REPORT

from: ad hoc Working Party of Counsellors on Trade Mark Law

to: Permanent Representatives Committee

Nos prev. docs 11716/86 4434/87 EXT 1
No. Cion prop. 8896/84 PI 19 COM(84) 470 final

Subject: Amended proposal for a Council Regulation on the Community Trade Mark

I. BRIEF

1. At its 1282nd meeting, on 28 January 1987, the Permanent Representatives Committee instructed the ad hoc Working Party of Counsellors on Trade Mark Law to examine a number of problems relating to the above proposal for a Regulation, which the Working Party on Intellectual Property had not been able to solve. (1)

At its 1286th meeting, on 26 February 1987, the Committee extended the brief to cover examination of other technical problems not solved by the Working Party on Intellectual Property, and set 15 May 1987 as the ad hoc Working Party's deadline for reporting back.

(1) See 4434/87 EXT 1 CRS/CRP 4 PI 8.
The ad hoc Working Party thus examined, in the course of five meetings (2), the following Articles of the Regulation: 7, 11, 13, 15, 19, 21, 23, 33, 33a, 41, 64, 73a, 75b (= former 75c), 76a, 77 (= former 79), 105 and 118.

II. PROBLEMS SOLVED

3. The ad hoc Working Party was able to find solutions for seven of the seventeen Articles it examined: the texts of Articles 11, 13, 19, 23, 75b, 76a and 77 and, where appropriate, statements referring to them, as approved by the Working Party, are given in the version of the proposed Regulation which emerged from discussions in the Working Party on Intellectual Property and the ad hoc Working Party of Counsellors (6587/87 PI 5C).

It should however be noted that some delegations have made their final agreement to Article 76a subject to achievement of an overall compromise.

III. PROBLEMS OUTSTANDING

4. However, the Working Party was unable to find generally acceptable solutions for the other ten Articles examined. The Committee will find below an outline of the problems underlying these ten Articles. This report distinguishes between:

- in part A, the problem of search and the protection of earlier rights, which involves a group of Articles (Articles 7, 33, 33a and 64);

- and in part B, other problems, involving Articles 15, 21, 41, 73a, 105 and 118.

(2) Meetings held on 13 February, 2 March, 25 March, 2 April and 4 May 1987.
A. SEARCH AND PROTECTION OF EARLIER RIGHTS

5. The problem of the conflict between a mark for which registration as a Community trade mark is sought and an identical or confusingly similar earlier mark or other right was explained to the Permanent Representatives Committee in a report from the United Kingdom Presidency (11716/87 PI 83, part A, points 4 to 11).

The ad hoc Working Party of Counsellors examined the problem from the angle of both possible introduction of a search procedure (Article 33a) and the legal effects of the results of such a search.

It became clear during discussion of these problems that it would be easier to find a compromise solution if negotiations were extended to a number of other provisions of the Regulation which had a direct impact on the conditions under which the owners of earlier rights could invoke them in respect of an application for a Community trade mark.

6. This consideration led the Presidency to submit an overall compromise proposal set out as follows:

(a) As regards the search, the Danish compromise solution, taken up by the Netherlands Presidency, would be maintained in the form given in Article 33a (see 6587/87 PI 50).
(b) As regards the legal effects if a search reveals conflicting earlier marks, the owners of those marks and the applicant for a Community trade mark would be informed of the results, as laid down in Article 33a. The Trade Marks Office could not regard the marks as grounds for ex officio refusal; the application would only be refused upon opposition by the owners. A further absolute ground for refusal corresponding to the case in point would not therefore be added to Article 6 of the proposal for a Regulation.

(c) In keeping with the solution proposed in (b), Article 33(1) should not provide that any natural or legal person may submit written observations to the Office based on the existence of earlier rights. These observations would not serve any purpose, as the Office would not be in a position to invoke the rights against an application for a Community trade mark if the owner of the earlier right failed to bring opposition proceedings. This part of the compromise is contained in the text of Article 33(1) (see 6587/87 PI 50).

(d) As regards the costs incurred by the parties in proceedings before the Office, and in opposition proceedings in particular, Article 64 of the Regulation would be based on the principle that in all "audita altera parte" proceedings the losing party bears the costs incurred by the other party. Application of this principle should make it easier for small and medium-sized undertakings which own earlier national rights to decide to bring opposition proceedings, whereas the principle that each party should bear its own costs would be a deterrent in the case of proceedings going beyond the national framework or
perhaps against economically powerful undertakings. However, there would be two limitations on the defrayal of costs by the losing party:

- for reasons of equity, the Office may decide on a different apportionment of costs;

- certain basic procedural costs would be subject to a tariff system, so that a small or medium-sized undertaking which decided to bring opposition proceedings could also calculate exactly the amount of the costs it would have to bear if it lost its case.

