1. Background


Under the system, national and Community trade marks coexist, and the same trade mark may be registered as a CTM and as a national mark. Numerous rules govern the relationship between national rights and Community-wide rights. As a general principle, the earlier right prevails over any later conflicting right, with CTMs being Europe-wide in scope and thus applicable in all Member States, whilst national rights, being valid only in the respective territory, preclude the acquisition of conflicting later CTMs.

The coexistence of the CTM system and the national systems has been supplemented in 2004 by the membership of the European Union in the 1989 Protocol to the Madrid Agreement Concerning the International Registration of Marks. All of the 27 Member States of the European Union (except Malta) also belong to the Madrid Protocol.

The European trade mark system has remained essentially unchanged since its inception, even though the European Union has grown from 12 Member States in 1993 to now 27.
Overall, the European trade mark system has been highly popular, with more than 1 million CTM applications since 1996, and millions of national trade marks continuing in force and having been acquired since then.

2. OHIM surplus, Council of Ministers

The popularity of the CTM system has resulted in a large surplus: At the end of 2010, the overall surplus generated by OHIM amounted to more than € 500 million. Ways of balancing the OHIM budget without continuing to generate surplus as well as the question of how to deal with the accumulated surplus have been occupying the European Commission and the Member States as well as OHIM itself for a number of years. A reduction in the application and registration fee as well as the renewal fee, adopted in 2005, did not result in a significant reduction of the surplus. Many Member States have been unwilling to accept a further reduction of the fees, apparently fearing that lowering the cost of obtaining European-wide protection through CTMs would further reduce the number of trade marks applied for nationally and thus endanger the future viability of their national trade mark offices.

By 2007, the European Commission had made a report to the Council of Ministers and to the European Parliament, entitled “The Financial Perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs)”, which included the surplus issue. On the basis of that report, the Competitiveness Council adopted in May 2007 conclusions regarding the future development of the European trade mark system, which included the call for the European Commission to undertake an in-depth review of the operation of the European trade mark system in all its aspects.¹

In a joint meeting of OHIM’s Administrative Board and Budget Committee in September 2008 it was agreed that the fees for application and registration of CTMs should be consolidated and set at about € 1000, that a reserve fund should be established with € 150 million, that a Cooperation Fund should be established with € 50 million to finance joint activities of OHIM and national trade mark offices, that 50 % of the CTM renewal fees should be made available to national offices, and that the Commission should present biannual reports of the financial situation of OHIM.² By Commission Regulation No 355/2009 of 31 March 2009, the application fee for a CTM application was set at € 1050 and at € 900 for an application by electronic means. The registration fee was fixed at zero. This fee reduction entered into force on 1 May 2009.³

3. Tender

In July 2009, the European Commission published a tender for the comprehensive study requested by the Council of Ministers two years earlier, with extensive terms of reference.⁴ Annex 1 to the Tender, entitled “Objectives and Monitoring” is reproduced in the Annex to this paper.⁵ The Contract was awarded in November 2009 to the Max Planck Institute for Intellectual Property and Competition Law in Munich, one of the more than 80 research institutes established under the auspices of the Max Planck Society for the Advancement of Sciences, the successor to the Kaiser Wilhelm Society with the same name originally established in 1911.

¹ Conclusions of the Competitiveness Council, 21-22 May 2007, Annex 1 to this paper.
² The conclusions of the September 2009 joint meeting of OHIM’s Administrative Board and Budget Committee are reproduced in Annex 2 to this paper.
³ Annex 3 is a list of the principal OHIM fees as they have been changed since 1996; all other fees have remained unchanged.
⁴ See INVITATION TO TENDER - MARKT/2009/12/D, accessible on the Commission’s website.
⁵ Annex 4 to this paper.
4. The Study: participants, methods and purpose, structure

The Study, entitled „Study on the Overall Functioning of the European Trade Mark System“ („the Study“) was finalized on 15 February 2011 and published shortly thereafter on the website of the Max Planck Institute and of the European Commission. The Study was carried out by the Max Planck Institute under the direction of its director, Professor Dr. Reto Hilty, and was written by Professor Dr. Annette Kur and Dr. Roland Knaak, of the Institute, and Dr. Alexander von Mühlendahl, a lawyer with the Munich law firm BARDEHLE PAGENBERG (until 2005 OHIM Vice-President).

The Study describes its purpose as follows (p. 12):

The purpose of this Study is to provide the Commission with an in-depth assessment of the overall functioning of the trade mark system in Europe as a whole including both at the Community and at the national level. The aim is to analyse current performances and to identify potential areas for improvement, streamlining and future development of this overall system to the benefit of users and the society as a whole. In this context, the Study also seeks to establish the potential for an enhanced cooperation between the OHIM and the national offices and to look into how best to implement the distribution of a proportion of the renewal fees paid for Community trade marks to the Member States in view of the services rendered by the Member States and their trade mark offices. The results of the Study should enable the Commission to propose amendments in the relevant legislation, involving not only the CTMR but also the TMD.

As regards the methods used, the Study proceeded as follows (p. 2):

This Study has been based on a work programme consisting of four pillars:

1. a survey amongst the users of the CTM system;

2. detailed statements of all relevant user associations, which had been invited to submit their comments and analyses related to the questions in the Invitation to tender;

3. information from the national trade mark offices regarding their positions and activities;

4. a detailed legal analysis of the issues addressed in the Commission’s invitation to tender.

5 In addition, "INNO-tec", an institute at the Economics Faculty of the Ludwig-Maximilian University of Munich, has provided in its capacity as a subcontractor an economic analysis of certain aspects of the CTM system. The final report of that analysis is attached as Annex I to this Study.

6 Furthermore, members of the Study team conducted talks with persons of high expertise in the field, in particular with members of the Appeal Board of OHIM.

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9 Here is the link to Institute: [http://www.ip.mpg.de/shared/data/pdf/mpi_final_report.pdf](http://www.ip.mpg.de/shared/data/pdf/mpi_final_report.pdf), and here is the link to the Commission: [http://ec.europa.eu/internal_market/indprop/tm/index_en.htm#studies](http://ec.europa.eu/internal_market/indprop/tm/index_en.htm#studies).
The survey amongst users was carried out by the "Institut für Demoskopie Allensbach". Because of its own legal research department and longstanding experience in the field of legal research surveys, Allensbach has the necessary trade mark law expertise to ensure optimum operation of a survey on the CTM system. The survey is an important element of the Study; it is also accessible via the Max Planck Institute’s website.

Position papers by interested non-governmental organisations (NGOs) representing users of the trade mark system were submitted by all the major organisations such as INTA, ECTA, MARQUES, AIM, and BusinessEurope. All of these submissions are available on the Institute’s website. The Institute also organized a hearing of these organisations in June 2010.

The Study is composed of 7 Parts:

- Part I – Introduction, pages 1-5
- Part II – Fact Finding, pages 5-44
- Part III – Legal Analysis, pages 45-207
- Part IV – OHIM – Fees, Tasks, Mandate, pages 208-212
- Part VI – Coexistence and Cooperation, pages 234-247
- Part VII – Conclusions, pages 251-278

5. The role of ECTA

ECTA has participated actively in the period leading up to the award of the Study to the Max Planck Institute, having submitted observations and proposals to the Institute, and taken part in the hearing of NGOs organised in Munich in June 2010. The ECTA Conference of June 2011 in Stockholm was first opportunity to present and discuss ECTA’s analysis of the Study.

II. Analysis and conclusions of the Study

1. Overall conclusions

The Study concludes that the basic features of European trade mark system – characterised by the coexistence of the CTM system and national trade mark protection, supplemented by the international registration system under the Madrid Protocol to which the European Union and its Member States belong – have proven themselves in practice and that no major legislative amendments or reforms are necessary. The Study also concludes that convergence of laws and practices in the European Union is necessary in order for trade mark protection to continue to be an essential element in the competitive market economy of the European Union.

The major findings and proposals are summarized hereafter.
2. Improvement of trade mark protection – Analysis and proposals relating to substantive law for the CTM system (CTMR) and national trade marks (TMD)

The Study analyses in detail the provisions of substantive trade mark law common to the CTMR and the TMD, taking into account in particular the case law of the Court of Justice of the European Union (ECJ), which has given more than 120 decisions since the late 1990s interpreting the Directive and the Regulation in cases referred to the ECJ by national courts for preliminary rulings and more than 150 decisions in cases on appeal from the General Court (the Court of First Instance) when reviewing OHIM decisions.

Whilst substantive trade mark law is seen as overall reasonable and appropriate, improvements are nevertheless proposed.

2.1. Registrable signs

The requirement of graphic representation should be replaced by a general provision requiring that marks in order to be registered must be represented in a manner allowing a clear and precise identification of the mark (p. 67-68):

2.14 Article 4 CTMR and Article 2 TMD should be reformulated so as to refer to capability to distinguish as the essential criterion for protection, and not as an obstacle. Wording should be added in the Preamble to indicate that abstract subject matter, such as mere concepts, are excluded from protection.

2.15 Graphical representability of the sign should be removed from the basic definition. Rather, a separate paragraph should provide that signs may only be registered as CTMs or national marks if they are represented in a manner which satisfies the requirements of the registration system. Further details should be left to the Implementing Regulation for the CTM system. For national trade marks, consideration should be given to harmonise the representation requirements in the Directive.

2.16 The principles set out above should also be addressed in the Preamble.

2.2. Shapes of products and colours as marks

Registration of three-dimensional marks as such does not present any particular problems. However, marks consisting of the shape of a product for which they seek protection require special attention because of their potential ability to “block” competitors from using desirable shapes. The same applies for marks consisting of colours per se.

The Study proposes the following (p. 73-74):

2.35 It should be indicated in the Preamble that shape of product marks (as well as trade marks consisting of colours per se) usually need to establish acquired distinctiveness for registration.

2.36 The basic notions to be expressed would be

- that for the assessment of distinctive character, the views of the public as well as the interests of competitors should be taken into account;
- that trade marks which are devoid of distinctive character, or which are descriptive, or which have become customary in trade, should only obtain protection upon establishing that the initial obstacles have been overcome through use on the market within the Community;

- that this should apply in particular to forms of signs which are not immediately perceived by the public as indicating commercial origin, such as colours per se or the shape of products; and

- that where a sign exclusively consists of features which confer on the proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors, registration on the basis of acquired distinctiveness should be excluded.

