



Study on the Overall Functioning of the European Trade Mark System

presented by

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Part I – Introduction

A. Definition of the mandate

I. Purpose of the Study

- 1 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.

II. Tasks and evaluation questions

- 2 In order to achieve this purpose, the Study had to perform two interrelated tasks. The first task relates to an assessment of the links and interfaces between the Community trade mark (CTM) system and the national trade mark systems. In this context the Study had to analyse the level of harmonisation achieved, the need for further harmonisation of the national trade mark 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, their role 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. The second task consists of a comprehensive analysis of the functioning of the CTM system including its administration by OHIM. This task required to examine the key areas of the CTM system in order to identify the potential for improvements to increase the effectiveness, efficiency and added value of the system, and to further identify potential for increasing the quality of OHIM's activities. Quality includes coherence and consistency, availability of up-to-date services, including Internet-based services for the whole range of activities, all in the interest of all users, including, in particular, small and medium-sized enterprises (SMEs).
- 3 The analyses and assessments had to be carried out along the lines of the evaluation questions listed in the Commission's Invitation to tender n° MARKT/2009/12/D. The answers to these questions are summarized in the Conclusions in Part VIII of the Study.

B. Method used

- 4 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 Economic 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.

I. User survey

- 7 Several of the questions posed by the Commission required the determination of the views of stakeholders on certain aspects of the European trade mark system. Those views were investigated by means of a representative survey.
- 8 This survey was carried out by the "Institut für Demoskopie Allensbach" (in the following: "Allensbach"). Because of its own legal research department and long-standing 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.
- 9 This survey was carried out as an online-based survey. One thousand six hundred randomly selected users were interviewed based on a list of questions, which was developed in close collaboration with the Study Team of the MPI. The user organisations as well as OHIM were also integrated into the drafting of the questions. To the extent possible this input was adopted by Allensbach into the final version of the online questionnaire.
- 10 The questions in the survey referred to three main areas,
- the evaluation of the CTM system as a whole as well as individual aspects concerning the activities of OHIM and the national offices;
 - possible changes of the CTM system and
 - the fee structure of OHIM.

- 11 The survey targeted users registered in OHIM's database. The random selection included as users proprietors and applicants of a CTM as well as their agents. Details of the sample composition arise from the Allensbach Report.
- 12 The response rate was 8.3 percent. The main findings of the Allensbach survey are summarized in Part II, Chapter 3. The complete findings of the survey are presented by Allensbach in the Report "Survey of Market Participants Who Use the CTM System", which is attached as *Annex II*.

II. Statements of user associations

- 13 All relevant user associations were invited to comment on the list of questions posed by the Commission. Seventeen associations took advantage of this opportunity. Among them are the five trade mark associations which have observer status at the Administrative Council of OHIM: ECTA, INTA, MARQUES, AIM and BUSINESSEUROPE. The received statements have been published on the MPI homepage. In addition, hearings were organised in Munich where the associations had the opportunity to bring forth further comments and discuss selected questions with the Study Team. The statements are summarized in Part II Chapter 2.

III. Information from the national trade mark offices

- 14 On the basis of the questions raised in the invitation to tender the Study Team developed a questionnaire covering the following set of issues:
- Structure and financing
 - Statistics
 - Procedure
 - Cooperation with users
 - Cooperation with other trade mark offices and OHIM
 - Enforcement
 - Usage of a share of OHIM renewal fees.
- 15 All 25 national offices were contacted. There are 25 offices for 27 Member States because the Benelux countries have a common office, the Benelux Intellectual Property Office. About half of the national trade mark offices were visited – including also a representative number of "smaller" offices – so as to discuss selected questions face-to-face. The visits were carried out by two members of the Study Team, who discussed the topics addressed in the questionnaire with the responsible persons from the offices. The interviews were recorded and subsequently evaluated. Offices which were not visited received the questionnaire by e-mail with the request to complete it. All offices were further asked to provide additional information which in their view could be of interest for the Study. Completed questionnaires were received from all 25 offices. The answers and information from the offices are summarized in Part II Chapter 1.

IV. Legal Analysis

- 16 On the basis of these fact findings and the statements received, the Study Team has carried out a legal analysis of the issues addressed in the Invitation to tender as well as closely related issues. In that context, an academic workshop was arranged which was attended by a number of highly renowned experts in the field of trade mark law from European and American universities.
- 17 The legal analysis is as far as possible based on the following structure:
- Current law
 - Case law
 - Opinions submitted
 - Issues
 - Proposals.
- 18 Part III to VI contains this legal analysis of the European Trade Mark System including OHIM (Part IV), harmonisation of national laws and practises (Part V) and the issues of coexistence and cooperation (Part VI).

Part II - Fact finding

Chapter 1 - Interviews with, and information from, national trade mark offices

A. General remarks

- 1.1 In the following, an overview is given on the information obtained from national trade mark offices by way of interviews as well as on the basis of questionnaires which were sent out to all offices in addition to, or instead of, personal visits. A full documentation of the questionnaires as completed by the national offices is attached to this report as *Annex III*. The following summary is based on the answers given by the offices, without assuming any responsibility for their correctness.

B. Organizational and financial structure

I. General status

- 1.2 National offices (with the exception of the Benelux Office) are public bodies within the structure of the Member States' national administrations. They are either directly subordinated to the respective Member State's government (Bulgaria, Czech Republic, Hungary, Slovakia) or attached to a specific ministry (Austria, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovenia, Spain, Sweden). The United Kingdom Intellectual Property Office is a government agency and a trading fund under the umbrella of the Department of Business Innovation and Skills.

II. Financial structure

- 1.3 National offices in Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia run on the general budget of their governments. Fees for their activities are part of the income in the government's budget and are redistributed by their respective governments according to the approved budget plans. The major part of these national offices have indicated that currently their domestic laws do not provide for a mechanism ensuring that their fees would be used specifically for trade mark related purposes.
- 1.4 To the contrary, national offices in Denmark, Finland, France, Hungary, Portugal, Romania, Spain, Sweden and the UK, as well as the Benelux Office, have financial independence. Their fees do not go to the central government and they are self-financing (use their income to fund their activities). These national offices

have indicated that their expenses are necessarily related to the accomplishment of the missions and functions which have been attributed to them by law. The Benelux Office is an office common to and supervised by Belgium, Netherlands and Luxemburg and is an autonomous legal person as well as the executive organ of the Benelux Organisation of Intellectual Property. The Benelux Office has indicated that it is financially independent and entirely self-supporting.

- 1.5 As a general rule, national offices have operational independence in the field of their activities prescribed by the national law (trade mark examination, oppositions, renewals, etc.), whereas their final decisions may be appealed according to the procedures prescribed by national law. The bodies competent to hear such appeals differ from one Member State to another (civil courts, administrative courts, special state administration bodies and (or) a specialist independent tribunal).

III. Organizational structure

- 1.6 Within the internal organizational structure, national offices usually are divided into general departments (legal department, international affairs, human resources, financial department) and departments devoted to specific activity areas. Trade mark and design matters are usually comprised into one department (e. g. France, Slovakia, Spain, Finland, Latvia, Lithuania, Hungary, UK, Slovenia, Germany, Poland, Denmark, Estonia and Sweden). The Portuguese, Czech, Hungarian offices also have advisory units. The Portuguese, Czech, Hungarian, German, Danish (Quality unit) offices have internal auditor's units.
- 1.7 The French, Finnish, German national offices also have regional branches or representations. In addition, the French office has international posts in Brazil, China, Maghreb and United Arabian Emirates.
- 1.8 By comparison, Greece has separate offices for patents and trade marks. The Greek trade mark office is comprised of only two departments: department "A" responsible for trade mark applications and department "B" responsible for trade mark registration as well as international and EU relations.

IV. Number of employees

- 1.9 The number of employees in each national office differs significantly. The total number of employees varies from approximately 17 (Malta), 60 (Ireland, Lithuania), 800 (France, UK) to 2600 (Germany). The number of employees at the trade mark department also varies significantly: from 7 in Malta to 350 in Germany.
- 1.10 However, it is difficult to draw any conclusions on the basis of comparison of the number of employees at the national offices. Not only the size of respective markets, but also the activities of the national offices are significantly different in each Member State.

V. Scope of activities

- 1.11 The scope of activities of the majority of national offices is limited to the field of industrial property rights (patents, trade marks, designs). However, some national offices also cover other intellectual property rights, including copyright (Poland, the UK), whereas the Greek office's activities cover only trade marks, excluding other industrial property rights. The Benelux IPO is responsible for trade marks and designs.
- 1.12 Differences also exist in the field of trade mark related activities, including the extent of the office's competence in this field (e. g. whether it involves legislative activities, enforcement), the scope of ex-officio examination, the scope of additional commercial services provided to the public and other.
- 1.13 The majority of national offices have indicated that apart from their duties as a registry, they are also involved in the legislative process and prepare legislative proposals (Benelux, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Latvia, Lithuania, Malta, Portugal, Slovakia, Slovenia, and UK).
- 1.14 Other common functions indicated by the national offices are:
- Administration of international treaties in the area of IP, representation before the international bodies and agencies;
 - Cooperation with other national authorities and non-governmental organizations;
 - Anti-counterfeiting activities (provision of information to the customs and police, training for enforcement authorities, various campaigns, etc.);
 - Raising awareness in the field of industrial property rights, taking part in various related projects;
 - Information and advisory services;
 - Maintaining an IP library;
 - Activities according to the regulations concerning patent attorneys (Czech, German offices).
- 1.15 The majority of national offices are also involved in commercial activities in the trade mark field. Only a smaller part of national offices indicated that they do not provide any commercial services at all (e.g. Estonia, Germany, Greece, Italy). Commercial activities performed by the Offices are usually comprised of:
- Trade mark searches (basic (covering identical or similar trade marks and applications) or more detailed (covering additional data from trade registers, domain names));
 - Trade mark monitoring.
- 1.16 It is of interest that the UK Office has indicated that it had offered commercial searching advice services in the past, but terminated them as they were not cost-efficient.
- 1.17 National offices in Austria, Bulgaria, Czech Republic, Croatia, Poland, Hungary, Romania, Slovakia and Slovenia have introduced a common Central European

Trade Mark Observation Service (CETMOS) which enables to provide common search reports covering national and international trade mark registries in these 9 countries and the OHIM register.

