MARQUES comments on the Greek Presidency Compromise Proposal to the Trademark Directive and the Community Trademark Regulation of 2 May 2014

MARQUES appreciates the opportunity for continuing dialogue on the reform of the European trademark systems and offers the following comments to the Council Working Group on the most pertinent issues:

1) OHIM Governance and Tasks

MARQUES continues to call for a clearly defined and prioritised list of OHIM's tasks. We are not certain that the list in Article 123(b) CMTR is in a prioritised order, but we ask for a more clear statement that the most important task and objective of OHIM is to register EU trademarks and designs and to maintain the Registers (including the online databases). We support many of the other tasks like the EU Observatory, and we view the promotion of the values of IP as beneficial for the European Union in a broad sense, but these tasks remain secondary to the main objective.

2) "Significant surplus"

MARQUES continues to support the wording proposed by the Commission and adopted by the Parliament at the 1st reading (Article 144(2) CTMR):

... to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Agency to be balanced while avoiding the accumulation of significant surpluses.

MARQUES maintains its opposition to the introduction into the Regulation of wording that refers to "coexistence and complementarity" as the OHIM is an independent body with an independent budget. MARQUES is also opposed to wording that refers to the setting of fees "taking into ac-
count the size of the market". OHIM's fees should not be hidden taxes, but must be set to generate sufficient funds for its budget to be balanced while avoiding the accumulation of significant surpluses.

**MARQUES** is opposed to the suggestion that the level of the fees should be set *so as to ensure that the rights of proprietors of EU trademarks are enforced efficiently in the Member States*. It is not clear to us what is meant by this addition. OHIM's task is to ensure registration EU trademarks and designs as mentioned above, and the fees for these services should not be set to ensure enforcement of the ensuing rights. The fees should be set to ensure the proper running of OHIM's main task and nothing else.

**MARQUES** thus strongly objects to the insertion of Article 144(2)(b) and 144(2)(c) CTMR.

3) **Cooperation on projects in the interest of the European Union**

**MARQUES** is in favour of projects being run to create increased harmonisation of laws, practices and procedures and is actively involved in projects run by the Cooperation Fund as well as in the convergence program (Article 52 TMD).

The OHIM is funded by, and exists purely to support, trademark and design applicants and owners. All right holders need both National Offices and the OHIM to be effective and efficient.

Accordingly it is essential that users of the systems be fully involved in the OHIM decision-making process if its procedures are to be of practical use. **MARQUES** continues to ask that this involvement is explicitly mentioned in the Regulation (Article 123(c), 124, 125 and/or 127 and 138 CTMR).

The involvement should include any use of OHIM funds, which have been gathered purely from these applicants and owners. Any common projects must, by default, be of interest not only to the European Union and the Member States but must be approved by users.

**MARQUES** continues to recommend that the Regulation explicitly refers to control mechanisms such as ex ante controls, including an assessment of the value of the project, clear timelines, budgets, project briefs, key performance indicators etc. Any potential funding must not replace other available national financing and any agreed ceiling should be a maximum, not mandatory and not a minimum, expenditure, the use of which, in compliance with sound financial governance norms, is evidenced by accurate and transparent financial records. If users see no value in going forward, projects should not be started.

**MARQUES** is opposed to the change of the word 'shall' to 'may' (Article 123(c)(4) CTMR) and ask that the phrase be amended back to its previous wording: *That financial support shall take the form of grants.*
MARQUES would like to recall that we have been supportive of the project based work of the Co-operation Fund and that in relation to the Parliament's 1st reading adoption of the increase of the funding from 10% of OHIM's yearly income to 20% (Article 123(c) CTMR), we kept an open mind. The only conditions that we set to the increase to the 20% were as follows:
1. Funding must be project led
2. Users must approve the projects
3. It was made clear in the Regulation that the 20% were indicative of the maximum spend and not a compulsory spend.

MARQUES strongly objects to Article 139 (CTMR).