2.37 Article 7 (1) (e) (i) CTMR and Article 3 (1) (e) (i) TMD should be reformulated so as to extend to all signs which exclusively result from the nature or the (technical) performance of the goods. Article 7 (1) (e) (ii) CTMR and Article 3 (1) (e) (ii) TMD could remain unchanged. Article 7 (1) (e) (iii) CTMR and Article 3 (1) (e) (iii) TMD should be deleted or replaced by a provision stating that shapes determining the commercial value of the goods are excluded from protection, unless the commercial value of the shape has become distinctive through use.

2.3. Disclaimers

The Study concludes that disclaimers, currently provided for in Article 37 CTMR, should be abolished (p. 76):

2.49 Article 37 (2) CTMR as well as the rules in the CTMIR relating to the request of disclaimers should be deleted. Instead, it should be set out in the Preamble that a finding of likelihood of confusion cannot be based on elements which are not distinctive or otherwise not eligible for protection. The same rule should be set out in the Preamble to the TMD. Otherwise, no changes are proposed regarding the TMD. Alternatively, one could prescribe, in the provisions on absolute grounds for refusal, that Member States shall equally not be allowed to request disclaimers. Disclaimers filed by applicants on a voluntary basis would not be affected by these proposals.

2.4. Acquired distinctiveness (“secondary meaning”)

The Study concludes that the conditions of registrability must exist not only at the filing date but also at the registration date. Post-filing date acquired distinctiveness should be recognized, albeit with a “removal” of the filing date (p. 79):

2.60 It should be clarified either in the Preamble or in Article 7 (1) CTMR and Article 3 (1) TMD that the relevant date for assessing the absolute grounds for refusal is the date when the decision on registration is taken. The requirements of distinctiveness, absence of descriptive and genericness must also be examined as of the filing date.

2.61 Article 7 (3) CTMR and Article 3 (3) TMD should be amended so as to provide for the possibility to establish acquired distinctiveness at a date subsequent to the application date, and prior to the date of registration.
In that case, the filing date, which is the date taken into account in determining conflicts between marks, should be adjusted accordingly.

2.5. Genuine use and grace period of use

The Study concludes that the interpretation of the genuine use requirement for CTMs and national marks given by the ECJ is appropriate, and no changes are proposed. However, as regards the use of a variant of the registered mark which is itself also registered, and as regards the calculation of the grace period of five years applicable to Madrid marks and marks in Member States with a post-registration opposition, the Study proposes some changes, as follows (p. 89-90):

1. Multiple registrations

2.115 As regards the issue arising out of multiple registrations of similar marks, it is proposed to add a sentence to Article 10 TMD and Article 15 (1) (a) CTMR clarifying that the use of a mark may be taken to satisfy the use of a registered variant of that mark even if the used version is also registered.

2. Grace period

2.116 As regards the length of the grace period, the suggestion to reduce the grace period to three years has not met with any substantial support. It is proposed to maintain the current five years.

2.117 As for the beginning of the grace period in case of Madrid marks protected as CTMs which are subject to a (partial) refusal for some of the goods or services, either on absolute grounds or on relative grounds, it should be clarified that the grace period begins for the “cleared” goods or services when the proceedings for these goods are terminated.

2.118 An amendment of Article 160 CTMR, which provides that the grace period begins with the publication of the grant of protection in accordance with Article 152 (2) CTMR, is not necessary as long as it is assured that the grant of protection will be published with regard to goods or services not subject to objection.

2.119 As regards national marks, including Madrid marks, it is proposed to adopt a clear rule parallel to the rules found in the CTMR. In particular as regards countries with a post-registration opposition system, it should be made clear that the delay of the beginning of the grace period until the end of the registration procedure applies only with regard to the goods or services actually opposed.

2.6. Well-known marks and marks with reputation

The Study concludes that well-known marks, whether registered or not, should receive the same protection as marks with a reputation. The Study also suggests the adoption of a provision in the CTMR which would grant rights to marks well-known in the European Union even when they are not registered (p. 94):
2.143 In order to ensure full compliance with the obligations incurred by the EU by virtue of its adherence to TRIPS, it could be envisaged to include into the CTMR a provision granting the proprietors of trade marks which are well-known in the Community the same rights as are enjoyed by proprietors of registered CTMs. The effect of such a regulation would most clearly be felt in infringement proceedings, as proprietors of well-known CTMs would gain access to the judicial system established under the CTMR.

2.7. Scope of protection, infringement

The Study contains an exhaustive analysis of the current case law of the ECJ as regards conflicts between marks and signs (double identity, likelihood of confusion, reputation), as regards the requirements for finding infringement, and as regards the infringing acts which the proprietor of a mark is entitled to prohibit (p. 95-116). While generally in agreement with the case law, the Study proposes a number of clarifications and additions, which should be reflected in the Preambles to the CTMR and the TMD as follows (p. 114-115):

- That a primary purpose of trade mark protection is to provide proprietors of trade marks the means to distinguish their goods or services from those of others, allowing their customers to identify the goods or services and purchase them or make use of them without any risk of being confused about the commercial origin of the goods or services, thus contributing to a system of undistorted competition;

- that trade marks represent the actual or potential goodwill linking the goods or services with their producers and providers; that they are advertising tools and thereby serve to confirm the links that consumers perceive between the goods and services and the proprietors of their trade marks;

- that it is fundamental, in order to facilitate the free movement of goods and services and to assure a system of undistorted competition in the European Union;

- that registered trade marks enjoy the same protection under the legal systems of all Member States; that the protection afforded by the registered trade mark applies to use made by third parties for their own goods or services as well as to use designating goods or services as being those of the proprietor;

- that in case of an identical mark being used for identical goods or services which do not originate from the proprietor, protection is absolute because and to the extent that it adversely affects the essential function of the trade mark, which is to guarantee the trade mark as an indication of origin; that in case of a mark being used to designate the goods or services of the proprietor in commercial communication referring to those goods or services or in the context of commercialising such goods or services, protection is granted where the use does not comply with honest commercial practices, as specified in the limitations, or where it relates to goods or services that are not legitimately commercialised on the market in the EU and the EEA;

- that the protection should apply also in the case of similarity between the mark and the sign and the goods or services; that it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; that the likelihood of confusion, the appreciation of which depends
on numerous elements and, in particular, on the recognition of the trade mark on the market and the degree of its distinctiveness, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection;

- that trade marks with high degree of distinctiveness should receive more extensive protection than those with a low degree of distinctiveness; that a high degree of distinctiveness requires that the mark has become established on the market as a result of extensive use; that where a trade mark is composed of or consists of an element which is not itself registrable, a finding of likelihood of confusion cannot be based on the fact that both marks consist of or contain that element;

- that trade marks which have a reputation in the Member State should be entitled to protection without the need to prove likelihood of confusion where the use of the later mark or sign would be likely to dilute or take advantage of the distinctive character or would be likely to be detrimental to or take advantage of the reputation of the earlier trade mark in a manner contrary to honest practices in industrial or commercial matters;

- that protection should also extend to trade marks which are not registered, but are well-known in the sense of Article 6bis of the Paris Convention and Article 16 (2) and (3) of the TRIPS Agreement; that unregistered trade marks having a reputation in the Member States should be afforded protection as well-known marks under the same rules which apply to registered trade marks;

- that infringement of a registered trade mark requires a finding that the infringing mark or sign is used for purposes of distinguishing goods or services; use for other purposes is subject to a separate rule;

- that infringement requires use of the mark in the territory of the Member State, which includes customs-free zones; that in order to interrupt trade in counterfeit goods, infringement should also cover the transit of such goods through the territory of the Member State, without, however, interfering with the flow of legitimate trade;

- that registered trade marks should also be protected against any use made of the mark or a similar sign in the course of trade for purposes other than to distinguish goods or services, provided such use is likely to mislead the public about the existence of a commercial link between the proprietor of the trade mark and a third party, or is likely to be detrimental to or take advantage of the distinctiveness or reputation of the trade mark in a manner contrary to honest practices in industrial and commercial matters.

Specifically, the following is proposed:

2.7.1. There should be a clear distinction between infringement committed by using the mark for the goods or services of the infringer and using the mark for the goods or services of the proprietor (such as in comparative advertising, parallel imports etc.).

2.7.2. Relief for trade mark infringement should be available when the infringing sign is used to distinguish goods or services. Use for other purposes should also be subject to relief if there is detriment or unfair advantage taken of the distinctiveness or reputation of the mark (extension of current optional Article 5 (5) of the Directive: mandatory for all MS, applicable to CTMs).
2.7.3. Use in custom-free zones should constitute infringing use.

2.7.4. Transit should constitute infringement when goods are counterfeit and protection is available in the country of transit and country of destination.

2.7.5. Liability should extend to the use of the infringing sign on labels and packaging etc., even when these are marketed separately from the goods to which they are to be applied.

2.8. Limits

As regards limits of the exclusive rights, which traditionally include “fair use” of descriptive terms, of names, and in the spare-part or accessory business, and the use of the mark for genuine goods placed on the market by the proprietor (“exhaustion”), the Study proposes some amendments and clarifications:

2.8.1. As regards the use of names, the privilege should only extend to a person’s name, and not to corporate names.

2.8.2. As regards fair use of signs or indications, that provision should extend not only to descriptive indications but also to non-distinctive signs.

2.8.3. Notably as regards the use of the mark for the products of the proprietor, such as in comparative advertising, the “privilege” to use that mark should extend generally to any referential use (p. 122):

2.262 The new provision should refer generally to “referential use” and list as examples use for purposes of indicating replacement or service, currently in Article 6 (1)(c TMD and Article 12 (c) CTMR and use for purposes of commentary and criticism, currently not provided for. It should also be specified that parodies, as particular form of criticism or comment, also fall into the ambit of the provision. The use would be allowed to the extent that it does not contravene principles of honest practices in industrial and commercial matters. Referential use for purposes of comparative advertising would be lawful if it complies with the applicable provisions of Community law, as currently set out in Directive 2006/114 EC. These provisions contain their own limits to permissible comparative advertising, which of course apply. Comparative advertising not complying with these rules, when making use of protected trade marks, would constitute trade mark infringement provided that the requirements for infringement under trade mark law are fulfilled. This is reflected in the proposals for Article 5 TMD and Article 9 CTMR (above, G V 4).

