



European Communities Trade Mark Association

Mr Erik Nooteboom
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European Commission
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Antwerp, January 13, 2005

Dear Mr Nooteboom,

Concern: ECTA's comments on the possible lowering of CTM fees.

Reference is made to previous discussions on the possible lowering of fees relating to the Community trade marks.

Please be informed that having discussed the question within the ECTA Law Committee, the subject has been brought to the attention of ECTA's Council Members due to the importance of the matter.

It may, at first sight, seem obvious to state that because the OHIM has a financial surplus, it would follow that the CTM (and possibly Registered Community Design) official fees should be lowered. However our discussions have shown that the answer is not that straightforward.

ECTA will therefore in this paper refrain from giving the Commission clear guidance on how the CTM official fees should or should not be lowered or even be raised, but would like to share with the Commission and other decision makers some concerns from its members on the subject which hopefully will help the Commission to take the most balanced decision in view of all the circumstances.

General principles

It seems that the decrease of costs for a CTM is likely to be regarded as a political decision more than a technical one and so before taking any decision, one should look at the context in which the decision will be taken and, more specifically, to ask the questions: what is a CTM and what is the role of the OHIM.

The OHIM is one of the European agencies aimed at facilitating the operation of the internal market. It is charged with the duty of implementing and overseeing the grant of exclusive rights, being CTMs or RCDs, enforcing uniform legislation and providing a single protection in the whole of the EU space, complementing the work of the national Offices.

OHIM has also to be self-financed and has therefore the duty of correctly managing its budget, and requesting the stipulation of suitable fees. However, several issues should be taken into consideration, namely:

1. The calculation of liabilities/projects/investments

ECTA is unaware of any exhaustive study concerning the real needs of the Office.

2. The quality of the services rendered

Most of ECTA's members agree that the current situation is not all together the ideal and that improvements are needed not only in the quality of the services of the OHIM and in its decisions, but also in its thoroughness, speed of action and harmonization. Please refer, as an example, to the time needed by the OHIM to render decisions in opposition proceedings and the fact that NGO's were informed at the last OAMI User's Group meeting that they should not expect any improvement in this situation in 2005.

At least part of the surplus should be dedicated to improving upon the above.

3. The value of the right granted.

This is one of the pillars of the existence and survival of the CTM/RCD system at least on a long-term basis. More concern should thus be given to this value whenever taking any decision.

Further, the CTM and the RCD are economic instruments which are part of global systems and they should not be more competitive than they deserve.

The fees

1. The application/registration fees

The current filing/registration fee is 2.075 EURO (975+1100) for 3 classes which corresponds to a cost of 83 Euro per country, i.e. 8,3 Euro per country/year. Should you wish to make a comparison with the cost for filing and registering on a national basis it would be 2,7 Euro per class/country/year. This is very cheap for a CTM that is effectively in use.

In view of these figures it can be concluded that obtaining a CTM is already very attractive and certainly for those owners that effectively need a 25 country coverage or a coverage for an important part thereof.

However in the opinion of many users of the system (owners as well as practitioners) there are already too many CTMs that are not in use and this blocks the ability of owners to find new trade marks in Europe.

It should therefore be considered whether further reducing one of the fees for obtaining a CTM should not further incite applicants to register, as CTMs for 10 years in 25 countries, marks that otherwise would not be registered in all of the 25 countries, because they are not intended to be used in all the 25 countries or a substantial part thereof. The consequence of such actions is to

unduly restrict the available trade marks and in our view this is not the aim of the system.

Indeed those owners who are effectively interested in only one or two countries can still apply nationally. As stated above, the aim of the OHIM is to facilitate the operation of the internal market not to reduce the competence of the national Offices. The CTM system must be a complementary instrument to the national systems and in no case should the Office be looked at as a competitor to the national Offices, as their duties are clearly different.

The feeling among some of ECTA's members is therefore to leave the application fee as it stands and to decrease it only if the registration fee is not to be lowered. Their main concern lies in ensuring that the system should not be misused by trade marks that are not intended to be used throughout the EU.

Others are in favour of decreasing the registration fee or of reviewing the current ratio of nearly 50/50 between the application and registration fees (i.e. a possible reduction of the application fee compensated by an increase in the registration fee).

2. Renewal fees

The current renewal fee is 2.500 Euro for 3 classes which corresponds to a cost of 100 Euro per country. Should you wish to make a comparison with the cost for filing and registering on a national basis it would be 10 Euro per country/year, i.e. 3,3 Euro per class/country/year.

Similarly to the application/registration fees, it can therefore be concluded that renewing a CTM is already very attractive and certainly for those owners that effectively need a 25 country coverage.

ECTA members' mainly agree that these fees could be decreased but at the same time they would like to avoid the possibility of cheap renewal fees becoming an incitement to owners to renew unused marks.