1.18 Certain national offices also provide other more specific types of commercial services. For example:

- the UK office sells data from the registry to private service providers;
- the Benelux office provides i-DEPOT service (a date establishment service that enables the user to authenticate the moment of creation of all forms of works, ideas or documents, intended to constitute proof thereof) and Datolite service (sale of databases that mirror the Benelux registers, with the data organised in general fashion or tailored according to the needs of the purchaser);
- the Portuguese office provides tailor-made statistics on a commercial basis;
- the Danish office provides consultancy services (e.g. training);
- the French office provides special services mainly dedicated to the SMEs (e. g. IP-expert spends a day in the SMEs and makes a report about where/when to file a trade mark, patent or design);
- the Slovenian office prepares portfolios of industrial property rights;
- the Finnish office indicates that it also provides general advisory services (however, the advisory staff cannot anticipate whether an individual application is actually going to pass and cannot officially comment on possible infringements or trade mark disputes).

C. Statistical developments

I. General comment

1.19 It is often difficult (sometimes impossible) to make comparisons and draw conclusions regarding certain statistical data, as the kind of statistical data which are available in each office differs. Statistical data which are difficult or impossible to obtain include data regarding the domicile of trade mark applicants (national applicants / applicants from the EU / applicants from third countries); number of classes indicated in the trade mark applications; basis of oppositions (national trade marks / Community trade marks (CTMs)). Even more basic data are sometimes unavailable, such as the number of oppositions, number of conversions (Sweden, Austria). To be noted, some national offices do indicate the need for harmonization in the area of statistics and statistical methodology between the offices as one of the areas for further improvement.

II. Number of trade mark applications

1.20 The absolute majority of national offices' replies indicate that the number of trade mark applications received by the national offices has decreased during the past 5 years. The percentage of decrease is higher with respect to international applications filed on the basis of Madrid system as compared to direct national applications.

- 1.21 When asked whether the fee reduction for CTMs has had any impact on the number of applications for national trade marks received by the office, national offices were not unanimous. Certain offices replied that they did not notice such impact (UK, Estonia); others replied that the fee reduction for CTMs caused the decrease of national trade mark applications (Hungary, Spain, and Slovenia). However, a larger part of national offices noted that they were unable to conclude whether it was the CTM fee reduction that caused the decrease in national trade mark applications – as other factors such as the economic crisis, influenced such decrease as well (Germany, Greece, Latvia, Lithuania, Czech Republic, Denmark, Finland, Spain, France). It was also suggested that the obvious decline of international trade mark applications may have been caused by the accession of the EC to the Protocol relating to the Madrid Agreement and preference to the EU designation by the applicants (Czech Republic, France). According to the Greek office, the national law requirement that the trade mark application to the national office must be signed by a legal professional, also creates additional costs to applicants and makes the national trade mark system less attractive in comparison with the CTM system.
- 1.22 According to the Portuguese and Polish offices, it is too early to make conclusions on the impact of CTM fee reduction.

UK office comment:

If there is competition between the two systems [national versus CTMs (author comment)], it does not show in the actual figures. This is mainly because the “gap” caused by fewer registrations from bigger companies is filled by an increased number of applications from SMEs, which only apply for domestic registration. That big enterprises register less domestically is indicated by the fact that nowadays 50-60percent of the applicants are personal owners, whereas five years ago the majority of the applications came from attorneys. The reason might be that the enterprises in the time of online trading prefer acting across the Community.

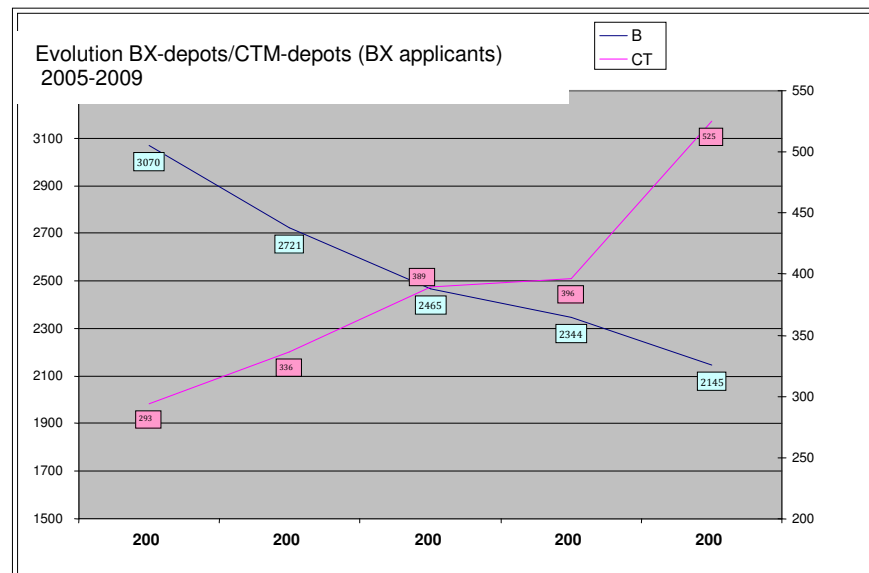
In 20 year time the further falling domestic registration could lead to a situation where only the big national trade mark offices can survive while the smaller ones are not able to “earn a living”. However, national registries are necessary because SMEs need the possibility of domestic registration. One answer could be allowing further regional marks for regional markets (Benelux, Scandinavia). As a general point, it seems important that national registration survives because otherwise, the OHIM registry would become too vast. The registry of UK alone comprises half a million of trade marks.

Benelux office comment:

The Community trade mark has undeniably had an (negative) impact on the number of Benelux applications (as it has doubtlessly had for all national applications). Indeed, this impact was foreseeable: the introduction of the Community trade mark in 1996 opened the possibility for companies to make use of a new resource and it is not surprising – and not in itself unusual – that a certain number of applicants (such as multinationals or non-European companies) have abandoned national trade marks in favour of going down the Community route. There was supposed to be a trade-off and a new balance struck between the trade mark systems ...

The Community trade mark has been in existence for 14 years now and there is no denying that no such trade-off has yet taken place. On the contrary, the figures tend to suggest that an imbalance is emerging and becoming increasingly marked with each passing year. If the changing numbers of applications to the BOIP and to the OHIM over the last few years are observed side by side, it is impossible not to note that the Benelux applications have been falling almost constantly (see the figures for question III.1.1 above) while the Community applications have been rising almost without interruption.

It might be objected that the drop in Benelux applications could be due to factors peculiar to Benelux (the economic situation of the countries concerned, the dynamism of the companies, etc.), but this objection does not stand up to analysis: in fact, the number of applications filed with the OHIM by Benelux applicants is itself rising. The comparison is even worrying if BOIP applications are considered side by side with OHIM applications coming from the Benelux (see graph below): the two curves over the last 5 years are exactly reversed!



It might also be objected that the increase in Community applications could also be due to factors peculiar to the Community itself (European integration, the single market, the dynamism of the OHIM, etc.). This objection, however, does not stand up any better to analysis: taking 2009 as an example, while Community applications in total (of all origins, taken together) only increased by 2.5 percent compared with 2008, Community applications filed by Benelux applicants went up by 32.4 percent! Benelux applicants alone thus account for over 40 percent of the increase in Community applications from 2008 to 2009.

Hence it cannot be denied, given the figures, that a real 'shift' of trade mark filings is occurring from the Benelux to the OHIM. And if no trade-off/rebalancing has yet taken place between the Community and Benelux trade marks, this is amongst others undoubtedly due to the policies adopted over the last few years, in particular with regarding fees. See point IV.10 and the reasons stated there that also influence this development.

Purely from a general economic point of view, it is clear that the fact of lowering the price of a product or service makes it more attractive; this is also the case of the Community trade mark in comparison with the alternative protection offered at national level. The 2009 reduction in the fee for the Community trade mark thus had a very visible effect on the Benelux as demonstrated by the changes in the figures from 2008 to 2009:

- Benelux applications: – 8.5 percent
- Community applications: + 2.5 percent
- Community applications coming from the Benelux: + 32.4 percent

With regard to these figures, it is important to note the significant impact of applications filed through agents or representatives, as opposed to those filed directly by the applicants. Such agents are known to carry considerable weight in the Benelux – more so than in many other European countries. Now the figures show that the ‘shift’ of trade mark filings from the Benelux to the OHIM is occurring precisely and above all by way of agents and representatives: if we break down the Benelux figures it is in fact in this category of applications that a sharp drop can be seen, while direct applications, for their part, remain relatively stable. On this point it is impossible to ignore the connection between this fact and the particularly aggressive marketing message conveyed to Benelux applicants by many agents in 2009, frankly and openly urging them to abandon national applications in favour of the Community trade mark.

Finally, when considering the Community trade mark fee reduction it is advisable to be aware of its pernicious effect on Benelux applicants. The ‘shift’ of trade mark filings from the Benelux to the OHIM obviously has a negative impact on the finances of the BOIP. As the BOIP is self-supporting and obliged to balance its budget, it has no choice but to increase the fee for the Benelux trade mark. We are thus faced with a completely paradoxical situation: while Community applicants (large companies for the most part) are seeing the fee for their trade mark reduced, the Benelux applicants, for their part, risk seeing the fee for their national trade mark go up. Given that the vast majority of Benelux applicants are SMEs (over 80percent of our applicants are companies with less than 10 employees!) and bearing in mind that SMEs are supposed to be at the heart of the priorities on the Lisbon agenda, it is extremely surprising that the decision to reduce the Community fee was implemented so quickly without also immediately implementing the other elements of the Package Deal decided in September 2008. The redistribution of 50percent of renewal fees, in particular, was one of the key elements supposed to counterbalance the increased attractiveness of the Community trade mark.

III. Number of classes in the application

1.23 The absolute majority of replies do not contain answers to this question. The replies provided by the Estonian and Slovenian offices create an interesting contrast:

- In Estonia the basic fee covers 1 class and the majority of applications indicate 1 class of goods or services (number of applications in one class 12770; in 2 classes 4268; in 3 classes 3138);

- In Slovenia the basic fee covers 3 classes and applications indicating 1 class of good or services are very rare (1 percent of total number of applications) – the majority of applications indicate 3 classes.

1.24 The Spanish office indicates that they have positive experiences with a one class system as SME's usually need protection in only one class. They provide that this is confirmed by the relevant figures for trade mark registrations in Spain, at OHIM and at WIPO: the registrations in Spain cover 1.5 classes, in Alicante 2.7 classes and at WIPO 2.6 classes.

IV. Number of renewals

1.25 Only a few national offices have indicated rates (not merely absolute numbers) of renewals: the rate of renewals in Denmark – approx. 45 – 48 percent, in Sweden – approx. 50 percent. Absolute numbers of renewals during the period of 2005 – 2009, as provided by the national offices, do not show any significant changes *per se*, except in Latvia where the number of renewals in 2009 was approximately 30 percent smaller than the average number of renewals during the previous 4 years.