2.9. Intervening rights

The position of proprietors of trade marks or other rights acquired at a point in time when the proprietor of an earlier conflicting trade mark was not entitled to enforce the right because it was subject to invalidation for lack of registrability or subject to revocation for lack of genuine use is unclear, except that in cases of acquiescence both the right to obtain invalidation and to prohibit the use of a later right is excluded and that the proprietor of a mark cannot obtain the invalidation on the basis of a mark that was not genuinely used at the relevant points in time.
The Study proposes (p. 125-126) to extend the “protection” to intervening rights generally to all situations where the later right was acquired at a time when the earlier right could not be enforced.

2.10. Trade marks and geographical indications

As regards the relationship between geographical indications (GIs) and trade marks, the Study concludes that a general provision in the CTMR and the TMD should make reference to applicable rules of European Union legislation (p. 129-130):

2.312 The specific exclusions from registration in Article 7 (1) (j) and (k) CTMR should be aligned with the current law governing the protection of designations of origin and geographical indications for wines, spirits and foodstuffs and agricultural products. Article 7 (1) (j) CTMR should be amended to include trade marks filed either for “comparable” products or for other products if the use of the mark would exploit the reputation of the protected geographical indication. Article 7 (1) (k) CTMR should be amended to cover trade marks which are an imitation or evocation pursuant to Regulation 510/2006.

2.314 The same provisions which are already in the CTMR or proposed for the CTMR should also become part of the mandatory rules of the TMD.

3. Analysis and proposals relating to the CTM system

In its second major part of the legal analysis, the Study focuses on the Community Trade Mark Regulation: Issues resulting from the tension between unitary character of CTMs and the reach of the territory of the European Union; and issues specific to the CTMR.

3.1. Unitary character: Issues of territoriality

3.1.1. Genuine use

Among the many issues currently debated in Europe is the question whether use of a CTM in order to maintain rights must extend to more than one Member State or whether any reference to the territory of Member States is inappropriate.

The Study concludes that a requirement of use extending to more than one Member State should be rejected. The Study also proposes that after a long period (15 years) of territorially restricted use the acquisition of new trade mark rights in Member States removed from the area of use should be allowed (p. 139):

3.30 It is proposed to reject an approach which would require use in more than one Member State. The wording of Article 15 should be left unchanged. The requirements for genuine use of CTMs, including the question of the territorial extent of such use, should be developed on a case-by-case basis. However, it should be clarified in the Preamble to the CTMR that political boundaries do not constitute valid criteria in determining the genuineness of use. Likewise, it should be set out that this does not exclude that courts and authorities take the dimensions of the European Union into account for the assessment.

3.31 The registration and use of subsequent national trade marks in a Member State remote from the part of the Community where a conflicting earlier CTM, which has been registered for a period of at least 15 years,
was used should be allowed provided that the later mark was applied for in good faith. Such registrations should coexist with the earlier CTM which continues to be valid and enforceable and may also be used in that Member State. It should be explicitly set out in the rule that it only applies to CTMs if only minimal use of the CTM has been made in a part of the Community which is distant from the relevant Member State.

3.1.2. Distinctiveness; acquired distinctiveness

The principle that grounds for objection existing only a part of the European Union suffice to preclude registration of a CTM should be maintained. The Study considers that only “official” languages should be taken into account. As regards acquired distinctiveness, when marks are involved which lack distinctiveness everywhere in the European Union, such as commonplace shapes or single colours, the Study proposes that it should be sufficient if acquired distinctiveness is shown to exist in the majority of the sub-markets making up the European Union (p. 147):

3.74 It would seem appropriate to specify that in both situations, i.e. where absence of distinctiveness is based on languages, and where the deficit arises independent of linguistic considerations, such as in the case of marks consisting of shapes or colours, acquired distinctiveness should be considered to be present if distinctiveness can be shown for the majority of the markets making up the respective territory.

3.1.3. Earlier unregistered rights

The Study concludes that in order to prevail over a later CTM, an earlier right protected on the basis of use, such as unregistered trade marks or trade names, should be able to claim protection for the entire territory of the Member State where it is protected, rather than as being of “more than mere local significance” as currently provided in Article 8 (4) CTMR.

3.1.4. Conflict and infringement

Conflict issues in opposition or cancellation proceedings as well as in infringement cases arise when the earlier CTM sought to be enforced is not used everywhere in the European Union or when the infringing use takes place in a territory remote from the use of the CTM. Issues also arise when likelihood of confusion is not present, for example for language reasons, everywhere in the European Union, or when a mark claiming reputation can show such reputation only in parts of the European Union.

The Study makes the following proposals in this regard: European Union-wide relief should be available as a general rule in all cases of a later conflicting mark being used anywhere in the European Union, unless the defendant can show that for linguistic reasons no likelihood of confusion exists in parts of the Union, or unless, when reputation marks are enforced, the reputation and the detriment to the earlier mark (dilution, tarnishment, unfair advantage) are unlikely to exist or incur in the respective territory.

The proposals as regards likelihood of confusion are summarized as follows (p. 149):

3.84 It seems appropriate to leave it, in principle, to the case law of the ECJ to develop in proceedings for preliminary rulings submitted by the Community trade mark courts rules for finding (or refusing to find) likelihood of confusion in these situations.
3.85 It is proposed however that appropriate language should be added to the Preamble setting out that a finding of likelihood of confusion would not extend to parts of the EU where in view of the language and all other circumstances the public would not be likely to be confused about the commercial origin of the respective goods or services.

3.86 Similarly, in an opposition or invalidation action against a later national mark the proprietor of the earlier CTM should only prevail if likelihood of confusion can be found in the Member State where the later mark was filed or registered. If such likelihood can be excluded because of absence of phonetic or conceptual similarity, oppositions and invalidations should not be granted. This should be clarified in the Preamble to the TMD.

As regards reputation marks, the conclusions are as follows (p. 150):

3.91 In addition to finding reputation, an infringement action will be successful only if the contested use is likely to take advantage or be detrimental to the distinctiveness or reputation of the earlier CTM.

3.92 It seems difficult to accept that an earlier CTM with a reputation in one part of the Union could be detrimentally affected in another part of the Union where such a reputation is not present.

3.93 As regards the conflicts that may arise, one should distinguish between conflicts in the administrative proceedings before OHIM and infringement litigation, and also take cases arising at the national level into account.

3.94 As regards opposition or cancellation proceedings between an earlier CTM with reputation and a later CTM, it follows from the case law rules when examining likelihood of confusion between two CTMs that the earlier CTM prevails, even if the reputation is adversely affected only in a substantial part of the Community.

3.95 As regards opposition or cancellation procedures in a Member State where the earlier CTM has no reputation, or where the other requirements for protection are not fulfilled, it should also be left, as a matter of principle, to the case law of the ECJ to develop rules for the protection of CTMs with reputation. However, it follows from what has been said earlier regarding likelihood of confusion that an earlier CTM should prevail only when all conditions of protection are fulfilled in the respective Member State. This should be explained in the Preamble to the TMD.

3.96 As regards infringement proceedings, the issue is the same as that arising with regard to likelihood of confusion. It should, in principle, be left to the case law of the ECJ to develop rules for finding the elements of injury against which a trade mark with reputation is protected when this trade mark has acquired reputation in only a part of the Community and injunctive relief is sought also for other territories or the territory of the EU as a whole.
3.2. Bad faith

Bad faith currently constitutes an “absolute” ground of invalidity (Art. 52 CTMR), but is neither examined prior to registration nor in an opposition. The Study suggests maintaining the current approach, but also considers an alternative which would include bad faith among the absolute grounds of refusal and also allow bad faith as a ground for opposition (p. 154-155):

3.123 There is no manifest need for changes with regard to the current regulation of bad faith in Article 52 (1) (b) CTMR.

3.124 If such changes are nevertheless considered, the following solutions could be envisaged:

- to include bad faith in the absolute grounds for refusal in Article 7 CTMR, while being aware that ex-officio examination would be limited to obvious cases;

- to grant third parties whose interests are directly affected by the registration the possibility to file an opposition based on bad faith.

3.3. Litigation: Jurisdiction and remedies

No major changes are proposed regarding Title X CTMR dealing with civil litigation. However, the Study clearly comes out in favour of providing for all the sanctions for infringement in the CTMR itself, rather than referring, as is currently the case, for all remedies except injunctive relief to the national law of the Member State or States where acts of infringement are committed or threatened (p. 160):

3.149 It appears from all of the opinions submitted that the remedies available in cases of infringement of CTMs should be part of the CTMR and not merely those available under national law, with the court seized being required to determine separately for each Member State the sanctions to be applied.

3.150 This could be achieved by providing, in the CTMR, for all substantive and procedural remedies currently part of the Enforcement Directive.

3.151 In view of the horizontal nature of this issue (the same approach would necessarily have to be adopted for the Community Designs Regulation, and the results of the current negotiations about the creation of a European patent litigation system might also be taken into account), and the review of the Enforcement Directive currently underway, no proposals are made of how to integrate the remedies into the CTMR.

3.4. Procedure before OHIM

The Study analyses the various proceedings before OHIM, concluding that overall the current provisions appear appropriate. Nevertheless, a number of proposals are made to improve the current law. These are the “highlights”:

3.4.1. Classification

Classification of goods and services, under the Nice Agreement applied by OHIM and national trade mark offices, presents a series of interrelated issues: consistency in classification and use of generic terms are the most prominent, but other issues arise as well,
such as separate class fees for each class and changes in the applicable rules. The Study contains a series of proposals on these issues (p. 170-172):

1. Consistency

4.58 In order to oblige Member States and OHIM to apply the same criteria when classifying goods and services, the CTMR and the TMD should contain appropriate provisions.

2. Definiteness

4.59 The judgment of the ECJ in the IP TRANSLATOR case is unlikely to be taken before the second half of 2011. Thus, proposals of how to approach the definiteness issue cannot take that judgment into account.

4.60 When generic terms, whether part of the class headings or otherwise, are used and it is clear that the “genus” comprises a coherent group of products (such as „clothing”), the claim made when that term is included in an application or registration is “definite”, and perhaps more definite than the enumeration of a large number of individual products. Once the obligation of use arises, an appropriate sub-genus will have to be used or applied. Where it is unclear what a particular generic term comprises, the applicant should be required to be more specific. OHIM and national offices should agree on which class headings need to be reduced to acceptable generic terms. When other generic terms arise the cooperation scheme addressed below (Part VI Chapter 2) should apply to determine whether the term is acceptable or not. This proposal essentially supports current OHIM practice, where all of the class headings are accepted as parts of a list of goods or services. However, if there is agreement that class headings are in need of further specification a corresponding examination should be carried out.