This solution is reflected in the text of Article 64 (see 6587/87 PI 50).

(e) To ensure that not only the owners of earlier registered trade marks but also the owners of non-registered trade marks or other earlier signs conferring the right to prohibit use of a subsequent trade mark could avail themselves of the possibilities offered by opposition proceedings, the German and Netherlands delegations would have to withdraw their reservations on the text of Article 7(4).

In assessing this overall compromise the Presidency felt that due weight should also be given to Articles 44 (Limitation in case of acquiescence) and 82 (Prohibition of use of Community trade marks), which the delegations were unanimously agreed on, and which afforded considerable guarantees to the owners of earlier rights. In addition, the facilities which Article 103 offered the parties concerned for using national languages
In proceedings before the Office should also be taken into consideration, even though discussions on this provision were not yet finished.

7. As the delegations reacted in various ways to the various parts of the Presidency's overall proposal, the Presidency stated its intention of maintaining the proposal unchanged at Permanent Representatives Committee level.

The delegations' reactions to the various parts may be summarized as follows:

re (a) and (b) (search and its legal effects)

9. Nine delegations and the Commission representatives stood by their positions of principle on these questions (see report by the United Kingdom Presidency, 11716/86 PI 83), but said they could not agree to parts (a) and (b) of the overall compromise solution unless a consensus could be achieved.

The Greek and Portuguese delegations could not agree to these parts of the compromise solution. They would prefer the Community Trade Marks Office automatically to conduct a search, that would also cover earlier national marks, and thought that the Office should automatically refuse to register a Community trade mark if the search revealed earlier conflicting marks.

By contrast, the French delegation could not agree to part (a) of the compromise solution, as it did not think that the Office should conduct any search automatically, even for Community
trade marks. In its view, the Office should only conduct searches at the request of any interested person against payment for the service rendered.

re (c) (written observations by third parties)

9. Ten delegations and the Commission representatives were able to accept part (c) of the Presidency's compromise proposal as part of an overall compromise.

The Irish and Italian delegations, however, wanted it to be possible for written observations to be based also on the relative grounds for refusal referred to in Article 7 (3).

The Greek delegation could also accept this solution.

re (d) (costs)

10. Eleven delegations and the Commission representatives could agree to part (d) of the Presidency's proposal as part of an overall compromise.

(3) These delegations thought that the end of the first sentence of Article 33(1) should therefore read as follows:

"... written observations, explaining on which grounds, under Articles 6 or 7 in particular, the trade mark shall not be registered."

.../...
Where opposition proceedings were concerned, the German delegation could not accept the principle that the losing party should bear the costs incurred by the other party, as it thought it more appropriate for each party to bear its own costs unless the Office decided otherwise. As a neutral arrangement, this would also be in the interests of small and medium-sized undertakings which brought opposition proceedings.

re (e) (non-registered rights)

11. The German and Netherlands delegations stood by their view that a non-registered right should not constitute a relative ground for refusal in opposition proceedings. However, they were ready to review their position as part of an overall compromise.

B. OTHER PROBLEMS

(a) Alteration of marks after registration

(Article 15)

12. This problem is outlined in the United Kingdom Presidency's report (11716/86 PI 83, part F, points 28 to 30).
At the close of discussions in the ad hoc Working Party, it was clear that the delegations' positions of principle remained unchanged. In other words, ten delegations and the Commission representatives could agree to the text of Article 15, while the Spanish and French delegations upheld their reservations on paragraph 2 of the Article, on the grounds that minor alterations to the mark should be allowed when a registration was renewed, provided that the distinctive character of the trade mark was not altered. (4)

(b) Consent of the proprietor of the trade mark to an infringement action by a licensee
(Article 21(3a))

13. The great majority of delegations and the Commission representatives considered that a licensee required the consent of the proprietor of the trade mark in order to bring infringement proceedings. This was justified by the scale

(4) To accommodate these two delegations, it was suggested in the ad hoc Working Party that paragraph 2 be worded as follows:

"Nevertheless, a minor alteration of the trade mark may be registered at the request of the proprietor at the time of renewal of registration of the trade mark, provided that such alteration does not alter the identity or the distinctive character of the trade mark as originally registered. However, where the alteration concerns solely the name and/or address of the proprietor, it may be registered at any time."