1.26 However, it is not possible to draw conclusions regarding the trends of trade mark renewals without comparing them to the data from the years of their registration (i. e. without having data on the number of trade mark registrations that needed renewal that year).

V. Number of oppositions

1.27 Only a few national offices have indicated rates of oppositions (Denmark: only 3 – 4 percent of published applications; France: 6 percent of published applications; Portugal: 10 – 12 percent of published applications; Slovenia: 12 – 15 percent of published applications). According to the Danish office, the low rate of oppositions in Denmark may be explained by the high quality examination and comprehensive information in the search reports provided to the applicants.

1.28 Likewise, only a few national offices have indicated percentages of oppositions which were based on CTMs (Benelux: 55 – 59 percent; Denmark: 55 – 58 percent; France: 37 percent; Portugal: 50 percent; Slovenia: 40 percent of oppositions are based on CTMs).

VI. Number of conversions

1.29 Numbers of applications for conversion received by the national offices between 2005 and 2009 vary from 166 (Lithuania) to 477 (France). No significant changes in the annual numbers of such applications have been noticed. The percentage of such applications which have resulted in national registrations varies from 41 percent (Estonia) to 84 percent (France).

D. Issues of trade mark procedure

I. Average time of registration procedures

- 1.30 National offices' replies regarding the average time for a trade mark application to be registered reveal considerable differences. According to the replies, the average time for a trade mark application to be registered falls in the limits of 3 – 6 months in 11 offices (Austria, Benelux, Denmark, France, Finland, Germany, Portugal (without opposition), Spain (without opposition), Slovenia, Sweden and the UK) and within the limits of 7 – 18 months in 13 other offices (Bulgaria, Czech Republic, Denmark (for international applications), Estonia, Greece, Hungary (including 3 months pendency after publication), Ireland, Latvia, Lithuania, Malta, Poland, Romania and Slovakia).
- 1.31 In Italy the average time for an application to be registered is 2,5 years and in Cyprus it takes even 4 – 5 years.

Table 1: Average time of registration procedures.

Offices	Average time for an application to be registered
Austria	3 - 4 months
Benelux	3 months
Bulgaria	18 months
Cyprus	4 - 5 years
Czech Republic	8 months
Denmark	5,4 months (direct application) 8,4 months (international application)
Estonia	9 –10 months usually, but 16-17 months in 2009
Finland	5,5 months
France	5,24 months (including opposition cases) 3,27 months (without opposition cases)
Germany	5,2 months
Greece	10 months
Hungary	8 months (including 3 months pendency after publication)
Ireland	7 months
Italy	2,5 years
Latvia	12 months
Lithuania	7-11 months (without opposition)
Malta	8 months
Poland	15 months
Portugal	3 months (without opposition) 8 months (with opposition or other grounds for refusal)
Romania	6 – 9 months
Slovakia	7,5 months
Slovenia	5-6 months
Spain	5,36 months (without opposition) 8,75 months (with opposition or other procedural objections)
Sweden	2 months
United Kingdom	4-5 months (without opposition)

- 1.32 The option of accelerated trade mark registration is currently available in Germany, Benelux, Bulgaria, Denmark, France, Hungary, Latvia, Romania, Spain and the UK.
- 1.33 Certain national offices allow a possibility to speed up the proceedings free of any charge, provided that the request is substantiated by serious reasons (Denmark, Finland, Greece and Lithuania). In Italy accelerated registration is possible in two cases: (i) when an international application through the Madrid System is filed for one (or more) countries bound only by the Madrid Agreement and (ii) when it is requested by the Court because the related trade mark is under a trial.

II. Time limits for keeping seniority files

- 1.34 Time limits for keeping the files of trade marks which form the basis of seniority claims under Articles 34 and 35 CTMR are different in various national offices:
- Until the lapse of validity of the national trade mark (Cyprus);
 - 2 years from the lapse of validity of the national trade mark – at the office; permanently – at the State archive (Lithuania);
 - 3 years from the lapse of validity of the national trade mark (Benelux);
 - 5 years from the lapse of validity of the national trade mark (paper files), permanently – electronic files (Slovakia);
 - 50 years from the lapse of validity of the national trade mark (Czech Republic);
 - Until the lapse of validity of the CTM (Hungary, Spain);
 - Permanently: Austria, Denmark, Greece, Ireland, Italy, Latvia, Malta (in the archives), Poland, Portugal, Slovenia, Sweden.
- 1.35 Replies by the Benelux, Bulgarian, Estonia, Finnish, French and Romanian offices indicate that currently no specific legal provisions concerning the time limit for keeping seniority files are established.

III. Three or one class system

- 1.36 Number of classes covered by the basic application / registration fee:
- 1 class: Cyprus, Estonia, Greece, Ireland, Italy, Latvia, Lithuania, Malta, Portugal, Romania, Spain, Sweden and the UK;
 - 3 classes: Austria, Benelux, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Poland, Slovakia and Slovenia.

IV. Class headings

- 1.37 Nearly all national offices accept the filing of class headings listed in the Nice classification. The answers to this question were:

- Yes: Austria, Benelux, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom;
- Yes, provided that they are sufficiently precise: France;
- Tend not to accept: Poland;
- No: Malta.

1.38 Some of the national offices (Austria, Benelux, Czech Republic, Denmark, Germany, Malta, Poland, Slovakia, Sweden and United Kingdom) indicated explicitly that they do not regard class headings as automatically covering all the goods or services falling under the class and, therefore, they do not follow the OHIM practice. The other offices were silent on this issue.

1.39 Similarly, national offices provided differing answers to the question of how the office deals with registrations for class headings if genuine use under Article 12 Trade Mark Directive is only established for a part of the goods or services covered by the class headings:

- Registration will be limited accordingly: Benelux, Denmark, Estonia, Germany, Greece, Latvia, Malta, Poland, Portugal, UK, Slovakia;
- The list of goods or services will not be altered: Czech Republic, France; (As the French office explained, it is not able to make an assessment of a long list of goods and if evidence for some goods is given, it is enough for the office. The office is not in charge of the whole assessment of the genuine use issue – if the use is proven only for a part of goods or services covered by the class headings, the owner of the trade mark will enjoy the full protection of the class headings anyway. The situation is different for the court trial cases)
- No position: Cyprus, Slovenia, Lithuania, Finland, Spain.

Danish office comment:

The office accepts the filing of class headings listed in the Nice classification system, as it is considered sufficiently precise and unambiguous for registration purposes. However, according to our practice in relation to national trade marks and International Registrations designating Denmark under the Madrid Protocol, a class heading does not cover other goods or services than those covered by the good or service mentioned in the heading. Consequently, if an applicant applies for “musical instruments” in class 16, it will not cover i.e. “tuning hammers”, as a tuning hammer is not a musical instrument.

The same practice does not apply to CTMs, as the office has chosen to take OHIM’s practice into account when dealing with oppositions or requests for revocations that are based on a CTM. Consequently, the office will consider a class heading in a CTM to cover all the goods or services in that class, as that class was defined at the date of application of the CTM.

However, we do not share the OHIM view that this practice gives a sufficiently precise and unambiguous description of the goods and services covered by the registration. We have expressed our view in this regard at several Liaison Meetings in OHIM, as we share the view with a number of

other offices and users in Europe, that this practice can make it virtually impossible or at least very difficult both for users of the system as well as practitioners, offices and courts to establish the extent of protection a CTM should be granted.

Although we have some misgivings in relation to the OHIM practice in this respect, we have felt obliged to take the OHIM practice into account when dealing with oppositions and requests for revocation, due to the unitary character of the CTMR.

V. Genuine use

1.40 The national offices were asked whether there is any office practice or office position regarding the territorial scope of genuine use of a CTM under Article 15 CTMR, which is enforced in an inter partes proceeding before the office, in particular, whether use in only one Member State is regarded as sufficient. The replies were not unanimous:

- Yes: Sweden, Portugal, France (practice till now);
- Not necessarily, depends on the circumstances of the case,: Estonia, Denmark, Austria, Benelux, Hungary, Slovakia, Germany;
- No practice and no position: Poland, Greece, Latvia, Lithuania, Malta, Slovenia, Spain.

Danish office comment:

Due to the unitary character of the CTM and considering the fact that OHIM will uphold a CTM if genuine use is established only in one member state, the office has from the outset reluctantly accepted that use of a CTM in one member state is sufficient to establish genuine use also in relation to inter partes proceedings before the office.

However, it is the view of the office that this practice should be changed. We agree with the opinion of Advocate General Sharpston that was submitted in C-301/07, PAGO, namely that the assessment of what constitutes a substantial part of the Community is not dependent on national boundaries but must be determined by an assessment of all the relevant circumstances of the case. Furthermore, that such assessment must be based on the precondition that the unitary character of the CTM entail that one should consider the Community territory as a whole.

This concept does also seem to be foreseen in the Regulation, as Article 112 (2)(a) establishes that conversion of a CTM shall not take place “where the rights of the proprietor of the Community trade mark have been revoked on the grounds of non-use, unless in the Member State for which conversion is requested the Community trade mark has been put to use which would be considered to be genuine use under the laws of that Member State”. Thus it is foreseen in the Regulation that use in one Member State may not be sufficient to establish use “in a substantial part of the Community”.

Furthermore, it is the view of the office that it is not only the question regarding the territorial extent of use in relation to “genuine use” of CTMs

that should be looked into. It is the whole concept of “unitary character” that needs to be addressed.

A number of questions arise when the concept of “unitary character” is considered, i.e. what impact does the unitary character have on the assessment of;

1. Distinctive character and descriptiveness.

There seem to be some discrepancies in the current practices of OHIM. All languages within the Community must be taken into account when assessing the distinctive or descriptive character of a word, no matter how many people speaks the language or how small the geographical extent of that language is. However, does the word consist of a geographical name, the distinctive or descriptive character is currently assessed in relation to the whole of the Community. This can lead to the very strange situation that the geographical name of a ski resort in Finland can be registered as a CTMR even for services relating to ski resorts, if the Finnish ski resort is not known outside of Finland, whereas the Finnish word for “ski resort” would be considered as descriptive in relation to the same services. However, there is no doubt that both words would be considered equally descriptive by the relevant public in Finland.

2. Acquired distinctiveness

In OHIM’s practice on distinctiveness acquired through use, OHIM have a tendency to require Community wide proof, when the mark in question is considered to lack distinctive character throughout the Community. This is commonly so in relation to 3D-marks. However, it needs to be considered if the lack of proof of acquired distinctiveness in a few Member States should continue to be a hindrance for the finding that a mark has acquired distinctiveness through use “in the Community”. Once again we will draw the attention to the opinion of Advocate General Sharpston in C-301/07, PAGO, as mentioned above, in which it is stated that “It follows from the unitary character of the Community trade mark that one should consider the Community territory as a whole”.