4.61 A practice which considers the use of all class headings of a particular class to claim all goods or services in a particular class is appropriate when the class headings are such that they are appropriate generic indications for all goods or services properly classified in that class. If the goods do not fall within a particular generically indicated group, there is no good reason to consider that an application or registration claims that product. OHIM and Member States should agree, prior to implementing any change in their practice, for which classes the class headings are not appropriate to include all the goods properly classed in that particular class. The Nice Classification Alphabetical List and OHIM’s Euronice list could serve as a tool in this determination. This proposal would result in a departure from current OHIM practice. The impact of this change is difficult to estimate without a more detailed knowledge of the scope of the problem. In any case, the administrative efforts have to be weighted against the enhanced degree of legal certainty that will result from a coherent and consistent approach. In this regard, it must be noted that it is crucial for the well-functioning of a trade mark system based on registration, such as the Community trade mark system, that the content of the register is as clear and precise as possible, so as to provide a solid and reliable basis for the tasks performed by the competent authorities, and for enabling economic operators to receive relevant, precise and clear information about the rights of third parties (in this vein, see ECJ Case C-273/00 -
Sieckmann/DPMA, paras 50 and 51). The Study therefore comes to the conclusion that the administrative burden which will result from the above proposal for OHIM as well as for the national IP offices are justified in view of the important goal of enhancing clarity and legal certainty in the interest of the users and the functioning of the system as a whole.

4.62 Appropriate provisions should be included in Rule 2 CTMIR.

4.63 To the extent that this involves a change in law or practice, appropriate transitional rules should permit trade mark proprietors to adapt their specifications accordingly.

4.64 The TMD should contain the same rules.

3. Congestion

4.65 Congestion should be addressed primarily by appropriate rules defining the requirement of use. These issues are addressed in Part III para 2.62.

4. Changes over time

4.66 Considering that trade marks are “live” IP rights and need to be used and will be enforced, it would appear appropriate to require OHIM as well as all national offices to re-classify existing registrations at the time of renewal or at some other appropriate time, either ex-officio, or in any event at the request of their proprietors. It does not appear reasonable to maintain trade marks as registered for extended periods of time in spite of intervening changes in the Nice Classification, such as the addition of new classes or the removal of products from one class to another. Reclassification should not result in an enhanced scope of protection resulting from the reclassification as such. To the extent that goods or services are moved from one class to a different class, this should give rise to additional fees only upon the next renewal. This proposal would result in additional workload for OHIM and for national offices. These additional tasks seem however justified as service to trade mark proprietors and the public, which should be in a position to perceive the accurate scope of protection of marks without having to go back to periods in the past. Again, the justification for such efforts lies in the paramount importance of improving the clarity and precision of the register as an element which is crucial for the well-functioning of the system.

4.67 The TMD should contain the same rules.

5. Class fees

4.68 Under the aspect of congestion and scope of protection, it appears appropriate to have a separate class fee from the beginning, both for applications and for renewals.

3.4.2. Seniority

The Study proposes that a claim to seniority should have the same effect as if the CTM for which seniority is claimed had been effective in the Member State concerned from the date of the earlier national mark (p. 175):
4.83 A person claiming “seniority” – i.e. the filing date or priority date, if any – of registered national mark which is identical with a CTM applied for or registered by the same person who is the proprietor of the national mark should, once the seniority claim is accepted, be entitled to claim, with respect to that Member State, the seniority date (i.e. the filing date or priority date) of the national mark. The seniority claim is “partial” when the CTM is applied for or registered for goods or services in addition to those for which the earlier mark is registered. When the earlier national mark contains more goods or services than the CTM, the seniority claim would still be for all the goods or services found in the CTM.

3.4.3. Searching

Under current law, OHIM undertakes a search for earlier potentially conflicting marks, and communicates the result to the CTM applicant and to proprietors of the earlier marks. National searches are carried out by currently 10 national offices, but the applicant must pay a separate fee for these searches. Most applicants do not request national searches, which are generally considered to be of reduced utility.

The Study proposes maintaining the current rules.

3.4.4. Oppositions and cancellations

The Study analyses proposed changes, such as reducing the time limit for filing an opposition from the current three months, but concludes that the current rules, which have the support of the large majority of users, should be maintained, including pre-registration oppositions with limited grounds and unlimited post-registration cancellations.

Nevertheless, a number of “minor” amendments and clarifications are proposed (summarized on p. 200-202):

- The CTM applicant should be allowed to defend himself against an opposition by arguing (and proving) that the opponent has consented to the application and registration.

- The current separation between admissibility and substantive examination of oppositions should be simplified: admissibility examination should be limited to the identification of the opposed CTM, the identification of the earlier right or rights invoked, the indication of the ground or grounds on which the opponent relies, and the use of a proper language. All other elements should be left to the substantiation stage.

- In order to facilitate the handling of oppositions and cancellations, both for the Office and for the CTM applicant, it is proposed that the Rules specify that evidence submitted in support of the opposition or cancellation – or in support of proof of use – must be specifically identified and linked to specific submissions or arguments.

3.4.5. Costs and cost awards

As regards costs and award of costs in inter-partes cases, as well as enforcement of cost awards, the Study proposes to maintain current rules (in Article 85 CTMR). In order to facilitate enforcement of awards, when the debtor does not pay voluntarily, it is proposed that Article 86 (2) CTMR should be amended to require Member States to designate a single competent authority and communicate to the Court of Justice, to the Commission and to the
Office all details of communication with that authority. The Office should develop a standard form in all languages to be issued on demand showing the amount to be enforced.

4. Proposals for the Harmonization Directive

Part V of the Study (p. 213-233) deals with the Trade Marks Directive and contains proposal for enlarging the scope and content of the TMD beyond its current limitations to basic provisions of substantive trade mark law. The proposals consist of the following elements:

4.1. Optional and mandatory provisions

Most of the current optional provisions in the Directive as regards absolute and relative grounds of refusal and invalidity should become mandatory and should be aligned with the corresponding grounds found in the CTMR.

4.2. Complete set of substantive rules

The Directive should contain a complete set of rules of substantive law, again aligned with those already found in the CTMR. This applies in particular to the right to obtain protection, the transfer of trade mark rights and rights in rem.

4.3. Procedure

Furthermore, the Directive should no longer be limited to provisions of substantive law but should oblige Member States to have substantially harmonized procedural rules, at least as far as the basic rules are concerned, while due account should be taken of the different traditions of the laws of the Member States.

Prime candidates for harmonization are an administrative procedure for opposing or invalidating trade marks (rather than relying exclusively on court proceedings), and common approaches to classification (p. 233):

2.51..., the proposal is limited to the very fundamental and important issue of the possibility for the proprietor of a prior trade mark or trade mark application to invoke that right in proceedings before the office, within a certain time period before or after registration. Furthermore, it should be regulated that it must be possible for the adverse party – the person applying for registration of the mark, or the person in whose name the mark has been registered – to raise the defense of non-use, and of acquiescence.

2.52 Among the other procedural rules, the most important one is classification. It has been emphasised in the context of the general analysis that a consistent and harmonised approach to classification applied by OHIM and all national offices is central for the functioning of the system. The TMD should therefore include appropriate rules on classification, aligned with what is proposed for the CTMR and the CTMIR.

2.53 Another important point is that Member States should be required to apply class fees for applications and renewals for goods or services which fall into more than one class.
In addition, the Study identifies the following areas as “candidates” for harmonization (p. 233):

- Filing date
- Representation of marks
- Disclaimer
- Withdrawal, restriction and amendment of an application
- Alteration
- Division of an application or registration
- Observations of third parties
- Surrender
- Duration of registration
- Renewal

5. Proposals for trade mark administration and convergence of practices

Part VI of the Study (p 234-250), entitled “Coexistence and Cooperation”, deals with practical aspects of operating a trade mark system consisting of 25 independent national trade mark administration authorities, each subject to its own rules of governance and control. That Part should be read together with Part IV specifically devoted to OHIM and fees, tasks and mandate (p. 208-212).

5.1. OHIM fees and their distribution

As regards OHIM fees, it is proposed in the Study that they need not necessarily be set at exactly the level necessary to cover the costs of OHIM. Rather, the “value” of the right obtained may also be taken into consideration (p. 190-191):

1. Level of fees

4.162 The overall level of fees must in any event be sufficient to cover the expenses of the operations of the Office, which include the various trade mark (and design) operations and any future additional tasks included in the mandate of the Office, as well as any payments made by the Office to national trade mark offices (equal to 50 percent of the renewal fees). The level of fees should also be sufficient to establish and maintain an adequate reserve fund.

4.163 Furthermore, there is no objection in principle to setting the fees at a level which takes into account additional considerations, such as a “steering function” facilitating a choice between CTMs and national marks, or the actual and potential value of the intellectual property right granted by the Office, even if this should lead to a permanent surplus.

4.164 Overall, under this perspective, the current fee levels appear to be appropriate, and could even be increased.

Thus, there may well be a “structural surplus”.

This brings with it the need to make decisions about the use of the surplus. A first basic decision was taken already in September 2008, and subsequently confirmed by the Council of Ministers in the conclusions of the Council session in May 2010, subsequent to a presentation of the initial results of the Study, namely that 50 % of the renewal fees paid to OHIM should be distributed to national offices for activities closely related to the operation of
the European trade mark system.\textsuperscript{10} The Council conclusions contain the following as regards the distribution of the renewal fee income:

— the creation of a legal basis for distributing an amount equivalent to 50 percent of OHIM’s renewal fees to the National Offices in accordance with fair, equitable and relevant distribution criteria, to be defined in a way which would guarantee, inter alia, a minimum amount for each Member State, as well as the introduction of appropriate mechanisms which have due regard to the financial arrangements applicable to individual National Offices, to ensure that these funds will be available to the National Offices and will be used for purposes closely related to the protection, promotion and/or enforcement of trade marks, including combating counterfeiting,

One of the tasks of the Study was to propose a scheme for the distribution of the money to national offices.

The Study concludes that of the total available 50\% should be distributed to each national office in equal shares, and 50\% should be distributed in proportion to the trade mark activity of that office, measured by trade mark applications.