This solution seemed acceptable as a compromise to ten delegations and the Commission representatives, subject to finalization of the wording. However, the German delegation could not agree to this solution, since as far as it was concerned, the original version of paragraph 2 adopted by the majority of delegations already constituted a compromise in itself. The Netherlands delegation shared the German delegation's misgivings, but reserved its final position.
of the risk being run by the proprietor of the mark, as the assumed infringer could make a counterclaim for revocation of the trade mark.

The Greek delegation agreed with this principle, but felt that where the proprietor of the mark refused consent without justification, the licensee should be able to bring infringement proceedings independently, to protect his interests.

The Portuguese delegation shared the Greek delegation's point of view at least where exclusive licences were involved.

Discussions in the ad hoc Working Party led ten delegations and the Commission representatives to agree on the following text:

"(3a) Without prejudice to the provisions of the licensing agreement, the licensee may bring proceedings for infringement of a Community trade mark only if its proprietor consents thereto."

The Greek delegation made its agreement to this text subject to addition of the following two sentences:

"Any refusal of consent by the proprietor must be justified. If consent is withheld without justification or in an unfair manner, the licensee may take legal action to defend his rights and interests in accordance with the national law of the Member State on the territory of which the act of infringement has been committed or is in danger of being committed."
The Portuguese delegation supported the Greek delegation's proposal where exclusive licences were concerned. However, in the case of non-exclusive licences, it could accept the text supported by the majority of delegations.

The Greek delegation's proposal was not acceptable to the majority of delegations; only the Italian delegation and the Commission representatives were prepared to support it, as a compromise.

(c) Bad faith of the applicant as a ground for invalidity of the trade mark
(Article 41(1)(b)

14. At the instigation of the German delegation, the Working Party considered whether it was desirable to include a clause among the absolute grounds for invalidity to avoid trade mark trafficking.

Ten delegations and the Commission representatives were able to agree to the following text:

"(1) A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings,

(a) ......

(b) where the applicant was acting in bad faith when he filed the application for the trade mark."

The Danish delegation, however, could not accept the term "bad faith" as it felt that its meaning was unclear in this context. It was prepared to accept the following wording:
"(b) where it becomes clear from the behaviour of the proprietor of the trade mark that he did not, when filling the application, have the bona fide intention of using the trade mark."

The French delegation maintained a scrutiny reservation on the wording agreed to by the majority of delegations.

(d) Brussels Convention on Jurisdiction and Enforcement
(Article 73a)

18. The ad hoc Working Party considered whether Article 73a should refer to a specific version of the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Convention on Jurisdiction and Enforcement) (static reference) or whether it would not be preferable to refer to it in whatever was its latest form in the light of the accession of new Member States (dynamic reference).

Ten delegations and the Commission representatives concluded that the present text of Article 73a already constituted a dynamic reference. It could only be interpreted as referring to the version actually in force at any given moment (5), but it did not imply advance implementation for all the Community Member States of the latest version of the Brussels Convention. To clarify this situation, it would be helpful to include in the Regulation a transitional provision (similar to that in Article 38 of the Protocol on litigation concerning Community patents whereby the provisions of the Convention on Jurisdiction

---

5 As it stands at present, Article 73a would refer to the Brussels Convention as amended by the 1978 Accession Convention which is in force between eight Member States.
and Enforcement rendered applicable by the Regulation would not take effect for any given Member State until the Convention entered into force for that State. Article 80a puts this transitional provision into the form of a text (see 6587/87 PI 50).

The German and Portuguese delegations entered scrutiny reservations on this solution.

(e) Appointment of the President of the Office
(Article 105)

16. Delegations' positions continued to differ on the question of who should have the power to appoint and dismiss the President of the Office (paragraph 1) (6).

Most delegations and the Commission representatives could agree to the following solution: appointment by the Commission on the basis of a list of a maximum of three candidates, drawn up by the Advisory Committee (7) — dismissal by the Commission.

(6) It was agreed in the ad hoc Working Party that the Vice-President or Vice-Presidents of the Office would be appointed and dismissed by the same procedure, after the President had been consulted (paragraph 2). It was likewise generally accepted that disciplinary authority over the President and Vice-Presidents would be exercised by the body which appointed them (paragraph 3). Finally, the ad hoc Working Party of Counsellors agreed on the duration of the President's term of office (paragraph 1a). It would be for a maximum of five years and would be renewable.