3. Assessment of reputation and protection of reputed trade marks

The above mentioned decision in the PAGO-case clearly shows that the concepts of “unitary character” and “substantial part” need to be addressed more thoroughly also in relation to the assessment and protection of marks with a reputation. In the decision by the Court of Justice in the PAGO-case it was found that reputation in Austria was sufficient to establish that the CTM has a reputation “in the Community”. As mentioned above it is the opinion of the DKPTO that the concept of “substantial part” should be assessed in accordance with Advocate General Sharpston’s opinion. Furthermore, it is the opinion of the DKPTO that the finding by the Court of Justice that reputation in one Member State is sufficient to establish that the CTM has a reputation in the Community as a whole may not be consistent with the decisions in the Intel-case and the L’Oréal-case and the 16th recital in the Preamble to the Regulation. In the Intel- and L’Oréal-cases the Court of Justice have established that the assessment of “...injury consisting of unfair advantage taken of the distinctive character or the repute of the earlier mark, in so far as what is prohibited is the drawing of benefit from that mark by the proprietor of the later mark, the existence of such injury must be assessed by reference to average consumers of the goods or services for which the later mark is registered...”. The consequence of such a finding must be that in a situation where it is

established that the CTM has a reputation in A-country, and thus “in the Community”, and the later mark consists of a national registration in B-country, the assessment of “unfair advantage” must be made by reference to the average consumer of the later (national) mark. If the “reputed” CTM has never been used in B-country, the average consumer in relation to the later mark, which is limited to consumers in B-country since we are dealing with a national mark of that country, will not make a connection to the “reputed” CTM, as the “reputation” has only been established in relation to A-country. This effect of the assessment of “substantial part” is not in line with the 16th recital in the preamble to the Regulation, which states that “Decisions regarding the validity and infringement of Community trade marks must have effect and cover the entire area of the Community, as this is the only way of preventing inconsistent decisions on the part of the courts and the office and of ensuring that the unitary character of Community trade marks is not undermined...”. Furthermore, the 16th recital in the preamble to the Regulation does itself imply that the unitary character of the CTM entail that one should consider the Community territory as a whole, which must include the aspect of assessing the repute of the CTM. This conflict needs to be addressed, and it is the view of the DKPTO that it is best addressed by opening up for a discussion of the concept of “unitary character” as such, as well as its effect on substantial trade mark law in a broader sense.

VI. Ex-officio examination

- 1.41 All national offices conduct an ex-officio examination of absolute grounds of refusal.
- 1.42 12 national offices have indicated that they also conduct ex-officio examinations of relative grounds: Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia and Sweden.
- 1.43 The Danish and UK offices indicated that they do not refuse applications ex-officio on the basis of relative grounds, but provide the applicants with search reports regarding conflicts with earlier rights (in Denmark such reports cover earlier trade marks, designs, trade/company/business/personal names, copyright, titles of copyright protected works of art, portraits and other industrial property rights; in the UK they are limited to earlier national relevant international marks and CTMs).
- 1.44 According to the UK office, if relevant earlier marks are identified, the applicant in the UK has two months to withdraw the application or to restrict it, to persuade the examiner that the earlier marks cited are not relevant. If none of this happens, the application is published for opposition. If the examiner has not updated his list of relevant earlier marks, the owners of those marks are notified by the office about the publication of the new trade mark.

Table 2. Earlier rights in *ex-officio* examination.

Offices	Earlier rights examined during <i>ex-officio</i> examination of relative grounds
Bulgaria	- registered national, international or Community trade marks or applications thereof, if they are registered;

	<ul style="list-style-type: none"> - well known trade marks; - geographical indications or derivatives thereof.
Cyprus	<ul style="list-style-type: none"> - registered or pending national, international and Community trade marks; - registered appellations of origin, geographical designations and emblems.
Czech Republic	Registered national, international or Community trade marks
Estonia	<ul style="list-style-type: none"> - registered national, international or Community trade marks; - business or trade names; - names of proprietary medicinal products; - personal names, personal portrait, names of an immovable; - name or image of an architectural site; - objects of copyright or industrial property right; - mark which is used in another country, if the application is filed in bad faith.
Finland	<ul style="list-style-type: none"> - registered national, international or Community trade marks; - trade names, family names.
Greece	<ul style="list-style-type: none"> - registered or pending national, international or Community trade marks.
Ireland	<ul style="list-style-type: none"> - registered or pending national, international and Community trade marks.
Malta	<ul style="list-style-type: none"> - registered trade marks; - well known trade marks.
Poland	<ul style="list-style-type: none"> - registered or pending national, international and Community trade marks; - well-know trade marks; - third parties' personal/economic rights; - registered geographical indications; - trade names.
Portugal	<ul style="list-style-type: none"> - registered or pending national, international and Community trade marks; - other industrial property rights (indications of origin, geographical indications, etc.); - signs with names and/or portraits of people without their permission; - unfair competition (passing off).
Slovakia	<ul style="list-style-type: none"> - identical earlier trade marks registered for identical goods or services.
Sweden	<ul style="list-style-type: none"> - registered national, international and Community trade marks; - company names; - family name; - copyrighted magazine title.

VII. Opposition

1.45 Trade mark opposition procedures are currently available in all Member States except Malta. However, the following qualifications have been specified:

- Austria and Italy have only recently introduced opposition procedures (in Italy, oppositions will be treated by the Patent office as from 1. January 2011);
- According to the Bulgarian office, genuine opposition procedures are not available at the moment in Bulgaria. Any person may file an objection against a trade mark application within 2 months following its publication, but the person filing the objection will not be a party to the application proceedings. He is entitled to get, on request, information concerning the outcome of the objection;
- In Estonia oppositions are available, but they are not handled by the Estonian Patent office. The Industrial Property Board of Appeal at the Ministry of Economic Affairs and Communications is an independent pre-trial institution, which resolves oppositions and appeals against decisions of the Estonian Patent office.

1.46 Grounds for opposition:

- Absolute and relative grounds form a basis for opposition in 10 offices: Bulgaria (as a basis for objections), Cyprus, Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Sweden, United Kingdom;
- Only relative grounds form a basis for opposition in 13 offices: Austria, Benelux, Czech Republic (bad faith is included), France, Germany, Greece, Hungary, Ireland, Portugal, Romania, Slovakia, Slovenia and Spain. The same will apply in Italy from 1. January 2011.

Average time for opposition proceedings varies significantly between different offices (e. g. 3 months in Spain; 1,5 years in Poland and Denmark, 2 – 5 years in Cyprus).

Table 3. Average time for opposition and cancellation proceedings.

Office	Average time for opposition proceedings	Average time for cancellation proceedings
Austria	Not applicable	1 – 2 years
Benelux	10 months (often extended at request of the parties)	Not applicable
Bulgaria	Not applicable	6 – 18 months
Cyprus	2- 5 years	2 – 5 years
Czech	7 months	7 months
Denmark	1-1,5 years	1 – 1,5 years
Estonia	2 years	Not applicable
Finland	10 months	Not applicable
France	5,4 months	Not applicable
Germany	Not available	1 year

Greece	10 months	10 months
Hungary	6 months	8 – 10 months
Ireland	Not available	No yet answered
Italy	Not applicable	Not applicable
Latvia	2 years	Not applicable
Lithuania	4 – 6 months – national registrations 8 – 10 months – international registrations	Not applicable
Malta	Not applicable	Not applicable
Poland	18 months	18 months
Portugal	8 months	8 months
Romania	6 months	Not applicable
Slovakia	12 months	1 – 2 years
Slovenia	12 – 15 months	Not applicable
Spain	3 months	Not applicable
Sweden	6 months	Not applicable
UK	12 months	12 months

VIII. Cancellation proceedings

- 1.47 According to the replies, cancellation proceedings are available before the offices in Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Germany, Greece, Hungary, Ireland, Italy (on the basis of court request after a judgment concerning relative grounds), Poland, Portugal, Slovakia and the UK. In Benelux, Estonia, Finland, France, Lithuania, Malta, Romania, Slovenia, Spain and Sweden cancellation proceedings are available only before the courts.
- 1.48 In the Member States where cancellation proceedings are available before the office, average duration of the cancellation proceedings is the same as the duration of trade mark opposition proceedings.
- 1.49 As regards the grounds for cancellation, answers provided to the questionnaires are rather abstract and it is not possible to make direct comparisons. For more detailed comparisons an analysis of national laws and practices would be necessary.

IX. E-filing

- 1.50 E-filing of applications is currently available before most offices; the possibility of e-filing for other activities (renewals, oppositions) is less common.

Table 4. Availability of e-filing

Office	Availability of electronic filing
Austria	Not available

Benelux	Applications
Bulgaria	Not available
Cyprus	Applications Renewals
Czech Republic	Applications Renewals Oppositions
Denmark	Applications Renewals (not possible to e-file, but possible by e-mail) Oppositions (not possible to e-file, but possible by e-mail)
Estonia	Applications Renewals (not possible to e-file, but possible by e-mail with digital signature).
Finland	Applications
France	Applications
Germany	Applications
Greece	
Hungary	Applications Renewals
Ireland	Renewals
Italy	Application (only for national trade marks by a Representative with a certified electronic signature) Renewal (only for national trade marks by a Representative with a certified electronic signature)
Latvia	
Lithuania	Not available
Malta	Applications Renewals
Poland	Applications
Portugal	Applications Renewals Oppositions Many others (e.g. Reply to Opposition, Observations, Reply to Observations, Extension of Opposition Time Limits, Withdrawal, Declaration of Consent, License, Assignment)
Romania	Not available
Slovakia	Applications* Renewals* Oppositions* *All forms available on all subjects can be sent in e-form via Common Portal of Public Administration, based on a qualified e-signature. E-filing should not be confused with on-line filing.
Slovenia	Not available
Spain	Applications Renewals Oppositions
Sweden	Applications
UK	Applications

E. Existing cooperation and potential for enhanced cooperation with OHIM

I. Extent of taking into account OHIM Examination Guidelines

- 1.51 Generally, national offices consider OHIM Examination Guidelines as one of their reference sources and as interesting opinions from other specialists in the field of trade mark law. However, they do not regard these Guidelines as legally binding, i. e. as a legal basis for their decisions. By comparison, national offices usually put more emphasis on national and Community court decisions than on the practice of OHIM as described in OHIM Examination Guidelines.
- 1.52 As regards the general attitude towards OHIM Examination Guidelines, national offices first of all mention the usefulness of these guidelines. However, they also indicate the limited extent of their use do to:
- insufficiently coherent practice of OHIM;
 - differences in OHIM's and national offices' examination practice;
 - necessity for individual assessment in each case.