As regards the objectives to be pursued by the use of the amounts so received, the Study concludes as follows (p. 243-244):

5. Objectives

1.33 According the Council conclusions, the amounts distributed through the fee sharing arrangement should be used for purposes closely related to the protection, promotion and/or enforcement of trade marks, including combating counterfeiting.

1.34 The Study favours the position that the usage of the renewal fees must first of all serve the purpose to establish or to keep national offices operational in order to maintain and intensify the coexistence. In general, the main objective to be pursued by using the amounts should be to improve the infrastructure of the national offices as an element closely related to the protection and promotion of trade marks. Infrastructure measures within this meaning are investments in the IT architecture and tools of the offices, in qualified staff and personnel, such as examiner training and support in applying tools for examiners, and in tools aimed at ensuring consistency with the practice of other offices. More specific proposals in that regard are made under “Cooperation and Coherence” in Chapter 2 A.

1.35 These measures could substantially contribute to a balanced coexistence between the national and the Community level. Enforcement measures should not be regarded as a primary area for using the renewal fees.

1.36 It would appear appropriate that each Member State or each national office should report to OHIM’s Administrative Board and Budget Committee on the manner or activity for which the attributed funds have been used. Requirements for more direct accounting mechanisms would

\textsuperscript{10}The Conclusions of the Council, published in the EU Official Journal 2010 No C 140 p. 22, are reproduced in Annex 5 to this paper
face the institutional problem that some national offices do not enjoy financial autonomy. However, if specific goals with regard to performance are defined, and benchmarking schemes are established as a complement to the reporting obligations, it should be possible to ensure that the flow of funds from the CTM system is not spent on purposes which are alien to the envisaged objectives.

5.2. Cooperation and consistency

Consistency and convergence of practices should ideally lead to a situation where under identical fact situations the same office reaches the same result in a future case, and different offices also reach the same result. Where fact situations differ, nevertheless in an ideal situation the same rules should apply and comparable results should obtain, within the same office and across offices. While the basic substantive rules are – or will be – harmonized or will actually be the same in national law and in the CTM system, reaching identical or comparable results in practice will require common guidelines, common practices, exchange of experience and continuous efforts on the part of all offices. OHIM is in an ideal situation to assume the role of leadership and center of coordination.

The Study focuses on classification, where it is considered imperative that all offices apply the same rules and criteria and actually classify goods and services identically. The Study proposes the following (p. 245):

2.6 It would appear necessary (and easily achievable) that OHIM and national offices set up a permanent classification committee to which general issues (such as classification of new terms or indications not yet in the accepted classification database), disputed cases or divergent practices are referred for analysis and decision, which would then be applied by each office. That committee could be in permanent session via an Internet platform, and meet in person as often as necessary. It could provide significant input for the practice at the international level, within the framework of the Nice Agreement. It would be proper for OHIM to finance this activity.

The Study also considers the involvement of national offices in CTM examinations (and conversely), as well as the linkage of all national offices in trade mark examination activity, expressing the hope that this may actually lead to convergence and harmonized practices (p. 245):

2.7 In the course of examining individual trade marks, OHIM and national offices could cooperate by putting new applications on a common Internet-based platform for a limited period of time allowing participating offices to raise objections, which would become part of the examination in the respective office.

2.8 Similarly, in the examination of contested inter partes cases involving earlier rights, a common platform where these cases would be presented would permit national offices in CTM cases, and OHIM in national cases, to contribute to the likelihood of confusion analysis. In individual cases, where questions of law (or fact) arise which are specific to a particular Member State, such as in Article 8 (4) CTMR cases, OHIM’s bodies could actually present the issue to the national office inviting it to elucidate or at least explain what the national law applicable in a particular case is.
2.9 Such involvement of national offices in OHIM examinations could well give rise to OHIM paying the participating offices for their involvement (similar to the proposed fee-sharing arrangement for the fees to be paid for seniority claims).

III. Prospects

Subsequent to the publication of the Study, the European Commission held a Hearing of NGOs in May 2011. The Commission also announced that it would present legislative proposals for the CTMR and the TMD in October/November 2011, but subsequently postponed this until February 2012.

The Study will be published as a book (which has recently been announced for November 2011), together with texts that the Max Planck Institute is proposing for the implementation of its proposals.

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Annex 1

Conclusions of the Competitiveness Council Session of 21-22 May 2007 (taken from Doc. 9671/07, the Press Release following the Session of the Council)

Financial Perspectives of the Office for Harmonisation in the Internal Market - Council conclusions

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION,

1. TAKES NOTE of the Communication from the Commission to the European Parliament and the Council entitled “The Financial Perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs)”1;

2. EMPHASISES that the establishment of the Office for Harmonisation in the Internal Market (Trade Marks and Designs)2 has been a great success; since the beginning of its operation in 1996 OHIM has contributed substantially to strengthening the competitiveness of the European Union; the success of the Community trade mark proves the value to business of Community wide trade mark rights which are efficiently administered and granted, are effectively enforceable and give legal certainty to all stakeholders throughout Europe;

3. NOTES that the work of OHIM has been very well received by all stakeholders; consequently, the number of trademark applications and registrations at OHIM has exceeded the most optimistic predictions; as a result, OHIM has experienced annual budget surpluses which, by the end of 2006, resulted in cumulative cash reserves of more than € 200 million despite a reduction of the applicable fees which took effect in 2005;

4. UNDERLINES that the high quality of OHIM’s work which contributes to the broad acceptance by all stakeholders cannot be taken for granted but requires further efforts to preserve and even improve OHIM’s performance and NOTES the need for Communitywide trademark and designs databases;

5. RECALLS that the Regulation requires that the revenue and expenditure shown in the budget of OHIM shall be in balance, and that the amounts of the fees charged by OHIM shall be fixed at such a level as to ensure that the resulting revenue is in principle sufficient for the budget of the Office to be balanced;

6. RECOGNISES that lower fees may facilitate access by users, including SMEs, to the Community trademark system and EMPHASISES that the accumulated fees paid by the users should not disproportionately exceed the overall costs of the Community trade mark system;

7. RECALLS that the Community trademark system is designed to coexist with the national trade mark systems of Member States which continue to be necessary for those undertakings which do not want protection of their trade marks at Community level;

8. NOTES the importance of the complementary work of national trade mark offices of Member States and CALLS on OHIM to enlarge its cooperation with national offices in the interest of the overall functioning of the Community trademark system;
9. RECOGNISES that it is now over a decade since the introduction of the Community Trade Mark Regulations and the establishment of OHIM, and under the principles of better regulation, EMPHASISES the need for an overall assessment of the functioning of the Community trade mark system;

1 5390/07 PI 1.
2 Hereinafter referred to as „OHIM“.
10. CALLS on the Commission to:

   – immediately propose a reduction of the fees charged by OHIM, in particular of the fees for the application, registration and renewal of Community trade marks; the proposal should be accompanied by a comprehensive impact assessment;

   – start work on a comprehensive study on the overall functioning of the Community trade mark system to be completed as a matter of priority; any future discussions on the fees policy should take into account the results of this study;

   The study should in particular:

   – analyze the use of certain criteria which could facilitate further adaptations of Community trade mark fees and possible ways of their application in the Comitology procedure; these criteria should in particular contribute to a long term balance of the OHIM’s budget, ensure a continuous high quality of OHIM’s performance, and take account of OHIM’s cooperation with the trade mark offices of Member States; the criteria should respect the principles of prudence and sound financial management; in addition these criteria should keep the fee system reliable and transparent for users and its future adaptations predictable;

   – evaluate the existing framework of cooperation of OHIM and national trade mark offices, with a view to intensifying and broadening the existing instruments of cooperation in the interest of the overall functioning of the Community trade mark system;

   – explore possible instruments to finance such cooperation, including the establishment of a cooperation fund, if necessary by means of amending Regulation (EC) No 40/94;

   – assess the coexistence of the Community trade mark system and national trade marks, including the territorial requirements for genuine use of Community trade marks;

   – evaluate the effects of the Community trade mark system on the overall functioning of national trade mark systems, as well as the contributions of national trade mark offices to the overall functioning of the Community trade mark system;

   – evaluate the effects of the recent reforms;

   – evaluate the effects of the Community trade mark system on its users, in particular on SMEs and start-up enterprises, and in particular with regard to competitiveness and innovation.”

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Annex 2

Conclusions of Joint Session of OHIM’s Administrative Board and Budget Committee of September 2008

JOINT MEETING OF THE ADMINISTRATIVE BOARD
AND THE BUDGET COMMITTEE
OF THE
OFFICE FOR HARMONIZATION IN THE INTERNAL MARKET
(TRADEMARKS AND DESIGNS)
18 AND 19 SEPTEMBER 2008
CONCLUSIONS OF AGENDA ITEM
“HOW TO BETTER BALANCE OHIM’S BUDGET – THE WAY FORWARD”

The Joint Meeting of the Administrative Board (AB) and the Budget Committee (BC) of the Office for Harmonization in the Internal Market (Trademarks and Designs) (OHIM), held on 18 and 19 September, 2008, had a wide-ranging discussion over how to better balance OHIM’s Budget, based on document CA/08/S37C/2/EN-CB/08/S35C/2/EN, in annex.

Representatives from OHIM and the European Commission (EC) also took part in the discussions.

Member States recognized that discussions around how to better balance OHIM’s Budget, in particular about the OHIM’s ever growing surplus, that currently reaches more than 300 million euros, is ongoing, without a positive outcome, for some time now and that two outstanding issues, arising in this context, need to be urgently solved: how to address the surplus generated so far and how to better balance income and expenditure in the future.

Member States acknowledged, in this context, that although solutions should be looked for in the existing legal framework, not excluding, nevertheless, those which would imply amending the existing regulations, and that the initiative rests with the European Commission, input from the Administrative Board, the Budget Committee and the OHIM top management would be helpful in this process, within the advisory role of those bodies, foreseen under Regulation 40/94, on drawing possible conclusions on a suitable way forward.

Member States also recalled that the Council, in 2007, has asked, besides the study on the overall functioning of the Community Trademark System, for an immediate reduction of the Community Trademark fees, but considered that it would be essential to agree on a set of complementary budgetary measures to accompany the abovementioned fee reduction, in order to assure a balanced budget for OHIM in the future.