3. Opposition filing fees and the award of costs to a winning party

- a. Most of ECTA's members agree that the fee for filing an opposition should remain as it stands today or even be lowered. Despite the principle that "the level of fee to be paid should compensate the OHIM for the average work done by it for that particular task, a part of the application fee should actually, in practice, subsidize the opposition.

The reasons are mainly the following:

Previously, and still in some countries, the level of the application fee was set so as to enable the Office to determine whether the new application was in fact a prima facie valid right. The examination fees covered: formal examination, absolute grounds of refusal, search and examination on prior rights.

The idea of an ex officio examination by the Office has been dropped at the EU level, as well as in many other countries and replaced by an opposition system. ECTA is certainly not in favour of changing that

system, and re-introducing examination on third party's rights by the Office, but comes to the conclusion that the application fee, which previously covered the ex officio examination should remain at the same level in view of subsidizing a low opposition fee, which could even possibly be decreased.

Further it should be borne in mind that this change in approach by the Offices leads to the fact that the holders of prior trade marks, as well as large companies with more financial clout may be advantaged as against SMEs or individuals who cannot so easily afford lengthy and costly proceedings.

This change leads to an entirely opposite financial situation for the new applicant and the prior holder. Indeed, whilst previously it was the applicant who paid the Trade Mark Office to verify whether his new trade mark may benefit from a justified trade mark monopoly by examining that his trade mark did not encompass on prior rights, the burden of this proof is now switched, not only to the responsibility, but also to the costs of the owner of the prior right. He has to make an opposition (or a cancellation procedure). It is therefore reasonable that the applicant should subsidize, at least partially, the opponent's fees.

- b. There is no clear consensus among ECTA members between those wishing to see an increase in the costs awarded to a winning party under Article 81 CTMR, and those wishing to leave the present scale unchanged. But there has been a lively debate and, if anything, there may have been a majority for the former point of view.

Members agree that there are too many "frivolous" oppositions and are concerned about the problem.

- o This leads some to say that even if the fee for filing an opposition should not to be increased, in order to make it possible for all third parties, whether they be large companies, SMEs, or individuals to take action in opposition proceedings, in order to combat "frivolous oppositions" a much higher level of costs should be paid by the losing party to the winning party. This would not only cover the defensive actions of each party, but in addition, if the winning party is the applicant, it would cover the fact that the registration of his trade mark has been delayed for unjustified reasons.

Increasing the award of costs to a reasonable amount, which corresponds to the reality, would be in line with

- today's tendency in Court procedures for the winning party to get a reasonable amount from the losing party corresponding to reasonable legal expenses;
- the spirit of Article 45 (2) of the TRIPS Agreement and Article 14 of the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, which reads as follows:

"Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party

shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.”

- o On the other hand, and as already stated, as there is no ex-officio examination concerning relative grounds, every opportunity must be given to the owners of prior rights (with big or small budgets) to react against new Community trade mark applications. Therefore, the defence of the interests of the owners of previous rights is totally their responsibility. The mere doubt that a CTM has obtained the registration because the owners were “encouraged” not to file an opposition in view of the respective costs and the risk of having to “pay representation costs” to the other party, is in itself, a weakening factor of the CTM, which will thus be in an unstable position, running the risk of being subsequently invalidated. This leads some members to conclude that costs under Article 81 should not be raised.
- c. Finally all members agree that the system for recovering an award of costs is inefficient and that thoughts should be given to make it more efficient. For example, because the amount involved is so low, it is not worth instituting legal proceedings against a losing party who refuses to pay (and in some cases this is done as a deliberate ploy).

Further suggestions to use the surplus

Some further suggestions by ECTA members for using the surplus of the OHIM in order to avoid opening the system too much by decreasing the fees which could destroy the delicate balance of the whole system are -

- OHIM could consider hosting in Alicante staff from the national Offices for education purposes, from filing techniques to the handling of oppositions, etc.
- Another part of the surplus could be used to help develop the Trade Mark Offices in the new Member States, or those who are currently negotiating for entry (where non-developed conditions so justify).
- Part of the surplus could be devoted to helping EU national Offices to develop proper search reports.
- Eventually, and properly divided, the surplus/part of it could be paid back to the national Offices.

Conclusion

The fact that the OHIM does have a surplus should not necessarily lead to a significant decrease in official fees.

When considering the possibility of decreasing official fees there should be taken into consideration the interest of all the parties concerned, namely, not only the Office or the applicant but also third parties being holders of earlier rights, potential holders of new rights and consumers; whether they be big companies and SMEs or individuals. In this context, the word “interest”, refers not only to the financial interest but also to

the value of the right acquired and the legal certainty third parties may expect as regards registered marks.

There should be a balance concerning all of these interested parties.

We do hope these comments are helpful and remain at your disposal for further exchange of views on the subject.

Yours sincerely,



Max Oker-Blom
President



Sandrine Peters
Legal Co-ordinator