*.

In fact, as stated in paragraph 38 of the 2012 Joint Statement of the European Parliament, Council and the Commission on Decentralised Agencies, “*for self-financed agencies, fees should be set at a realistic level to avoid the accumulation of significant surpluses*”.

We urge a reduction of trade mark renewal fees to a level equivalent to the cost of a new application/registration as the proposed OHIM renewal fees remain unreasonably high. There is no justification that these cost more than the application and registration fees for a new trade mark. For branded businesses, including SMEs, maintaining their existing trade mark registrations is an absolute necessity. The renewal fee is a direct cost whereas non-renewal is simply not an option. Maintaining unnecessarily high renewal fees at OHIM only deprives businesses of money that should be spent on innovation, development and employment whilst leading to the undesired accumulation of a further budgetary surplus.

As far as the current surplus is concerned, it derives from user-generated fees paid for trade mark services so, after setting aside an appropriate reserve fund to protect the financing of OHIM, it should be dedicated to trade mark-related activities such as improvement and harmonisation of the trade mark systems. We thus strongly support the deletion of the reference to a transfer of the current surplus to the EU budget, as suggested by the Parliament. We are fundamentally opposed to the transfer of any surplus to the general budget of the Member States or of the EU. Such transfer poses the risk that trade mark owners would pay high fees to subsidize other activities of the European Union or Member States.

4. Scope of a trade mark [Article 12 CTMR, 14 TMD]

The contradiction between the rights conferred by the mark and their limitations in the Parliament’s text is very worrying; for instance, providing in one provision that the proprietor should be entitled to prohibit the use of a sign in comparative advertising in clearly defined circumstances while in another provision restricting this prohibition makes little sense and would create legal uncertainty.

The drafting of trade mark rights limitations in the Parliament’s text could affect such rights disproportionately since it could open the door to blatant unfair trading on the reputation of other trade mark owners and undermine the principle of regional exhaustion. It uses undefined concepts and goes significantly beyond certain judgments quoted as authority because it does not take properly into account the specificities and caveats of these judgments.

National case law also emphasises that parodies of trade marks are only acceptable where the objective is one of legitimate general interest and not just malice; the goal has to be consistent with the social objective of the group who parodied the trade mark and employed means must be proportionate to the pursued aim. We fail to understand why a comment or parody using the trade mark for the commercial benefit of the commentator should be acceptable. We also strongly believe that any use of a mark by a third party in the course of trade in a way which may be detrimental to the reputation of that mark can and should constitute infringement.

These limitations should be carefully redrafted in light of the Council and Commission’s balanced approach, at least to ensure coherence with the judgments quoted as authority.

List of signatory associations:

AIM – European Brands Association

APM – German Anti-Counterfeiting Association

APRAM – Association of Trade Mark and Design Law Practitioners

BASCAP – Business Action to Stop Counterfeiting and Piracy (ICC)

BUSINESSEUROPE

EFPIA – European Federation of Pharmaceutical Industries and Associations

EURATEX – The European Apparel and Textile Confederation

FESI – Federation of the European Sporting Goods Industry

INTA – International Trademark Association

MARQUES – Association of European Trade Mark Owners

TOY INDUSTRIES OF EUROPE (TIE)

UNIFAB – Union des Fabricants