Article 139(3)(a) introduces a new 10% which is not of the surplus, but 10% of the yearly income. This 10% proposed to be distributed to the Member States – and not the national offices or other national bodies dealing with IP rights. Most of the listed services under Article 139(3)(a) and as well as all listed under Article 139(3)(c) must go under projects funded under Article 123(c) (CTMR). As mentioned earlier MARQUES is not in favour of keeping relative grounds refusals, and consequently see no need to fund such work at a national office level. As regards opposition and invalidation actions based on EU trademarks, we are convinced that these will only be initiated when there is a genuine business need, and that there will be national fees to pay.

While we have recognised the need for OHIM to be able to attract the best people, MARQUES does not believe that budget decisions regarding contributions to the European School belongs in the Trademark Regulation.

4) Fees

As regards fees, the main point for MARQUES generally is that the fees and the fees structure are reviewed in an open and transparent manner in dialogue with interested parties, including users.

MARQUES supports the Commission's proposed new fee structure, including the reduction of the number of classes from 3 to 1 (Article 44 TMD).

It has come to our attention that two EU member states do not allow for multi-class applications. We would suggest that a sentence is added to Article 44 (TMD):

"Member States shall provide for the possibility to register a trademark for goods and services in more than one class in a single registration."

MARQUES notes the compromise that has been reached on the filing fees and the renewals fees and trust that this is a better way forward. We wonder, however, why the fees for collective marks have been put up rather significantly and wonder if it is necessary to have these fees set to be twice as expensive as a normal trademark application.
5) Goods-in-transit

MARQUES supports the proposal that a proprietor should be entitled to prevent the importation into the EU of all infringing goods, even for private purposes, where they were sold in the course of trade. This right is supported by the decision of the CJEU in Blomqvist v Rolex (Case C-98/13 6 February 2014) which involved counterfeit goods. MARQUES therefore supports Option 1 of the Lithuanian Presidency Compromise Proposal, although the provision should extend to all consignments and not only small consignments (Article 9(4) CTMR).

MARQUES continues to favour the proposal as originally drafted by the Commission, so that any counterfeit goods in transit could be prohibited regardless of their source or destination. The Commission's proposal respects the GATT agreement and is in conformity with the principle of territoriality of trademarks. MARQUES therefore supports the Presidency Proposals (Art 10(5) TMD, Art 9(5) CTMR). MARQUES continues to oppose the suggested proviso that a proprietor could not prohibit counterfeit goods if the third party provides evidence that the final destination of the goods is beyond the Member State/Union.

6) Application and filing date

MARQUES repeats its call for the maintenance of the current regime at OHIM where payment of the basic fee is possible within one month after the filing (Article 39 TMD, 27 CTMR). Instead, we suggest that the examination procedure should be postponed until payment has been made.

7) Grouping of goods and services

MARQUES remains opposed to the notion that the applicant should be obliged to group the products/services according to the Nice classification (Article 40(6) TMD, 28(6) CTMR) as proposed in the Greek Presidency paper.

An applicant should be able to file the application listing its goods/services in principle without indicating the classes. Indeed an applicant should not have to have any knowledge of the Nice classification and how this system works. An applicant should not have to be an expert, and the Offices should assist and guide the applicant so that the list of goods and services is classified during application procedures. We believe that this is a very important point in relation to access to the trademark systems, particularly for SMEs.

8) Implementation of IP Translator

MARQUES notes that Article 28(5) of the Regulation as well as Article 40(5) of the Directive clarify that general indications of the class headings of the Nice Classification shall be interpreted, according to the ECJ’s IP Translator judgment, as including only those goods or services which are clearly covered by the literal meaning of the indication or term, irrespective of when the trademark was applied for or registered. Furthermore, Article 28(8) of the Regulation has been deleted, which would have allowed a trademark owner to amend - within a term of 6 months - the list of goods and
services of a trademark registration if he had filed it under the old class-heading-covers-all practice. In effect, by this amendment, the IP Translator judgment will be applied retroactively also on those marks that were filed and registered before the judgment.

**MARQUES** has always favoured the deletion of Article 28(8) of the Regulation, because we viewed it as a complication that risked putting third parties at a disadvantage. It should be noted, however, that many trademark owners relied on the class-heading-covers-all office practices. Thus, whatever course of action is taken, either the trademark owner or third parties will be put at a disadvantage. **MARQUES** therefore recommended that any disputes arising from the use of class headings and the question about their coverage should be left to the courts.