II. Cooperation with OHIM

- 1.53 All national offices strongly support the incentive for cooperation between OHIM and national offices, as well as between national offices. The Benelux office points out that given the large number of intellectual property offices in Europe, it would seem absurd not to support the international cooperation projects; there is every indication that these projects would help to achieve substantial economies of scale (as could be the case, for example, at IT level), improve efficiency (as might be the case, for example, with the applications for registration), simplify administrative work (as, for instance, in the matter of classification) and lastly improve users' perception and experience.
- 1.54 National offices are already involved in certain forms of cooperation. For example, the absolute majority of national offices either participate or are making preparatory steps for participating in the "Euroclass" project. Other common projects are "TMview" and bilateral Technical Cooperation Agreements between national offices and OHIM; and Liaison Meetings that are organised by OHIM.
- 1.55 National offices could not provide specific answers regarding their participation in the projects financed by the Cooperation Fund, answering that the Cooperation Fund had not yet been implemented when the answers were given.
- 1.56 National offices agree that the existing projects are important and should be maintained. However, they are also of the opinion that the areas and forms of cooperation should be improved and in general, the cooperation should be improved. It has also been noted that there should naturally be an assurance that the projects envisaged can readily be carried out in a spirit of cooperation. In particular, this is not the case if the individual situations of the offices differ too much at the start or if their respective ambitions and goals diverge fundamentally (Benelux office, Austria).

1.57 Offices indicate a number of specific areas for such improvement. Examples of the main areas of cooperation which could be improved according to the replies:

- *Modernization of national offices*
 - Full computerization of national offices (local HW/SW investments);
 - On-line filing, on-line renewal and on-line payments for trade marks and designs;
 - Creation of seniority databases with full on-line access;
 - Harmonization of IT infrastructure and availability of the same basic e-tools;
 - Development of new IT services for national offices that already have on-line services;
 - Development of common pan-European projects such as TMView, including new functionalities such as image based searches, shared EU/MS common classification of goods and services.
- *Enforcement of trade marks and designs*
 - Development of useful information services (e. g. packaged information and training for SMEs and law enforcement entities);
 - Organization of awareness events on the importance of combating counterfeiting;
 - Development of IT tools dedicated to support national authorities in the fields of the combat to counterfeiting such as image searchable IT tools;
 - establishing a reliable methodology for collecting and evaluating statistical data on piracy and counterfeiting;
 - Interlink with the goals set up in the Commission Communication on the reinforcement of enforcement of IPRs in the Internal Market;
 - Initiatives to be coordinated with the recently created European Observatory on the combating of counterfeiting.
- *Training/Reinforcement of competences*
 - Secondment of national experts to OHIM, as well as between national offices.
 - Training programmes for staff from national offices, including e-learning modules for national offices' examiners and other actors confronted with the prosecution and enforcement of trade mark rights;
- *Promotion and information services*
 - Implementation of awareness campaigns;
 - Creation of IPR Helpdesks in the Member States;
 - National user satisfaction surveys;
 - Development of a low-cost regional search facility enabling small and medium sized enterprises to have access to, and search in, trade mark data of a number of national authorities within the region concerned.
- *Harmonization of offices' practices*

- Unified search tools;
- Common databases containing administrative and judicial decisions;
- Harmonization of trade mark practice through joint recommendations;
- Harmonization of practices in matters of classification (computerised tools, class headings, etc.);
- Harmonization of OHIM and national offices' policy in the area of examination of absolute grounds;
- Harmonization of practices in figurative trade marks (Vienna Agreement);
- Harmonization of statistical and forecasting methodologies;
- More efficient involvement of national offices in the preparation of Examination Guidelines of OHIM;
- Common representation outside Europe of the different European offices.

- *Enforcement activities*

1.58 National offices have been asked to describe the extent of the office's involvement in enforcement activities and the potential for enhancing such activities.

1.59 According to the replies, almost all offices do not have competence to act as prosecuting enforcement agencies; however, they are involved in enforcement activities indirectly. The offices have indicated the following forms of their activities related to enforcement:

- Intellectual property training workshops with police and customs authorities (Benelux, Denmark, Estonia, Finland, France, Greece, Lithuania, Slovakia, UK);
- Providing information to the authorities in charge of combating infringements (Benelux, Cyprus, Czech Republic, Estonia, Finland, France, Greece, Italy, Lithuania, Malta, Portugal, Sweden, Slovenia, UK, Poland);
- Participation in the preparation of IP-related laws and regulations which concern enforcement issues (Hungary, Lithuania, Slovakia);
- Active contribution to the drafting of the national report on the implementation of the Enforcement Directive (2004/48/EC) (Hungary, Lithuania);
- Participation in international projects concerning enforcement issues, attendance of international meetings in this field (e. g. WIPO; European Observatory on counterfeiting and piracy) (Benelux, Denmark, Spain, Slovakia);
- Cooperation with other government authorities in this field, including participating in special working groups set up by several institutions for the development of anti-counterfeiting policy, sharing information and best practice, awareness raising and other functions related to IP enforcement (e. g. in Denmark: Intergovernmental Network Against Counterfeiting; in France: National Anti-Counterfeiting Committee; in Hungary: National Board Against Counterfeiting; in Portugal: Anti-Counterfeiting Group; in Romania: a working group formed from all Romanian institutions with duties in IP and piracy fields, private companies and associations; in Spain: an Inter-Ministerial Commission which unites representatives from different ministries, local authorities and private stakeholders);

- Awareness raising as an enforcement support activity (Czech Republic, Denmark, France, Germany (the office cooperates with customs authorities in fairs), Hungary, Lithuania, Malta, Spain, UK);
- When so requested by the competent authorities, elaborating reports and legal opinions on IP-related questions (Spain).

- 1.60 Only the Bulgarian office indicated that it directly acts as an authority dealing with administrative penal responsibility in cases of infringement of rights in marks, industrial designs and geographical indications. The measures are performed at the request of the right holders or ex-officio by the office. The penal injunctions imposing sanctions on the infringers (fines and destruction of infringing articles) are issued by the President of the office. Any party adversely affected by them may lodge an appeal before the district court, and the decision of the district court may be appealed before the respective administrative court. There is a special “Administrative-Penal Liability” unit at the office dealing with administrative penal enforcement issues, which consists of 4 officials.
- 1.61 The Portuguese office inter alia has competence to impose penalties in clear cases of counterfeiting where the right holder himself does not take action with regard to the infringement. More than 100 decisions in such administrative offence proceedings are rendered each year.
- 1.62 The Italian Patent and Trademark office (UIBM) is a part of the Directorate General for Combating Counterfeiting (UIBM) belonging to the Ministry of Economic Development.
- 1.63 The UK Intellectual Property office (IPO) indicates that is not a prosecuting enforcement agency; however, the IPO’s Intelligence Hub was created in January 2008 to support enforcement activity relating to criminal copyright and trade mark infringement. The Hub’s staff are accredited in the collection, analysis and use of intelligence relating to criminal IP infringement and manages the National IP crime intelligence database (IPID). The Hub works with industry sector anti piracy and brand protection units as well as Trading Standards, Border Agency, Customs and Police forces. The IPO also acts as the UK’s central point for collecting, analysing and disseminating IP crime intelligence in support of Europol’s Analytical Work File ‘COPY’.
- 1.64 Many national offices indicate that there is a potential for enhancing enforcement activities within the limits of their current competence (Benelux, Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Lithuania, Portugal, Romania, Slovakia, Spain, UK).
- 1.65 For example, according to the Benelux office the legal framework for the Benelux Convention allows scope for envisaging extended responsibilities for the office in the enforcement of rights. Current discussions at the level of the OHIM Cooperation Fund open up interesting prospects, as different activities might be envisaged under this Fund, such as:
- Opening a helpdesk devoted to the enforcement of rights and to infringements;
 - Addition to the website of a section specifically devoted to infringements, including all legal sources, practical recommendations, contacts, etc.;

- More targeted and systematic dissemination of information on infringement, especially by means of workshops and brochures;
- Database available to the authorities in charge of the campaign against infringements, including more comprehensive information.

1.66 The French office indicates that within the national legal framework, many activities can be implemented, but these activities could also be developed at the EU or multilateral level. To fight efficiently coordinated actions on the international level are required; instead of duplicating in each Member State the same limited efforts, a better coordination between OHIM and the national offices should produce enhanced results. The French office also draws attention to the repeated political signals from EU institutions in favour of more actions in this field. Accordingly, several Member States (France, Hungary, Italy, Portugal and Spain) have submitted a common proposal aiming to implement an Enforcement Strategy through the OHIM Cooperation Fund. It was discussed during the extraordinary session of the OHIM AB/BC joint session in Alicante, on 24 February 2010.

1.67 The Spanish office indicates the following potential further measures:

- Reinforcing cooperation among the authorities involved in this fight, i.e. in Spain: Police, customs authorities and Guardia Civil, as closer cooperation should lead to a more effective and prompt action.
- More easy-friendly access to the data and an adequate training of officials allowing them not only to get the information but to read it and interpret it (the office has detected a deficient use of the trade mark data available to the public. Police and customs authorities contact the office for obtaining and interpreting data).
- Intensifying the information activities targeted to specific groups on the market, such as young people through the schools networks, university people and housewives.

1.68 The Danish and Lithuanian offices note that their activities in this field could be developed further only to a very limited extent within the existing legal framework. Further development would require change of legislation.

1.69 The German, Austrian, Irish, Latvian, Polish and Portuguese offices indicate that the existing national legal framework does not provide for potential to enhance their role in enforcement activities. The German office does not see the potential for enhancing enforcement activities; the Swedish office does not see such potential in a short term; the Polish office does not see a need to enhance such activities as there are other special institutions responsible for enforcement issues.