Regarding the functioning of the trade mark system in Europe, the European Commission have informed the Board that these issues will be addressed by the Commission’s study on the overall functioning of the system to be presented by the end of 2009 and moreover that consultations will be held with all Member States and users regarding the main elements that should be addressed when elaborating the study on the overall functioning of the system.

Therefore, Member States recognized the importance and relevance associated with the consultation process initiated by the Chairman of the Administrative Board, in close cooperation with the Chairman of the Budget Committee, the President of the Office and the European Commission, on a package of possible measures aiming at better balancing OHIM’s Budget in the future, enclosed in document CA/08/S37C/2/EN-CB/08/S35C/2/EN.

On the abovementioned proposed package of budgetary measures, the results of the discussions are the following:
- As regards to the proposed fee reduction a new very straightforward proposal emerged during discussions, which would not only substantially reduce the fees, but simplify the fee structure and result in a significant reduction of administrative burden in relation to the handling of fees. This would consist of concentrating the impact of the fee reduction on the current registration fee, and bringing the combined value of the application and registration fees down to around €1000.

- Furthermore, as an alternative to the proposed automatic reduction mechanism of fees, Member States considered a regular biannual review of the financial situation of the Office by the Commission to be more appropriate in order to making the necessary proposals in the comitology procedure with a view to balancing the Office’s budget.

- Member States have supported the proposal of distributing to the National Offices of Member States an amount equivalent to 50% of the renewal fees in accordance with distribution criteria to be defined in a way which would guarantee a minimum amount for each Member State. It should be specified, in the Council Regulation 40/94, that the transfer of 50% of renewal fees should be done in a way that would ensure that the funds would be available to the Member States' National Offices and would be used for the purposes closely related to the protection, promotion and/or enforcement/combat counterfeiting of trade marks.

- The vast majority of Member States have supported the proposal to allocate around 190 million euros to the Reserve Fund and to create a Cooperation Fund. This Cooperation Fund would be established with an allocation of 50 million euros and would phase out once the repartition of renewal fees is in force. It should be specified that the funds for cooperation should be available to the Member States National Offices, and would be used for the projects closely related to harmonization and the protection, promotion and/or enforcement of trade marks and designs. Users should be associated with the operation of this fund in an appropriate way. The structure of the fund should be as light as possible and its access should be facilitated and avoid unnecessary administrative bureaucracy.

- Member States supported the idea of using the remaining surplus in the interests of users, and asked the Commission to study this issue in consultation with users within the context of the overall evaluation of the trademark system to be conducted by the Commission.

**Member States and the OHIM top management agreed that from the discussions held in this meeting, sufficient support was gathered around a number of basic elements, identified above, that should be included in a package of budgetary measures aiming at guaranteeing a balanced budget for OHIM in the future and took the decision to inform the European Commission accordingly, by way of formal joint letter from the Chairmen of the AB and BC and the President of the OHIM, to be considered within its forthcoming initiatives in this field.**
## Fees 1996-2005-2009

### OHIM Fees (Selection) (Euro) 1996-2005-2009

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Annex 4

Annex I to the Tender “Objectives and Monitoring” (excerpts)

Invitation to tender n° MARKT/2009/12/D: Study on the overall functioning of the Trade Mark System in Europe

Annex I

OBJECTIVES AND MONITORING

...

2. BACKGROUND AND CONTEXT OF THE STUDY

In a rapidly changing economic environment driven by increased globalisation and enhanced competitive pressures the significance of trade marks has steadily grown as well as their commercial value and number. Trade marks serve to distinguish the goods and services of undertakings and are therefore essential for a system of undistorted competition. They identify the commercial origin of products and guarantee their consistent quality. As prime advertising tool trade marks are of paramount importance in the marketing and commercialisation of goods and services both nationally and internationally. Effective and efficient trade mark protection is therefore vital for fostering innovation and competitiveness by encouraging the production and distribution of quality products. In this context the increasing demands for trade mark registration systems to be of high quality, streamlined and speeded up but also more harmonised, user friendly, publicly accessible and technologically up-to-date have become a high priority. The same applies to the need for robust and efficient enforcement systems which can cope adequately with infringement of trade mark rights.

It is against this background that the trade mark regime in Europe as a whole has undergone a very significant and dynamic development over the last 20 years. At the beginning of this process, national trade mark systems were harmonised by the First Council Directive No 89/104/EEC of 21 December 1988 (“TMD”) (now codified as Directive 2008/95/EC). The aim of this Directive is to ensure that domestic trade marks registered with the Member States’ Trade Mark Offices are subject to the same standards of registrability and enjoy the same protection under the laws of all the Member States. It does not undertake a full-scale approximation of laws but harmonises only those (substantive) provisions of national law that most directly affect the functioning of the internal market.

Alongside and linked to national systems, the Community trade mark (“CTM”) system was established in 1994 by the Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (“CTMR”) (now codified as Regulation 207/2009). It allows for the first time to get in one single procedure - instead of a separate procedure in each Member State leading to a bundle of national trade mark rights conferring protection only in their respective territories - a unitary Community right which has equal effect throughout the Community. A link between national and Community trade marks exists following two mechanisms: "seniority" and "conversion".

On the basis of the CTMR the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (“OHIM”) was set up to be responsible for registering and administering Community trade marks and designs. As regulatory agency of the EU it was given budgetary autonomy to the extent that it should not need a subsidy from the Community to balance its budget. The OHIM became operational on 1 April 1996. Furthermore, by the EC acceding to
the Madrid Protocol with effect as from 1 October 2004, the CTM system was linked to the Madrid System for the International Registration of Marks. This enables CTM applicants and holders to apply for international protection of their trade marks through the filing of an international application under the Madrid Protocol. Conversely, holders of international registrations under the Madrid Protocol are entitled to apply for protection of their trade marks under the CTM system.

Finally, as regards enforcement, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 harmonized the means of enforcing intellectual property ('IP') rights including trade marks, thus ensuring that intellectual property enjoys an equivalent level of protection in the Community.

The TMD has not been amended on substance since its adoption in 1988. The CTMR has been amended six times so far, the most substantial amendment being made on the basis of Council Regulation No 422/2004 of 19 February 2004. The absence of changes in case of the TMD, and the low number and the nature of the amendments to the CTMR could argue for the high quality of these two instruments.

With regard to the CTMR, in fact, the legislator recognized when adopting Regulation No 422/2004 that the CTM system had "generally fulfilled users' expectations satisfactorily" and "also had a positive effect on the effective achievement of the internal market". It further noted that the substance of the system had "proven itself to be perfectly valid with regard to the objectives set".

The statistics of the OHIM confirm the success of the CTM system. Since 1996 the demand for Community trade marks has been growing steadily and at times dramatically. The growth rate of Community trade mark applications during the last four years is 50% and, over the same period, the productivity of OHIM has risen by almost 60%. In terms of volumes 2007 experienced the highest ever number of trade mark applications (88,339) and 2008 the highest ever number of registrations (81,312). About two-thirds of applications came from the European Community area. In total OHIM has registered more than 500,000 trade marks to date on behalf of hundreds of thousands of companies from all over the world.

The fact that OHIM became self-financing from only its second year of operation (1997), and, hence, much earlier than foreseen, are further evidence of being successful in serving the European Single Market. Actually, as a result of the unexpectedly high application volumes going along with increased productivity and efficiency, as well as significant growth in E-Business, the OHIM has lately been generating very substantial surplus.

Despite a significant reduction of fees, taking effect as from 1 October 2005, this situation has not changed. In fact, whereas by the end of 2004, the OHIM had accumulated cash reserves of around € 105 million, the surplus by the end of 2008 will clearly exceed EUR 300 million.

On 22 December 2006, the Commission published a Communication on the Financial Perspectives of the OHIM proposing to introduce a method of automatic fee review and adjustment to guarantee a balanced budget. The Commission advocated closely linking such approach to an outstanding performance of the OHIM. It further highlighted the importance of joint partnerships between OHIM and national offices for the efficient performance of and the effective interaction between the Community and national trade mark systems.

On 21-22 of May 2007, the Competitiveness Council adopted conclusions on the Communication. It emphasised that the establishment of the OHIM had been a great success and that it had contributed substantially to strengthening the competitiveness of the EU. It underlined that the high quality of OHIM's work could not be taken for granted but required
further efforts to preserve and even improve its performance. It recalled that the CTM system was designed to coexist with the national trade mark systems which continued to be necessary for those undertakings which did not want protection of their trade marks at Community level. It noted the importance of the "complementary" work of national trade mark offices of Member States and called on OHIM to enlarge its cooperation with national offices in the interest of the overall functioning of the CTM system. It asked the Commission, on the one hand to immediately propose a reduction of the main CTM fees, and, on the other, "to start work on a comprehensive study on the overall functioning of the Community trade mark system to be completed as a matter of priority".

On 19 July 2008, the Commission adopted the "Small Business Act" in which it committed itself to make the CTM system more accessible, in particular by significantly reducing CTM fees as part of a comprehensive solution to the financial perspectives of the OHIM.

On 16 July 2008, the Commission published a Communication on an Industrial Property Rights Strategy for Europe. In this Communication the Commission stressed its commitment to strong trade mark protection and to a high quality trade mark regime. It concluded that it was time for an overall evaluation, although the trade mark system showed clear successes. The Commission thus announced its intention to "evaluate the overall functioning of the Community and national trade mark systems". The respective study "could form a basis for future review of the Community trade mark system and enhanced cooperation between the OHIM and national offices."

At a Joint Meeting of the Administrative Board and the Budget Committee of the OHIM on 18-19 September 2008, Member States unanimously agreed to recommend to the Commission a number of basic elements that should be included in a package of budgetary measures aiming at ensuring a balanced OHIM budget in the future. The relevant package includes the agreement to a substantial fee reduction and simplification of the fee structure. It further comprises the approval for distributing to the National Offices of the Member States an amount equivalent to 50% of the renewal fees. These funds should be used for the purposes closely related to the protection, promotion and enforcement of trade marks. The package also encompasses the agreement for allocating around € 190 million to the Reserve Fund. The joint committee also proposed the creation of a Cooperation Fund of about € 50 million which should finance projects related to the harmonisation and the protection, promotion and/or enforcement of trade marks and designs. Finally, Member States suggested using the remaining surplus in the interests of users and asked the Commission "to study this issue in consultation with users within the context of the overall evaluation of the trade mark system". The Commission is looking into how best to implement these recommendations. Some of them will require a modification of the CTMR and be part of the overall review of the trade mark system.