At the same time, **MARQUES** called for special provisions for intervening rights if Article 28(8) was to be kept. In view of the fact that special provisions for intervening rights had been proposed in Article 28(8)(a), **MARQUES** stated its support to such proposal. The proposed Article 28(8)(a) stipulated that third parties may continue to use a trademark if it infringes the subsequently extended list of goods or services, but would not have infringed the class heading terms. These third parties could even have the trademark registered later for the same goods and services. We read the new 28(8)(a) to mean that the two trademarks would coexist, as would be typical for "intervening rights". However, **MARQUES** pointed out that similar provisions would also have to be foreseen in the Trademark Directive in order to achieve full harmonisation.

9) Search

**MARQUES** was not in favour of the searches of national registers (including in the Benelux Register) since these searches are too late in time as the necessary clearance searches will have been conducted by the applicant before the filing of the Community Trademark application. When these searches were made optional, **MARQUES** accepted this change.

Accordingly, **MARQUES** indicated that it was opposed to OPTION 2 (Article 38 and 155 CTMR) as set out in the Compromise Proposal of 20 February 2014, which seemed to be proposing to prepare a mandatory search report of all registers in the EU. **MARQUES** is therefore pleased that OPTION 2 has been removed from the current Compromise Proposal. As mentioned, the timing is not right because the applicant will already have filed the application and conducted any clearance searches that they believe necessary. We believe that the circumstances in which an applicant will wish to withdraw an application following receipt of a search report will be extremely limited and we would be very concerned that such searches would only hold up the procedure.

**MARQUES** recommends that it is made clear that the national searches are optional in Article 38(2) CTMR and that the fee for these searches will only be paid if the applicant opts in (Article 38(4) CTMR).

**MARQUES** is opposed to the removal of the requirement that publication of a CTM application may not take place before the expiry of a period one month as from the date the Office submits the search reports to the applicant (Article 38(7)). In circumstances where an applicant has requested
the search reports, the applicant should be given time to review these and to decide whether to maintain the application or whether to withdraw it.

10) Absolute grounds of refusal

MARQUES did not support the Commission’s proposals that the absolute grounds should apply notwithstanding that the grounds of non-registrability obtain (a) only when a foreign language mark is translated into a European Union language and (b) for national marks, only in another part of the European Union (Article 4(2) TMD, Commission's Article 7(2)(b) CTMR). Accordingly, we are pleased to see that this wording had been removed from the Presidency compromise proposals.

MARQUES was surprised to see the addition of the words “reproduce in its essential elements” (Article 4(1)(k) TMD, Article 7(1)(l) CTMR) regarding absolute grounds for refusal or invalidity based on earlier plant variety denominations. In the first instance, it is not clear what should be understood by “essential elements” of a plant variety denomination, and secondly, there would appear to be no justification for including this type of assessment in the examination process. It more properly sits in the relative grounds for refusal.

11) Relative grounds of refusal

MARQUES supported the Commission's proposal to abolish refusals based on ex-officio examination of relative grounds by all national offices in the EU (Recital 34, Article 41 TMD). MARQUES continues to view removal of this type of refusal as an important step towards increased harmonisation in the EU. Accordingly, we were disappointed to see that it had been reinserted (Article 41(2) TMD). Enabling national offices to carry out ex-officio examination of relative grounds leading to refusals slows down the registration process and maintains national differences. We therefore request this option be removed from the text.

MARQUES fully supports the removal of the proposal put forward in the Lithuanian Presidency compromise proposal (Article 5(4)(e) TMD) which provided the refusal of a new trademark application if it was identical or similar to an earlier trademark, which was registered for identical or similar goods/services, even after the registration has expired for failure to renew for a period as long as up to two years. However, MARQUES considers that it is in the interests of consumers to provide for a period immediately following the expiry of a collective or certification mark during which an identical or similar mark cannot be made. We consider that Articles 5(4)(c) and (d) TMD should be reinstated and that similar provisions should be included in the CTMR.