- *Possible use of a share of OHIM renewal fees including mechanisms ensuring that the fees are used for trade mark-related purposes*

Use purposes

Examples of possible purposes for which a share of OHIM renewal fees mentioned by national offices include:

1. IT improvement

- Creation of e-filing systems for trade marks (in the national offices which do not have such services available);
 - Making access to trade mark and design information easier and user-friendly:
 - o one single filing system for the Member States of the European Community where the applicant only needs to fill in which country and class he is applying for (Sweden);
 - o new processes and tools, aiming at supporting the user experience and interaction with the office (Portugal);
 - o further improving of proceedings and services, especially in the area of the electronic systems for proceedings, searches, providing information to public and education (Czech Republic);
 - Harmonizing the environment that OHIM and national offices work in, e.g. same/similar filing system, report system and IT-system;
 - Development of modern internal software and hardware where necessary.
- 2. *Support for national helpdesks*** (as they are usually being contacted for information on CTMs and OHIM by their nationals due to language, proximity and costs saving reasons).
- 3. *Enforcement/combat against counterfeiting of trade marks***
- Tackling piracy and counterfeiting; strengthening the policy aimed at fighting and combating those illegal activities, and eventually investing in advertising campaigns (Spain);
 - New services to combat infringements, such as (e.g. Benelux):
 - opening a helpdesk devoted to the enforcement of rights and to infringements, from which users can obtain practical help and information;
 - the addition to the website of a section specifically devoted to infringements, including all the legal sources, the practical recommendations, contacts and contact numbers, etc.;
 - more targeted and systematic dissemination of information on infringement, especially by means of workshops and specific brochures;
 - a database available to the authorities in charge of the campaign against infringements, including more comprehensive information (distinctive elements to help identify copies, the identity of right-holders, contact persons, etc.).
- 4. *Raising the quality of services***
- Carrying out searches for earlier marks in the CTM database (Malta);
 - Reinforcement of the legal department so that refusal or opposition dossiers can be processed even more rapidly;
 - Improving information on and promotion of intellectual property (raising awareness among enterprises of the protection of their intangible assets, a more effective approach to SMEs, etc.) (UK, Denmark, Spain, Estonia, Slovenia, Malta).

5. Reducing the fees for national trade marks

- Benelux office comment: „This is certainly a priority. On this subject, it may be useful to point out that greater consistency in policies on fees at the Community and Benelux levels is a prerequisite for the good co-existence of the trade mark systems and the maintenance of an equilibrium between them“;
- Estonian office comment: inter alia, such fees would be used to cover the expenditure on trade mark processing.

1.70 The Spanish and Lithuanian offices indicated that not only the national offices but also other Member States' institutions contribute in some ways to the functioning of the CTM system without receiving any payments. For example, the CTM courts produce costs for the Member States; the same applies for the border controls by national authorities of the Member States and this should also be taken into account.

Accounting mechanisms

1.71 National offices have been asked to comment whether their domestic law provides for mechanisms ensuring that the funds will be used for trade mark related purposes.

1.72 The majority of national offices which run on a state budget have indicated that currently their domestic law does not provide for a mechanism ensuring that such funds will be used specifically for trade mark related purposes. According to their national law, fees for their activities are an item of income in the state budget and are redistributed by their respective governments according to the approved state budgetary plans.

1.73 However, some of the national offices falling under this category (Poland, Lithuania, Malta and Slovenia) have specified that in principle, it might be possible to ensure that such aim is achieved without major legislative changes.

1.74 As an example, the Polish and Lithuanian offices refer to income received from payments for the extra services provided by the offices in accordance with Article 39 of the Community Trade Mark Regulation. As opposed to the offices' other income (e.g. fees for national trade mark registrations) such special income is not transferred to the state budget but stays with the national office. Only a part of this money that is not spent for the office's purposes is transferred to the state budget.

1.75 These offices mention that explicit provisions in Community legislation indicating that income equivalent to 50 percent of CTM renewal fees may be used only for trade mark related purposes, would be helpful. According to the Polish office, because of the lack of financial independence of the PPO a special system for redistributing the 50 percent of CTM renewal fees has to be established, e. g. a special fund designated for purposes concerning IP law enforcement activities.

1.76 The Maltese office has also indicated that despite the fact that it runs on state budget, it is possible to submit a request to the Commerce Department's Finance

office in order that any funds received will be kept by the Commerce Department, so as to be used for activities related to trade marks. This has been done in previous cases, such as in areas of cooperation with the European Patent office (EPO). The Slovenian office has also indicated that although there are no specific legal provisions to ensure this, an arrangement between the government bodies and the office would enable funds coming from foreign or international sources to be spent for specific purposes, e. g. trade mark purposes.

- 1.77 On the other hand, the majority of national offices which have financial independence have replied that their national laws do contain mechanisms to ensure that the funds received by the national offices are used for the office's activities, which are activities in the field of industrial property rights. Most answers have not specified whether there are sufficient internal safeguards to ensure that such income would be used for trade mark related purposes, and not for the office's activities related to other industrial property rights. Only few national offices (Denmark, Sweden and Finland) have indicated that their trade mark departments are financially separate from the offices' other internal departments and that, accordingly, income from the trade marks department cannot be used for other IP rights.
- 1.78 The Hungarian office has indicated that despite of its financially independent status, its domestic law does not provide for mechanisms ensuring that such income is used only for trade mark related purposes. Therefore, in case a part of CTM renewal fees should be distributed to national offices, certain acts should be amended accordingly.
- 1.79 On the basis of the replies provided by the national offices it may be concluded that it is easier to ensure that the fees are used for trade mark related purposes when the office has financial independence. The Estonian office suggests that it is most important to solve the financing problems of the national offices on the level of the European Commission and to prescribe the legal mechanism in order to enable the national patent and trade mark offices to act on the principle of self-financing.

III. Other comments

The national offices were further invited to make additional statements concerning the Study's overall aims and topics. The following statements were received:

French office:

France will support further harmonization regarding some specific disposals in the directive that were left to the Member States as optional, e. g. level of protection of well-known trade marks should be mandatory. Further, the functions of the trade mark should be clarified (ECJ: L' Oreal). France is also in favour to have sanctions in the future directive.

Portuguese office:

Concerning CTM Regulations, we think they should be amended in order to provide new rules *concerning fees and cooperation*:

- Provide in the Regulation the need to revise the fees every two years (bi-annual review) in order to adapt them to the real financial needs of the office and ensure a balanced budget, avoiding deep cuts such as those recently succeeded;
- Provide in the Regulation a key distribution for the allocation by Member States of the 50 percent renewal fees taking into account specific criteria (e. g. number of trade mark applications; per capita GDP/size the market; promoting enforcement development, etc.);
- Enumerate in the Regulation the areas to which the revenue from the distribution of fees should be directed in Member States (e. g. structures to combat counterfeiting, the development of e-business tools, etc.);
- Provide in the Regulation the main areas for cooperation between the office and Member States (eg modernization on national offices; enforcement of trade marks and designs; training; promotion and information services, etc.).

Benelux office:

The core element to restore the balance between the Community Trade Mark system and the national systems is the question of genuine use.

Hungarian office:

With regard to CTM fees, they are not a major issue *per se*. Our main aim is not to receive subsidies, but we want to maintain a reasonable workload. Our main concern is the position of those who, if they followed their business needs, would be filing applications with national offices. However, at present they choose to file applications with OHIM, due to (i) less stringent review (protection is easier to obtain); (ii) cheaper procedures in comparative terms (costs are not reasonable with regard to what is received (exclusive rights in 27 countries). In addition, with regard to the increasing number of CTMs, it is getting more and more difficult to obtain national trade mark protection and to defend a national trade mark.

One of the most obvious problems is the one of the interpretation of the genuine use concept.

The current practice of the OHIM is favourable for those who are financially in the position to litigate: create a large portfolio of trade marks and defend it.

Chapter 2 - Statements of user organizations

- 2.1 The following chapter contains a summary of the comments and positions of the user organizations in their statements to the Study and, in particular, the questions raised in the invitation to tender. The full text of these statements is attached as *Annex IV*.

A. General position regarding the coexistence of the trade mark systems in Europe

- 2.2 User organizations agree that the coexistence of CTMs and national trade mark rights is fundamental and necessary for the efficient functioning of a trade mark

system capable of meeting the needs of companies of different sizes, markets and geographical needs, and that it should therefore be maintained.

- 2.3 Despite the generally positive view on the structure of the two systems, a number of user organizations express concerns that the relationship between these two systems is not well balanced. It is noted that following the current legal regulation and practice, users have been encouraged to seek exclusive rights in Community trade marks beyond their realistic scope of interests, i.e. without the intention and possibility of using them in the whole of the EU (ECTA, COAPI, FICPI). User organizations indicate several issues which should be reviewed in order to facilitate a proper balance between the systems. This includes the concept of genuine use, the level and structure of OHIM fees, broad references to the class headings in trade mark applications, different approaches of national offices and OHIM to registrability of signs, etc.

B. National trade mark systems

- 2.4 According to user organizations significant divergences between the national systems still exist. These divergences are due to the optional provisions in the TMD and the fact that the TMD does not cover procedural aspects, remedies (e.g. damages, disclosure etc.) and rules on trade marks as property (e. g. assignment, licensing). Furthermore, national offices tend to interpret legal provisions differently, and they operate under different performance standards. User organizations unanimously state that further harmonization of national trade mark laws, with regard to both substantive law and procedural issues, is needed.
- 2.5 Regarding substantive law issues, user organizations first of all suggest that the currently optional provisions of the TMD should be made mandatory, in particular relating to the list of absolute and relative grounds (AIM, AIPPI Belgium, APRAM, ECTA, FICPI). According to MARQUES, provisions governing the possibility to base an opposition or a request for cancellation on a well-known national mark (Article 4 (4) (a) TMD), on non registered trademarks or other signs used in the course of trade (Article 4 (4) (b) TMD) and on other rights (Article 4 (4) (c) TMD) should be made mandatory; ECTA indicates that Article 3 (2) (d), Article 3 (3) and Article 4 (4) (a) TMD should in particular be made mandatory; user organizations also support Article 5 (5) TMD to be mandatory (e.g. AIPPI Belgium) or at least harmonized (APRAM, the same for Article 9 (2), 11 (2) TMD).
- 2.6 According to the received comments, a review of the current list of optional relative grounds should also be performed. For example, APRAM and ITMA suggest that Article 4 (4) (f) TMD should be deleted; ECTA suggests that with respect to trade marks acquired through use, either uniform criteria for obtaining protection through simple use should be created or any protection to unregistered marks should be eliminated unless they are famous marks.
- 2.7 Other suggestions in the field of substantive law include e.g. the possibility of introducing a bona fide intention to use provision (however, the positions regarding this issue are diverse), the necessity for consistency in the use and interpretation of class headings, the necessity for clarification of the scope of protection of trade

marks having a reputation, taking into account the ECJ practice in the Davidoff and L'Oréal v. Bellure cases, and the harmonization of protection for trade names.