As first step in the overall evaluation of the trade mark system in Europe, the Commission launched on 29 October 2008 a trade mark related consultation of businesses using the European Business Test Panel (‘EBTP’). The EBTP is an on-line tool allowing the Commission to obtain direct feedback from businesses on Commission legislative proposals or initiatives likely to have an impact on businesses.

On 31 March 2009 the Commission adopted Regulation (EC) No 355/2009 by which the fees for obtaining Community trade mark protection were lowered further substantially and the fees structure simplified. This Regulation entered into force on 1 May.
3. OBJECTIVES

The purpose of this study is to provide the Commission with an in-depth assessment of the overall functioning of the trade mark system in Europe as a whole including both Community and national level. The aim is to identify potential areas for improvement, streamlining and future development of this overall system to the benefit of users and the society as a whole. In this context the study shall also establish the potential for an enhanced cooperation between the OHIM and the national offices and look into how best to implement Member States’ recommendation of distributing a proportional part of the renewal fees of OHIM to national offices as remuneration for services rendered by them. The results of the study shall enable the Commission to propose amendments in the relevant legislation, involving not only the CTMR but possibly also the TMD.

4. TASKS

In order to achieve the general purpose of this study, it will be necessary to simultaneously perform the following two interrelated tasks:

4.1 The first task relates to an **assessment of the links between the CTM system and the national trade mark systems.** Within this task the contractor should assess the level of harmonisation achieved and the need for further approximation of the national systems, the nature of the relation and the various links between these systems, the contributions of Member States to the overall functioning of the CTM system, in particular, their role including national offices in the enforcement of CTMs, and, the potential for enhanced cooperation between OHIM and national offices with a view to increasing the effectiveness and efficiency of the trade mark system as a whole, including predictability and legal certainty, to the benefit of users.

4.2 The second task is related to a thorough **analysis of the functioning of the CTM regime including the OHIM.** In this context the contractor shall examine key areas of the CTM system and submit recommendations for improvements to increase the effectiveness, efficiency and added value of the system and to adapt it to the Internet age. It shall further identify potential for increasing the range and quality of the services rendered by the OHIM, including in particular consistency, predictability and legal certainty, in the interest of current and potential users. Particular consideration in this context should be given to business needs of SME’s.

5. EVALUATION QUESTIONS

In order to carry out the necessary analyses and assessments the contractor will have to provide answers to the following evaluation questions which are grouped according to the two tasks described above.

5.1 Links between the CTM system and national trade mark systems

(1) Harmonisation of national trade mark systems

(a) Achievement of the TMD objective

**To what extent has the Trade Mark Directive achieved the objective of creating a single market by removing barriers to free movement and competition?**

(b) Need for further legislative harmonisation

(i) Within the scope of the TMD
To what extent is there a need for further legislative approximation of Members States’ national trade mark systems within the current scope of the TMD?

The reply to this question should analyse whether there is a need for also harmonising elements which according to the TMD are left optional to the Member States, such as special absolute grounds for refusal or invalidity, or, grounds for refusal or invalidity concerning conflicts with earlier rights. The contractor should seek for specific evidence of problems and differences, i.e. establish what evidence is there that users of the trade mark system would benefit from further legislative approximation. This research should encompass literature review including caselaw.

(ii) Beyond the scope of the TMD

To what extent is there a need for further legislative approximation of Members States’ national trade mark systems beyond the current scope of the TMD?

The reply to this question should analyse whether there is a need for harmonising elements which are not covered by the TMD, such as other substantive issues like assignments and other elements of trade marks as objects of property, as well as issues such as classification of goods and services (e.g. the use of class headings and the consequences this has for examination and resolution of conflicts between trade marks), procedural issues such as the process of examination, oppositions and cancellations, as well as any other aspect of trade mark law and practice that users perceive in need of harmonisation. The contractor should seek for specific evidence of problems and differences, i.e. establish what evidence is there that users of the trade mark system would benefit from further legislative approximation. This research should encompass literature review including case-law.

(c) Need for Trade Mark Offices’ practices to become more consistent

To what extent do stakeholders see a need for the Trade Mark Offices Practices becoming more consistent?

The reply to this question should establish the main areas in respect of which the practices of the various Trade Mark Offices should be consistent and comparable within each of the Offices as well as the areas where the practices of the various Offices should be consistent and comparable with each other.

How could the cooperation between the OHIM and National Trade Mark Offices be intensified to achieve a more transparent and consistent Office practice throughout the Community?

The reply to this question should analyse ways as to how the OHIM and the National Trade Mark Offices could work closer together to contribute more to establishing consistent practices in Europe to the benefit of users (e.g. developing common tools, etc.).

(2) Relation between CTM system and national trade mark systems

(a) Nature of the relation

How are the CTM system and national trade mark systems used by stakeholders?

The reply to this question should in particular establish to what extent these interested parties see the nature of this relation characterised by complementarity and a (operational) notion of a balance.
(b) Future role and mission of National Offices

**What should be the role and mission of national offices in the future?**

The contractor should provide recommendations as to how the role and mission of national offices should be defined in the future. In this context it should establish to what extent these offices should perform additional tasks such as in particular in the field of enforcement (anti-counterfeiting). The upcoming Commission Communication on enforcement will have to be taken into account in this connection. Moreover, the contractor should assess the importance of financial autonomy for national offices.

(c) Linkages between the systems

(i) Filing a CTMA at the central IP Office of a Member State

**To what extent is the option to file a CTM application at the central IP Office of a Member State still appropriate?**

(ii) Requirement for a CTM to be used "in the Community"

**To what extent is the territorial requirement for a CTM to be genuinely used "in the Community" (Art. 15 CTMR), as interpreted in the related Joint Statement by the Council and the Commission of 20 December 1993, still appropriate in view of a Community market now comprising 27 Member States?**

(iii) Seniority claims

**To what extent does the option of claiming seniority of a national trade mark still match the needs of users?**

The reply to the question should thoroughly establish the reasons for the low number of seniority claims filed and analyse the need for maintaining this option from a users' perspective.

**To what extent should seniority claims be verified by the OHIM in future?**

The reply should establish users' satisfaction with the current OHIM practice and provide information on users' preference as to the desired extent of examination of seniority claims (e.g. simple recording of such claims without any examination and with the applicant only having to identify the place of earlier registration and the relevant trade mark number, or, a full examination of the requirements laid down in Article 34 of the CTMR with the applicant having to substantiate his claim).

(3) Contributions of national offices to the overall functioning of the CTM system

(a) Sort of contributions

**To what extent are national offices contributing to the overall functioning of the CTM system?**

(b) Compensation by financial contributions from OHIM

**To what extent are the expenses related to these contributions made by national offices covered by payments received from the OHIM budget?**
The reply to this question should include a detailed insight and evaluation of the cooperation activities for which a financial contribution from the OHIM budget is available.

(4) Potential for enhanced cooperation between OHIM and national offices

*In what ways could national offices additionally and valuably contribute to the overall functioning of the CTM system to the benefit of current and potential users?*

The reply to this question should establish the potential for an enhanced cooperation between the OHIM and national offices by determining appropriate areas where from a stakeholders' point of view national offices could additionally contribute in an effective manner to the overall functioning of the CTM system, in particular, but not exclusively in the area of enforcement (anti-counterfeiting). This question is to a certain extent related to the above question no 2(b) on the future role of national offices.

(5) Impact of distributing an amount equal to 50% of OHIM's renewal fees to national offices

*What could be the benefits both for the OHIM and users of the CTM system to have the half of the renewal fees revenue going to Member States' national offices? What are possible disadvantages?*

(6) Accounting mechanisms

*How and to which extent could it be ensured that these transferred funds are available to Member States' national offices and really used for the trade mark related purposes concerned?*

The contractor should analyse the financial situation of national offices and, in particular, look for appropriate accounting mechanisms which could ensure that the funds transferred from OHIM to Member States' national offices are used for the trade mark related purposes concerned.

(7) Distribution key

*What would be an appropriate key for distributing 50% of OHIM's renewal fees to the individual Member States?*

5.2 Functioning of the CTM system including the OHIM

The reply should establish to which extent the CTM system is in need of amendment or improvement, as well as the extent to which OHIM should provide additional services, and should include the following examples, but may include anything else that in particular users of the system perceive to be in need of change.

(1) Definition of signs of which a trade mark may consist (Article 2 TMD, 4 CTMR)

*To what extent is the required capability of being represented graphically still a relevant and appropriate requirement for a sign to qualify as a trade mark with regard to non traditional trade marks? What could be appropriate alternative requirements to establish instead of it?*

(2) Rights conferred; sanctions (Article 5 TMD, Article 9 CTMR)

*Does the definition of the rights conferred upon proprietors in case of infringements still satisfy current need?*
Is there a need to align the customs seizure sanctions with the civil sanctions, in particular in case of import, export, and transit transactions?

Should the CTMR include the same sanctions, in accordance with the Directive 2004/84/EC on the enforcement of IP rights, as are made available for the infringement of national IP rights?

(3) Classification

To what extent does OHIM’s practice of encouraging list of goods and services corresponding to the headings of the Nice classification system meet the business needs of applicants with a view to the objective of avoiding unnecessarily broad specifications of goods and services?

(4) Claiming priority (Article 30 CTMR)

To what extent should priority claims be verified by the OHIM in future?

The reply should define users’ preference as to the treatment of priority claims. Like other IP Offices, OHIM could be allowed to simply record such claims without verification and with the applicant only having to identify the place of earlier registration and the relevant trade mark number. The claim could be challenged in adversarial proceedings. Alternatively, a full examination of the requirements could be foreseen with the applicant having to prove his priority right.

(5) Examination of absolute grounds

(a) Access to trade mark protection

To what extent are users satisfied with the granted level of access to trade mark protection?

The reply to this question should establish to what extent users are satisfied with the registration practice at EU level and to what extent they consider this practice either too liberal or too strict. The related results of the EBTP survey should be taken into account.

(b) Quality of examination

To what extent does the examination practice of OHIM meet users’ expectations of providing for certainty that the resulting CTM registrations are entitled to a presumption of validity?

The reply to this question should not only establish the level of users’ satisfaction on this point but also analyse the relevance and efficiency of pertinent quality standards and quality control mechanism established by the OHIM to ensure the required high quality.