MARQUES considers that the amendments made to Articles 5(3)(c) TMD and 8(3)(c) CTMR relating to bad faith filings are not capable of dealing with the issue that they were initially intended to cover, i.e. trademark squatting cases, where the owner of a trademark with rights outside EU is prevented from filing within the EU as a result of a prior bad faith application by a third party. This right was not conditional upon the non-EU mark qualifying as a well-known mark under the Paris Convention (which experience shows is difficult to establish), but on the bad faith of the EU applicant, which need not necessarily be an agent or representative. MARQUES requests that the
initial text is reinstated. It is an important provision that the EU can use to obtain reciprocity from other countries where EU trademark owners experience significant issues with this type of trademark squatting.

12) Consents

*MARQUES* continues to support the amendment to Article 5(5) TMD adopted by the Parliament at its 1st reading. If two trademark owners agree to coexist, the office should accept such an agreement. We urge the Presidency Working Party again to change the 'may' to a 'shall' in Article 5(5) TMD.

13) Opposition procedure

*MARQUES* reiterates again its support the possibility to base an opposition on several rights (Article 41 CMTR). *MARQUES* supports the Commission's proposal to allow for oppositions based on bad faith (Article 8(3)(b) CTMR).

Furthermore, *MARQUES* continues to support the possibility to file an opposition based on absolute grounds for refusal as well as expressly allowing designations of origin and geographical indications to be invoked as grounds for opposition (Article 45 TMD).

*MARQUES* supports the clarification of the relevant date of priority in the Lithuanian Presidency Compromise proposal regarding oppositions based on Geographical Indications (Article 8(4) CTMR, Article 5(2)(d) TMD).

*MARQUES* supports Option 2 in the Lithuanian Presidency Compromise proposal for Article 8(4) CTMR while calling for an amendment of the wording relating to the entitlement to file opposition based on a Geographical Indication: “any beneficiary” should be replaced by “the beneficiary” in order to clarify that not any person benefitting from the GI may lodge opposition (e.g. any producer). The amendment would make it clear that only the responsible association is entitled to file opposition.

14) Non-enforceability of non-distinctive trademarks

*MARQUES* reiterates again its call for the wording 'signs or indications which are not distinctive' to be clarified to 'signs or indications which are used in a descriptive manner' (Article 12(1)(b) CTMR). This will avoid discussions as to whether the trademark as such is distinctive and should be left to the proceedings provided for this purpose. A trademark that has been registered must be taken as a distinctive sign or indication unless and until it is declared invalid.

15) 5 year term to provide evidence of use in infringement proceedings

*MARQUES* continues to be in favour of the harmonisation of the relevant time period for the proof of use that has to be furnished in infringement proceedings and supports the Greek Presidency's
revised compromise proposal which stipulates that the term is five years preceding the date of bringing the action (Article 17 TMD).

16) Surrender

MARQUES continues to support the provisions on surrender as adopted by Parliament in its 1st reading as the best solution to ensure that the mechanism of surrender is not misused in the context of both revocation and invalidity proceedings (Article 50(2) CTMR).

A CTM owner may surrender its registration when an action for revocation is pending against it in order to be able to request conversion into national trademark applications. The effect could be (see next point) that the owner would gain a further period of 5 years in which it can use its trademark, and it would not have to submit any evidence of use or any reasonable justification for non-use in the context of the revocation proceedings. Moreover, if any such surrendered CTM had been enforced against third parties’ rights before the date when surrender was sought, then its owner would also maintain the full benefit of the CTM, as in this case the surrender would only extinguish the effects of the CTM ex nunc and not ex tunc.

If a CTM, which is not used at all, is surrendered and converted into national applications, then the applicant of the revocation proceedings would have to initiate national revocation proceedings against the ensuing national trademarks to obtain the same result that would have been obtained if a decision on the revocation action instituted before the Office was rendered. “Such national proceedings would certainly be more burdensome and costly instead of one cancellation proceedings before the Office, in some member states the cancellation applicant would also have to even bring the proceedings before a court. It is not even clear whether the ensuing national trademark would remain subjected to the same use requirement, or whether, it would rather enjoy a fresh grace period of use. The CTMR and the Trademarks Directive are silent on that latter point.” [OHIM Fourth Board of Appeal in Case 24 January 2014]. OHIM has indeed changed its practice as regards revocations as of 1 February 2014.