- 2.8 According to INTA, harmonization of provisions relating to trade marks as property should also be considered, including such aspects as recordal in the trade mark register of assignments and licenses, or the right of the licensee to take legal action against trade mark infringements.
- 2.9 Regarding procedural issues, user organizations suggest the harmonization of inter alia the following aspects:
- Whether relative grounds are examined ex-officio or only upon opposition (e.g. AIM, AIPPI Belgium, MARQUES propose the abolition of examination of earlier rights ex-officio; ECTA also suggests that national offices should only examine absolute grounds);
 - Whether a system of pre-registration or post-registration opposition should be adopted (most user organizations generally express support for pre-registration oppositions (AIM, AIPPI Belgium, APRAM, COAPI, FICPI, GRUR, ITMA, LESI));
 - The possibility to deal with opposition, revocation and cancellation proceedings at the national offices without having to refer to long and costly court procedures (APRAM, ECTA, INTA).
- 2.10 User organizations indicate the necessity of uniform guidelines concerning registrability and proof of use requirement (MARQUES). ECTA proposes to provide for request for proof of use in cancellation proceedings and opposition proceedings.
- 2.11 Besides legal aspects, user organizations stress the necessity of a better harmonisation of national offices' practices, processes and procedures as well as the interpretation of legal rules by the courts. This concerns in particular absolute grounds (distinctive character) and relative grounds, including similarity, likelihood of confusion, and the evaluation or interpretation of well-known trade marks and their relation to marks with reputation (ECTA is in favour of a legislative decision), genuine use, classification terms, interpretation of references to class headings, calculation of the grace period for non-use, criteria, procedures and application of the rules of conversion, consistency in the use of disclaimers, opposition period and fees, number of oppositions to be filed in case of several earlier marks or rights of one owner; formalities relating to the powers of attorney and other issues.
- 2.12 A number of particular measures have been suggested to facilitate the harmonization of practices throughout the EU, including closer cooperation and the development of common guidelines; creation of a single repository for all CTM court decisions to be translated into the major languages of the EU; establishment of common performance standards between the offices; education and seminars, better communication and exchange of information, development of common tools etc.
- 2.13 Regarding e-business tools user organizations are unanimous that all national offices should further improve and harmonize their use of technology and their accessibility to users, thereby becoming more transparent in their procedures. Such e-business tools should include unique online systems providing options for

e-filing, online access, e-renewal, e-payment and e-oppositions as well as easily searchable databases. The possibility of a single EU database which contains all trade mark rights or “one-stop” online searching should also be considered (ECTA, INTA).

C. National offices and cooperation with OHIM

- 2.14 All user organizations agree that the main role and mission of the national offices and OHIM should be the fast and efficient delivery of a legal title to trade mark protection and the resolution of conflicts amongst trade marks as well as related rights by handling opposition proceedings, cancellation and invalidation requests in a timely and cost efficient manner. MARQUES also stresses the role of a national office to be active in spreading the knowledge and understanding of IP to the general public. ECTA, AIM, MARQUES further stress the importance of financial autonomy of national offices as it provides a stimulus to seek improvement of services rendered at the best cost / benefit ratio (e. g. by the use of new common IT-tools (AIPPI Belgium, MARQUES)). The need for a better transparency of the accounts in the national offices is also emphasized (MARQUES).
- 2.15 In the field of enforcement (anti-counterfeiting) user organizations suggest that the national offices should ensure a prompt provision of information to the customs authorities whenever requested (e.g. FICPI), preferably by permitting controlled on-line access to their databases. Some user organizations are in favour of further tasks in enforcement provided that they are limited and well defined.
- 2.16 User organizations also express the opinion that national offices should engage in promotion of pan-European coordinated IP awareness campaigns. However, it is noted that the national offices and OHIM should abstain from those activities which by their nature should be performed by law enforcement agencies (INTA). In addition, IP offices should not engage in providing legal advice (APRAM, COAPI, FICPI).
- 2.17 Most user organizations maintain that any distribution of part of the OHIM renewal fees to national offices should not be automatic but should be substantiated by appropriate tasks to the benefit of the users (AIM, APRAM, ECTA, EFPIA, FICPI, ITMA, VFA (for related services)). Examples of such appropriate tasks are the maintenance of seniority databases by the national offices (COAPI, ECTA), developing e-tools and e-capabilities (ECTA), involvement in enforcement activities (ITMA), optimization of the conversion process, reduction of time to registration (VFA) etc; MARQUES proposes to distribute the funds according to the number of renewals in each Member State. COAPI sees no reason for the redistribution of the fees to national offices, but proposes instead that the fees for CTM registrations should correspond to the sum due for filing individually in the 25 trade mark systems.
- 2.18 In that context some user organizations point out that the system of “cooperation agreements” has to be reconsidered as it is not transparent enough (e.g. MARQUES).

D. Community trade mark system

I. Substantive law issues

- 2.19 User organizations have expressed diverse positions regarding the proper interpretation of the territorial requirement for a CTM to be genuinely used in the Community. On the one hand, AIPPI Belgium, APRAM, COAPI, ECTA, FICPI, VFA, support the position that the threshold set by the Joint Statement by the Council and the Commission of 20 December 1993 (use in one country only) is too low for the present scale of the EU and should be increased (e.g. use in a substantial part of the EU). COAPI even suggests that the use in the 24 respective Member States plus in Benelux should be required from the owner of a Community trade mark. According to ECTA, cross-border use may appear necessary to establish genuine use within the Community. A possible alternative solution is that CTM rights could be maintained in the country where use has taken place, but cannot be enforced in other countries.
- 2.20 On the other hand, AIM, BUSINESSEUROPE, EFPIA, INTA, IP Federation, LESI and MARQUES support the position that use in more than one Member State should not be required. They consider that the question of whether or not use of a CTM is genuine use within the Community must be assessed on the facts of each case, not solely on the basis that the use has taken place only in one Member State. According to AIM, BUSINESSEUROPE and ICC the question of genuine use must be assessed on a case-by-case basis without introducing territorial elements but taking all the circumstances of a specific case into account; otherwise, making such assessment conditional on a certain number of Member States would lead to fragmentation of the single market, create an environment of uncertainty for users and would put SMEs in a disadvantageous position.
- 2.21 According to MARQUES, genuine use needs to be assessed using the whole single market as a reference. It should be up to the European Union courts to establish a correct set of criteria as to which circumstances are relevant to establishing that the use is genuine. Similarly, GRUR proposes to leave the interpretation of the territorial requirements for genuine use to the case law of the European Union courts.
- 2.22 Regarding the issue of graphical representation of trade marks, COAPI and ECTA state that the requirement should be maintained. In that context it is suggested to think about how non-traditional trade marks (e.g. olfactory marks, taste marks, etc) could be represented (e.g. GRUR, MARQUES). AIM, APRAM, GRUR, INTA propose that the system should be opened to other possibilities or the establishment of new conditions to represent new forms of trademarks (e.g. sound file as computer file). FICPI is also in favour of a broader definition. INTA indicates that currently there seem to be inconsistencies in the application of standards for registration and requirements for graphic representation that vary between national offices and OHIM.
- 2.23 According to user organizations seniority claims of a national trademark should continue to exist, but some (e.g. ECTA) see the necessity of revision and development of the system and its modalities in order to avoid legal uncertainties.

- 2.24 As to priority claims some user organizations support OHIM's actual practice of an examination limited to the formalities (AIM, APRAM, IP Federation, LESI, MARQUES) whereas others see the need for a full verification of priority claims indicating especially that third parties should in future be able to rely on the register entry (CNIPA, COAPI, ECTA, FICPI, GRUR).
- 2.25 Regarding the question of whether bad faith should be implemented as an absolute ground of refusal, most Organizations do not see any necessity for that (rather as a ground for opposition, so MARQUES, ITMA, ECTA).
- 2.26 According to most user organizations the grace period (use requirement) of 5 years should not be reduced to 3 years. Some Organizations (e.g. ECTA, ITMA) point out that it is necessary to establish a single starting date for the grace period.
- 2.27 User organizations have expressed different views regarding the possibility of introducing a bona fide intention to use provision in the TMD as well as the CTMR (e. g. ECTA, ITMA support such idea as a means of mitigating the growing number of unused registered trade marks, whereas it is rejected by APRAM and EFPIA).
- 2.28 Most user organizations (AIPPI Belgium, COAPI, ECTA, EFPIA, FICPI, GRUR, INTA, ITMA, LESI, MARQUES) do not support the OHIM's practice of encouraging lists of goods and services corresponding to the Nice class headings, indicating that it leads to unnecessarily broad specifications of goods and services for which the applicant has no intention to use the mark, or they claim at least that further conditions should apply so as to ensure a precise and uniform use of the classification system (AIPPI Belgium). On the other hand, AIM is of the opinion that the current practice should not be changed as it meets business needs. IP-Federation supports the translation of the terms of Nice Classification into all Community languages, pointing out that what is required is the consistency of office practice and interpretation across the Community on this issue.
- 2.29 User organizations also stress that it would be important to have a clarification of the territorial scope in respect of which acquired distinctiveness of a CTM must be shown. However, opinions on the appropriate territorial scope vary: some user organizations consider that distinctiveness should be required for each and every Member State (COAPI) whereas others indicate that acquisition of distinctiveness in fewer countries could suffice (AIPPI Belgium), e.g. in case of non-word marks (AIM, APRAM, FICPI, ITMA). FICPI refers to other facilitating tools to justify a different approach which does not require a showing acquired distinctiveness for all Member States, such as the intensity of marketing of the goods or services involved. ECTA and MARQUES indicate that this issue should be assessed on a case-by-case basis, ensuring also the compatibility with the issues of use and proof of reputation. AIPPI Belgium proposes to differentiate between trade marks with particularities of language or culture and other marks.
- 2.30 Other substantive law issues raised by user organizations include inter alia the inconsistency of OHIM practice regarding the necessary level of distinctiveness. Other comments in this context relate to a too liberal approach, in some cases, to examination of the absolute grounds (e. g. concerning device marks (ECTA)) or relative grounds (e. g. similarity of pharmaceutical trade marks (EFPIA, VFA)); the necessity for clarification of the legal effects of seniority claims; the conversion

process; the necessity for clarification (e.g. in the CTMR Recitals) of the scope of protection of trade marks having a reputation and the protected functions of a trade mark, taking into account the ECJ judgments *Davidoff* and *L'Oréal v. Bellure*, as well for clarification of differences between well-known trade marks and trade marks having a reputation (MARQUES).