To what extent does the examination practice of OHIM meet users’ expectations of consistency in examination for formal deficiencies, such as classification, or in examination for absolute and relative grounds, at the various levels of OHIM activity (examination, opposition, cancellation, appeal)?

(c) Territory of acquired distinctiveness (Article 7(3) CTMR)

Is there a need for clarifying the territorial scope in respect of which acquired distinctiveness must be shown and, if yes, what would be an appropriate solution?
(d) Bad faith as additional absolute ground for refusal

**Should bad faith be added to the list of absolute grounds for refusal?**

The reply should analyse the usefulness and added value of bad faith constituting also an absolute ground in the registration procedure.

(6) Use requirement (Article 15 CTMR)

**To what extent has the current system with regard to the user requirement, including the 5 years grace period proved to be efficient and effective to reduce the total number of trade marks protected in the Community, and, consequently, the number of conflicts which arise between them?**

The reply to this question should establish to what extent users are satisfied with the current use requirement and its application in OHIM and Court practice. In this context the study shall investigate whether there is support from users to shorten the present 5 years grace period to 3 years, as well as regards any other measure that might be adopted in this context, such as requiring proof of use at the time of renewal or an “intent to use” at an earlier point in time.

(7) Searches (Article 39 CTMR)

(a) Optional search for national rights

**To what extent has the recently introduced optional search system for national rights proved to be effective and efficient for users?**

The reply to this question should establish the degree of user satisfaction with the optional search system for national rights (including price).

(b) Mandatory search in the CTM Register

**To what extent has the mandatory search in the CTM Register proved to be effective and efficient for users?**

The reply to this question should establish the degree of user satisfaction with the mandatory search in the CTM Register and consult with users whether this search should become optional as well.

(c) Demand for additional or different services

**Would users like the OHIM to offer different or additional search services?**

The reply should establish to which extent (potential) users would be interested in being provided with other or additional services in the area of searching, such as, for example, pre-filing searches, or qualified search reports which do not only list possible conflicting earlier rights but also assess the relevance of these hints.

(8) Examination of relative grounds (Article 8 CTMR)

(a) No ex-officio examination
To what extent has the examination of relative grounds only upon opposition, i.e. not ex officio, proved to be effective and efficient to deal with conflicting earlier trade mark rights?

(b) Introduction of "accelerated registration" procedure

To what extent is there support for introducing an option for requesting the accelerated registration of a CTM application against the payment of a higher fee and with opposition occurring thereafter?

(9) Opposition procedure (Art. 42 CTMR)

(a) Pre-registration opposition system

To what extent has in the users' view the providing of opposition proceedings before registration ('pre-registration opposition system') proved to be effective and efficient to best accommodate the interests of both CTM applicants and holders of earlier rights compared to a post-registration opposition system?

(b) Well known and reputation marks (Art. 8(2)(c) and Art. 8(5) CTMR)

Is there a need for clarifying the difference between or the common features of well-known trade marks and those with reputation?

(c) Appropriate relative grounds

To what extent have the relative grounds under Article 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?

(d) Opposition period

To what extent does the period of three months to file an opposition still meet the interests of users?

The contractor should analyse whether the procedure should be speeded up by shortening this period to two months.

(10) Appeal procedure

To what extent does the providing of an additional two month period for filing the grounds of appeal still meet the needs and interests of users?

The contractor should analyse whether the procedure should be speeded up by requiring that both the notice of appeal and the statement setting of grounds are to be filed within two months after the date of notification of the decision appealed from.

(11) E-Business

To what extent are users satisfied with the e-Business tools offered by the OHIM and to what extent are they in favour of the OHIM performing the registration and administration of CTMs exclusively by electronic means in future?

Apart from establishing the level of satisfaction with the e-Business tools offered the reply to the question should establish whether from a users' point of view the OHIM should admit only
The Max-Planck-Study “Study on the Overall Functioning of the European Trade Mark System”: Background, Findings, Proposals

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electronic communication in future or whether it should continue to also allow communication by traditional means such as post and fax, at least against payment of a higher fee. The related results from the EBTP survey are to be taken into account.

(12) Regime on costs

To what extent has the current regime on costs proved to be effective and efficient?

The reply to this question should as well not only analyse in this context the benefits of repealing Article 81 or of amending the cost regime to provide higher claimable amounts, e.g. in cases of pointless or frivolous oppositions, but should also look into other options to assist users such as for instance the possibility of providing legal aid to SME’s.

(13) OHIM

(a) Role and mission

How should the role and mission of OHIM be defined in future?

The reply should analyse from a users' perspective the potential, appropriateness and added value of assigning additional tasks to the OHIM, such as particularly in the field of enforcement (anti-counterfeiting).

(b) Fees and fees structure

To what extent is there a need for the adjustment of fees?

The reply to this question should analyse the current fees structure and assess whether with a view to the recent substantial reduction of accession fees there is a need for adjustment of other main fees (in particular, opposition fee, fee for the application for revocation or for a declaration of invalidity, and appeal fee), taking into account the interests of earlier right holders.

To what extent is there a need for changing and/or streamlining the fees structure?

The reply should analyse the appropriateness of the introduction of a fee that is linked to the number of classes in the application rather than allowing the first three classes for one set fee. In this context the reply should also look at the experiences made in trade mark systems with an application fee linked to the number of classes applied for. Furthermore, the reply should establish the potential for further simplification of the fees structure in order to offer a better service to businesses.

6. INDICATIVE METHODOLOGY

The contract should result in a global study, divided into two themes, based on fact finding and economic and legal analysis.

It is for the tenderer to decide on the optimal combination of methodologies to achieve the objectives specified above. The methodological approach should be described in detail in the tender with the account taken of the specifications made above and with a reasoned explanation of how the proposed methodology meets the required criteria. The final methodology may be fine-tuned as the study progresses, in consultation with the Commission. Tenderers may further revise and propose additional or more specific questions that the study should address in order to lay a basis for evaluating the main questions presented above, in consultation with the Commission.
The contractor will have to carry out desk research and literature review including analysis of legal acts and case law. The relevant stakeholders who should be consulted include but need not be confined to EU officials and other policy makers at EU-level, OHIM officials, officials of national offices and national enforcement bodies, professional associations and user groups, such as, in particular, ECTA, INTA, AIM, MARQUES and BUSINESSEUROPE, as well as legal experts in the field of industrial property trade mark law. Furthermore, where and to the extent appropriate, the contractor shall carry out surveys of market participants using the Community trade mark system in order to establish their opinion.

…
Annex 5

Conclusions of the Council Session of May 2010

IV

(Notice)

NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

COUNCIL

Council conclusions of 23 May 2010 on the future revision of the Trade Mark system in the European Union
(2010/C 140/07)

THE COUNCIL OF THE EUROPEAN UNION,

1. RECALLS that in May 2007 it adopted conclusions regarding the financial perspectives of the Office for Harmonisation in the Internal Market (Trademark and Designs) (henceafter referred to as "OHIM") and the further development of the Community trade mark system (1);

2. ACKNOWLEDGES the agreement reached on 18/19 September 2008 at the joint meeting of the Administrative Board and the Budget Committee of the OHIM on a package of budgetary measures aiming at better balancing OHIM's budget in the future, this package consisting of three major elements: (i) the reduction of fees for obtaining Community trade mark protection, (ii) the creation of a Cooperation Fund and (iii) the future distribution of 50 % of renewal fees to Member States' national trade mark offices (henceafter referred to as "National Offices");

3. AGREES that these budgetary measures not only constitute appropriate and useful instruments to guarantee a balanced budget for OHIM in the future, but also contribute to modernising, streamlining, harmonising and strengthening the trade mark system in Europe as a whole within the framework of enhanced cooperation between the OHIM and the National Offices;

4. WELCOMES the fact that further to the September 2008 agreement, the fees for obtaining a Community trade mark registration were substantially reduced by Commission Regulation (EC) No 355/2009 with effect from 1 May 2009.

5. WELCOMES the significant progress made by the OHIM towards setting up a Cooperation Fund and ENCOURAGES the OHIM to finalise this work as a priority, in order to have the fund fully operational as a matter of urgency and with the active participation of the National Offices.

6. CALLS on the Commission to implement a Communication of 15 July 2009 on an Industrial Property Rights Strategy for Europe (2);

7. WELCOMES the launch by the Commission of a study on the overall functioning of the trade mark system in Europe and SUPPORTS its objectives as specified in the terms of reference.

8. TAKES NOTE of the interim results of the study presented to the Council Working Party on Intellectual Property on 27 March 2010;

9. ENCOURAGES the Commission to finalise the study with the aim of building a solid foundation for its subsequent legislative initiative;

10. ACKNOWLEDGES the fact that most associations of users of the Community trade mark system are satisfied with this system, as well as with the principle of coexistence between Community and national trade marks, and see the need to fine tune it through a future revision, taking into account the need for a balanced relationship between the Community and national trade mark systems.

(1) Council document 9427/07.

(2) Council document 1226/08.
11. **RECOGNIZES** that national trade marks continue to meet the needs of large numbers of applicants, and that, therefore, national trade mark protection should be maintained as an option for these applicants.

12. **RECALLS** the Commission Communication of 11 September 2009 on enhancing the enforcement of intellectual property rights in the internal market (9);

13. **RECALLS** its Resolution of 1 March 2010 on the enforcement of intellectual property rights in the internal market (10);


The revision should include in particular:

— the introduction of a specific provision to define the framework for cooperation between the OHIM and the National Offices,

— making explicit that harmonization of practice and tools is an aim which all trade mark offices in the EU should pursue and that efforts in this area should be supported and facilitated by the OHIM with the active involvement of its Administrative Board,

— the establishment of a clear legal basis for the involvement of the OHIM in enforcement-related activities, including the fight against counterfeiting, in particular through fostering its cooperation with the National Offices, in accordance with their national competences, and the European Observatory on Counterfeiting and Piracy (11);

— the creation of a legal basis for distributing an amount equivalent to 30% of OHIM’s renewal fees to the National Offices in accordance with fair, equitable and relevant distribution criteria, to be defined in a way which would guarantee, inter alia, a minimum amount for each Member State, as well as the introduction of appropriate mechanisms which have due regard to the financial arrangements applicable to individual National Offices, to ensure that these funds will be available to the National Offices and will be used for purposes closely related to the protection, promotion and/or enforcement of trade marks, including combating counterfeiting,

— amendments and other measures, where appropriate, aimed at supporting the complementary relationship between the Community and national trade mark systems,