MARQUES believes that the adoption of the proposed safeguard in respect of invalidity proceedings is also required when the applicant for the invalidity of a CTM has a legal interest in obtaining a decision before the Office. This might be, for example, because the surrender only extinguishes the effects of a CTM ex nunc and not ex tunc.

17) Grace period of use

MARQUES supports creating clarity on the calculation of the 5 years use period by requesting that it be entered in the Register.

MARQUES prefers that the calculation be made from the registration date. If there is no opposition filed, the calculation should be from the registration date and not from the end of the opposition period, and we do not support the proposed Article 16(2) (TMD) in the Presidency compromise proposal. This should correspond to the regulations on trademarks registered under international
agreements, Article 16 (3) (TMD). Again, if there is no opposition filed, the calculation should be from the registration date. **MARQUES** therefore does not support the proposed Article 16 (3) (TMD). If an opposition is filed in a post registration procedure, the calculation should be made from the end of the opposition procedure. But the entry of the end of the grace use period into the register would in any case be the best way to create clarity. In any event, **MARQUES** supports pre-grant oppositions.

It has become clear that the manner in which applications for conversion are being handled at a national level is not harmonised. This gives rise to uncertainties in respect of the 5 years grace period for non-use. In some countries, the conversion application is viewed as a new application and consequently the 5 years grace period will be determined from the registration date of the "new" application, and in this way the "applicant" will benefit from another 5 years to begin use. In other countries, the conversion application will not be viewed as a new right and the use period will remain attached to the dates for the CTM. **MARQUES** is of the opinion that the latter is the correct point of view and call for harmonisation on conversion.

18) Certification Marks

**MARQUES** supports the definition of Certification Marks in Art 74b CTMR of the Commission Proposal which includes the geographical origin. Certification Marks are an appropriate tool of protecting geographical indications, in particular where protection under EU Regulation 1151/2012 is not possible, e.g. where the goods concerned are not of agricultural nature and not foodstuffs. Therefore, **MARQUES** strongly objects to the deletion of the term “geographical origin”.

19) Relevant point of time for assessing applications for declarations of invalidity

**MARQUES** supports the clarification, provided by the addition of the sub-paragraph at the end of Article 53(1) CTMR, that the relevant point of time for the assessment of applications for declarations of invalidity or counterclaims in infringement proceedings that are based on relative grounds is the filing date or the priority of the later mark.

Article 8 of the new TMD appears to be intended to provide similar clarification. However, it is drafted differently and only provides that an application for a declaration of invalidity shall not succeed if it would not have been successful at the filing date or priority date of the later mark for three specific reasons, which, in summary, are:

a) the earlier trademark could have been declared invalid because it had not yet acquired distinctive character;

b) the earlier trademark had not yet become sufficiently distinctive to support a finding of a likelihood confusion within the meaning of Article 5(1)(b); and

c) the ground of invalidity is Article 5(3)(a) and the earlier right had not yet acquired the necessary reputation.
It is not clear to MARQUES why Article 8 TMD has been drafted in this way and does not simply provide that the relevant point of time for assessing the application for a declaration of invalidity is the filing date or the priority date of the later trademark. The effect of the current drafting appears to be that in some circumstances an application for a declaration of invalidity will succeed, even though it would not have succeeded at the filing date or priority date of the later trademark.

By way of example, Article 8(5)(c) only applies if the early trademark had no reputation at the filing date or priority date of the later trademark and does not appear to apply if the earlier trademark had some reputation at the filing date or priority date but not sufficient to support a finding that the later mark takes unfair advantage or causes detriment to the distinctive character or reputation of the earlier mark under Article 5(5). Article 8 also does not appear to prevent an application for a declaration of invalidity succeeding if other circumstances, not specified in the sub-paragraphs to Article 8, have changed subsequent to the filing date or priority date of the later trademark (e.g. that goods and services previously dissimilar to each other have now become similar because of changes to the usual distribution channels for the goods and services concerned, or that the level of attention of the relevant consumer has reduced as the goods or services concerned have become cheaper).