(7) It was pointed out that three Community organizations set up by means of Regulations had their directors appointed by the Commission on the basis of a list of candidates drawn up by an administrative or management board. They were:
- the European Centre for the Development of Vocational Training (Regulation No 337/75, Article 6 (OJ No L 39, 13.2.1975, p. 1.)
- the European Foundation for the Improvement of Living and Working Conditions (Regulation No 1365/75, Article 8 (OJ No L 139, 30.5.1975, p.1.)
- the European Agency for Co-operation (Regulation No 3245/81, Article 8 (OJ No L 328, 16.11.1981, p. 1)).
acting on a proposal from the Advisory Committee. Of those delegations, the Danish, German and United Kingdom delegations were also prepared to consider the President being appointed and dismissed by the Council acting on a proposal from the Commission.

The Greek and Italian delegations were in favour of appointment and dismissal of the President by the Council acting on a proposal from the Commission.

The Irish delegation, could agree to the President being appointed and dismissed either by the Commission or by the Council.

The Portuguese delegation wanted the Advisory Committee to be responsible for appointment and dismissal.

The French delegation, which wanted the role of the Advisory Committee to be strengthened, did not wish to express an opinion at this stage, since the problem of the legal instrument by which the Community Trade Mark Office would be set up had not yet been resolved.

17. (1) On the question of the appointment of the members of the Boards of Appeal, including the Chairmen, (paragraph 1, first sentence), a majority of delegations was able to accept a solution whereby the appointments would be made by the Council acting on a proposal from the Commission. Which would have consulted the Advisory Committee.
The Danish delegation provisionally adopted the same position, taking the view that the problem of the degree of subordination of the various bodies of the Office in relation to Community institutions should be resolved as a whole.

The French and Portuguese delegations continued to prefer appointment by the Advisory Committee; however, they said they might be prepared to agree to appointment by the Council, should the Office in fact be set up by means of a Regulation.

(ii) With regard to the procedure by which the Council would take a decision, the German, Spanish, Greek, Irish and Netherlands delegations were in favour of a unanimous decision, while the Italian and United Kingdom delegations continued to prefer a decision by qualified majority.

(iii) With regard to the removal of members of the Boards of Appeal from office on serious grounds (paragraph 1, second sentence), the ad hoc Working Party agreed that the Court of Justice should be competent for this matter.

Opinions continued to differ, however, on who should take such matters before the Court; most delegations could agree to the Commission being the applicant. The French and Italian delegations, however, were in favour of the Advisory Committee doing it. The Danish and Portuguese delegations could agree to either solution. The United Kingdom delegation reserved its position pending receipt of the opinion which the Court of Justice had been
asked to give on the practicability of a number of provisions, including Article 118(1).

(iv) Delegations' views continued to differ on the qualifications required of members of the Boards of Appeal (paragraph last the Commission had proposed (in Article 117(2)) that they should be "jurists". 

In the ad hoc Working Party of Counsellors, all the delegations except the Irish and United Kingdom delegations reaffirmed the positions they had taken from the outset of the Working Party on Intellectual Property in favour of a solution whereby all the members of the Boards of Appeal would be "jurists".

At the end of the ad hoc Working Party's discussions, seven delegations (B/D/ES/IRL/I/P (8) and UK), along with the Commission representatives, were prepared to accept, as a compromise, the following version of Article 118(1a):

"(1a) The members of the Boards of Appeal shall be chosen from persons who possess the qualifications required for appointment to judicial office in their respective countries and experience in trade mark law or persons of recognized competence in the field of trade mark law."

(8) The Portuguese delegation expressed a preference for deletion of the words "or persons of recognized competence in the field of trade mark law."
However, the Belgian, German, Spanish and Italian delegations and the Commission representatives made their agreement conditional on the inclusion in Article 117 of the stipulation that "the Boards of Appeal shall take decisions on the basis of a membership of three, including at least two jurists", while the Irish and United Kingdom delegations made their agreement conditional on a stipulation that "the Boards of Appeal shall take decisions on the basis of a membership of three, including at least one jurist".

The Danish and French delegations would prefer the following text of Article 118(1a) in the context of a compromise:

"Members of the Boards of Appeal shall be chosen from persons who possess the qualifications required for appointment to similar judicial offices in their respective countries or who are of recognized competence in the field of trade mark law."

The Greek and Netherlands delegations still had reservations on all these solutions and insisted that all the members of the Boards of Appeal should be jurists.