20) Intervening rights defence

Article 18 TMD and Article 13a CTMR provide that a proprietor of a trademark shall not be entitled to prohibit the use of a later registered trademark, where that later trademark shall not be declared invalid pursuant to specified provisions of the TMD and the CTMR. However, Article 18 TMD and Article 13a have been drafted so that when the intervening rights defence will be available to the proprietor of a later mark will differ depending on whether that later mark is a European Union trademark or a national trademark.

For later European Union trademarks, Article 13a(1) CTMR and Article 18(2) TMD provide that the new intervening rights defence will only be available if the later European Union mark cannot be declared invalid pursuant to:

- Article 53(3) – the proprietor of the earlier trademark has expressly consented to the later trademark’s registration.
- Article 53(4) – the proprietor of the earlier trademark has previously applied for a declaration that the later mark is invalid and/or made a counterclaim on relative grounds.
- Article 54(1) and (2) – the proprietor of the earlier trademark has acquiesced to the use of the later trademark.
- Article 57(2) – the earlier trademark could have been revoked for non-use at the filing date or priority date of the later mark.
For later national trademarks, Article 13a(2) and Article 18(1) TMD provide that the intervening rights defence will only be available if the later national mark cannot be declared invalid pursuant to:

- Article 8—the later mark shall not be declared invalid if it could not have been declared invalid at its filing date or priority date for the three reasons discussed at point 19) above;

- Articles 9(1) and (2)—the proprietor of the earlier trademark has acquiesced to the use of the later trademark.

- Article 48(3)—the earlier trademark could have been revoked for non-use at the filing date or priority date of the later mark.

We would note the following:

- That there are differences in when the intervening rights defence should apply that are dependent on whether that later mark is a European Union trademark or a national trademark seems to be inherently undesirable.

- The reference to Article 8 in Article 13a(2) CTMR and Article 18(1) TMD will mean that later registered national trademarks will provide an intervening rights defence to trademark infringement in circumstances where that later trademark could not be declared invalid because at its filing date or priority date the earlier trademark had not yet acquired sufficient distinctive character or reputation in accordance with the provisions of Article 8 TMD. This appears to provide a significant additional benefit to proprietors of national trademarks when compared to European Union trademarks. Please see also our concerns set out above about the limited scope of Article 8 TMD.

- The reference to Article 53(3) in Article 13a(1) CTMR and Article 18(2) TMD seems to suggest that a proprietor of an earlier trademark who consents to the registration of a later European Union trademark will also be prevented to any subsequent use of that trademark. MARQUES believes that this is extremely undesirable. Trademark proprietors frequently consent to the registration of third party marks (e.g. following the settlement of an opposition) without agreeing that such marks can also be used across the full range of goods and services covered. If such consent to registration is also going to be considered consent to use, then trademark proprietors will become increasingly reluctant to consent to the registration of any marks that could, even theoretically, give rise to a commercial conflict in the future.

Compiled by the MARQUES EU Trademark Reform Task Force
Previous MARQUES observations at http://www.marques.org/eutrademarkreform
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About MARQUES

MARQUES is the European association representing brand owners’ interests. The MARQUES mission is to be the trusted voice for brand owners.

Established in 1986 and later incorporated in the United Kingdom as a not-for-profit company limited by guarantee, MARQUES unites European and international brand owners across all product sectors to address issues associated with the use, protection and value of IP rights, as these are vital to innovation, growth and job creation, which ultimately enhance internal markets. Its membership crosses all industry lines and includes brand owners and IP professionals in more than 80 countries. The trademark owners represented in the Association together own more than two million trademarks which are relied upon by consumers as signposts of genuine goods and services.

MARQUES is an accredited organisation before the Office for Harmonisation in the Internal Market (OHIM), appointed observer at the OHIM Administrative Board and Budget Committee, an official non-governmental observer at the World Intellectual Property Organisation and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission, which extends and replaces the former Register of Interest Representatives, opened by the commission in 2008.

An important objective of MARQUES is to safeguard the public interest by ensuring the proper protection of trademarks and to preserve the interests of trademark proprietors with regard to the regime of trademark protection. MARQUES attempts to achieve these objectives by advancing the cause of trademark laws, which protect the public from deception and confusion. Intellectual property rights are a crucial aspect of the global economy and trademarks play a significant role in free trade and competition in the marketplace.

More information about MARQUES and its initiatives is available at www.marques.org.