- 2.31 Concerns were raised about the fact that seizure of infringing goods is not always granted where such goods are in transit (AIM, AIPPI Belgium, APRAM, ECTA, ITMA, MARQUES, VFA). Customs seizure sanctions should be aligned with those for trade mark infringement (COAPI, EFPIA, FICPI); a general analysis of customs seizure should be undertaken.
- 2.32 To ensure better predictability in OHIM's practice, MARQUES suggests that OHIM could develop a system of precedents, where OHIM examiners are bound by decisions of the Boards of Appeal and earlier decisions by other examiners are, whilst not binding, at least persuasive; thus, predictability and consistency of the practice should be improved.
- 2.33 MARQUES further supports the establishment of a specialised chamber of the General Court dealing with intellectual property matters.

II. Procedural issues

- 2.34 Most user organizations are in favour of the current OHIM practice whereby no ex-officio examination of relative grounds is being performed (AIM, AIPPI Belgium, ECTA, EFPIA, GRUR, LESI, MARQUES, VFA.), although different opinions also exist. The majority of user organizations are also in favour of the current pre-registration opposition system, as opposed to post-registration opposition (AIM, APRAM, COAPI, ECTA, FICPI, LESI, ITMA.). INTA has expressed a general position that systems which only examine for absolute grounds should maintain pre-registration opposition systems to ensure that relative grounds can be considered prior to the registration of trade marks.
- 2.35 Regarding procedural time limits user organizations unanimously state that the duration of proceedings at OHIM should be reduced without any reduction of the time limits set for the users. Concerning the reduction of opposition and appeal periods there are different opinions (a compromise could be to reduce periods under the condition that a possibility of extension upon request would be provided); as to oppositions most user organizations (including ECTA) tend to maintain the 3 month period.
- 2.36 Other suggestions relating to procedural issues include, e. g., updating and aligning Article 14 and Title X of the CTMR with the Brussels I Regulation; bringing Article 102 (1) CTMR in line with Article 98 CTMR, harmonisation regarding the so-called dormant marks; reviewing the regime on costs (ECTA); introducing a limited compulsory document disclosure (MARQUES).

III. Fees and fees structure

- 2.37 User organizations criticize the lack of transparency with regard to fees.
- 2.38 Some user organizations state that lower fees will always be favoured (ECTA, GRUR), whereas others take into account that too low application fees would lead to an increasing number of registrations and consequently to more opposition or revocation procedures (AIPPI Belgium).
- 2.39 Some user organizations are of the opinion that OHIM application fees should not jeopardize the existence and the “raison d’être” of national offices, as they are an important factor when deciding between a national and an EU filing (APRAM, COAPI, ECTA, IP Federation).
- 2.40 User organizations also note the necessity to review other OHIM fees (in particular, for renewal, opposition, revocation) in accordance with the reduction of application fees (AIM, COAPI, FICPI, IP Federation). However, this should not lead to an automatic reduction of such other fees: all the related factors should be taken into account (e.g. ECTA notes that in the absence of a counter-check mechanism to ensure that only used marks were renewed, a low renewal fee may lead to renewals of unused marks; COAPI, UNION suggest that a registration fee should be re-introduced; IP Federation points out that there should be no indirect taxation on trademark owners - either for the benefit of the Community or of the national administration – consequently, no more should be distributed to the national offices than what is justified by their factual contribution within the CTM system).
- 2.41 The majority of user organizations consider that unnecessary claims to three classes should be discouraged by adjusting the CTM fee so that each additional class above one costs the applicant more; however, there are a few different opinions (AIM, APRAM). In addition to introducing an extra fee for each class, ECTA suggests other possibilities which could help balancing the level of trade mark registrations through the fees: creating an easy and inexpensive way to remove unused trade marks from the register (simple request, low fee); creating incentives to surrender unused trade marks (reimbursement of fees at any time during the lifetime of a trade mark, percentage of application or renewal fee).

Chapter 3 - Allensbach Survey

- 3.1 As outlined above, the Allensbach survey analysed users’ assessments of the CTM system in three main areas. The first survey topic focused on an evaluation of the CTM system as a whole and an evaluation of OHIM’s performance in the areas of examinations, cancellations, oppositions and appeals, in terms of quality, consistency and the time it takes to issue decisions, as well as a comparison of the consistency of decisions rendered by the national trade mark offices and by OHIM. This section of the survey addressed also the topical issues of OHIM’s

class heading practice and the existence of a “cluttering” in the CTM register. The second part of the survey covered users’ reactions to some proposals for procedural changes of the CTM system, and the third part tested users’ opinions on the current OHIM fees.

A. Evaluation of the CTM system and OHIM’s performance

- 3.2 As regards users’ general attitudes towards the CTM system, a broad majority of 76 percent of proprietors and 84 percent of agents recognise that the CTM system offers trade mark owners substantial simplifications and expanded possibilities compared with national trade mark systems. Users’ main impression is that the CTM system is currently working well, with 41 percent of proprietors and 58 percent of agents agreeing that the system is getting better and better. The positive ratings are substantially higher among large-scale enterprises (LSEs) than among SMEs. 56 percent of the LSEs, but only 37 percent of the SMEs agree that the CTM system is working better and better.
- 3.3 OHIM’s performance in terms of quality is predominantly rated as “average” or “high”. Less than 10 percent of the users consider the quality of OHIM’s decisions regarding the examination for absolute grounds of refusal, CTM oppositions, CTM cancellations and CTM appeals as “low”. Most users assess the quality of OHIM’s decisions as “average”, among the proprietors ranging from 16 percent for CTM cancellations to 27 percent for the examination for absolute grounds for refusal, and among the agents ranging from 34 percent for CTM cancellations to 52 percent for the examination of absolute grounds. The shares of respondents who rate the quality as high range from 4 percent (for CTM cancellations) to 12 percent (for examination for absolute grounds) among the proprietors, and from 12 percent (for CTM cancellations) to 21 percent (for examination for absolute grounds) among the agents.
- 3.4 The assessments of the consistency of OHIM’s decisions and the time it takes OHIM to issue decisions reveal similar results. Only 5 to 20 percent of the users qualify the decisions as not consistent, and 10 to 25 percent consider the time needed to issue decisions as not satisfactory. A clear majority rates OHIM’s performance in terms of consistency as either “fairly consistent” or “very consistent”, and in terms of time needed to issue decisions as either “fairly satisfactory” or “very satisfactory”. An exception from the overall positive ratings is the time needed to issue oppositions. Around 40 percent of the agents who gave an assessment consider OHIM’s practice in this respect as unsatisfactory. It must be added in this context that large shares of respondents, in particular among the proprietors, opted for the answer “impossible to say” in response to the questions on OHIM’s performance. This makes it in some cases difficult to derive clear insights from the survey results.
- 3.5 OHIM’s class heading practice is approved by a broad majority of proprietors and agents. 64 percent of the proprietors and 72 percent of the agents agree with this approach. Opinions on the cluttering issue are mixed. 21 percent of the proprietors share the opinion that there is a cluttering problem in the CTM register as too many CTMs are not used; 29 percent do not perceive such problem. 50 percent do

not express any opinion on this issue. Among the agents, 41 percent see a cluttering problem.

B. Reactions to proposed changes of the CTM system

- 3.6 The survey questionnaire presented nine proposals for changes of the CTM system, that were addressed in the Commission's invitation to tender. First, a shortening of the grace period for genuine use from five to three years; second, the introduction of an optional search for potentially conflicting CTMs instead of a mandatory search; third, the introduction of an accelerated CTM registration procedure; fourth, a full examination of priority claims instead of simply recording them; fifth, a full verification of seniority claims instead of a verification limited to checking if both marks are identical; sixth, a shortening of the period for filing notice of opposition from three to two months; seventh, the introduction of an ex-officio examination of relative grounds for refusal; eighth, the introduction of a post-registration opposition procedure; ninth, the exclusion of non-registered earlier trade marks and other signs from the catalogue of earlier rights that can be invoked in opposition procedures.
- 3.7 The responses of users to these proposals show that a majority of users favour retaining most of the existing CTM procedural rules. The only proposed change which all users, i.e. proprietors as well as agents, would welcome is introducing a full examination of priority claims by OHIM before their registration. Limited support was expressed for measures such as fully verifying seniority claims, the introduction of an accelerated CTM registration procedure, a shortening of the grace period for genuine use and a shortening of the period to file opposition. Only few users expressed support for changing the mandatory search for earlier CTMs into an optional service, for introducing a post-registration opposition procedure and for an exclusion of non-registered earlier trade marks and other signs from the catalogue of earlier rights in opposition procedures.
- 3.8 A remarkable result among the reactions to proposed changes of the CTM system is the relatively strong support by 48 percent of the proprietors for introducing an ex-officio examination of relative grounds for refusal. In particular SMEs favour this idea. 51 percent of the SMEs, but only 35 percent of the LSEs support this shift of the registration procedure.

C. Opinions on the OHIM fees

- 3.9 As regards the level and structure of OHIM fees the survey tested the opinions on the appropriateness of the OHIM fees for applications and renewals and their impact on users' decisions to apply for or to renew a CTM. Furthermore, the survey addressed the question whether to introduce a single class fee.
- 3.10 The results show that users express little acceptance of OHIM's application and renewal fees. 38 percent of the proprietors consider the application fee as "a bit too high" and 21 percent as "far too high". The renewal fee is regarded by 32 percent of the proprietors as "a bit too high" and by 46 percent, among the SMEs

by 51 percent as “far too high”. 74 percent of the proprietors say that the application fees influence their decisions to file a CTM, while 63 percent (among the SMEs 67 percent) answer that the renewal fees have influence on their decisions to renew a CTM. The idea of an introduction of a single class fee is supported by only 24 percent of the proprietors and by 26 percent of the agents. The support is even lower (14 percent) among the LSEs.

Chapter 4 - INNO-tec

- 4.1 The report provided by INNO-tec and attached as *Annex I* seeks to provide an empirical assessment of the European trade mark system. The report has three sections. The first section contains an analysis of the work of the Office of Harmonization for the Internal Market (OHIM) which administers the Community Trade Mark (CTM). The second section focuses on the effects of the existence of the CTM for national trade mark offices. The last section analyses applicants' behavior within the CTM system.
- 4.2 This summary contains a review of the main findings of the report. Before turning to the individual sections of the report the general remarks made at the beginning of the report are briefly summarized.
- 4.3 The report is based on the analysis of datasets on trade mark applications, registrations, renewals and oppositions. To a large extent the report is based on administrative datasets provided by trade mark offices within the European Union. The coverage of these datasets varies a great deal. The data provided by OHIM on the CTM system are the most up to date and complete data available for the study. The dataset contains a great deal of information about applicants, representatives and administrative procedures at OHIM. Data obtained from the national trade mark offices are much less complete. Wholly lacking are datasets on litigation processes at the national and Community level. The strength and effects of trade mark protection cannot be assessed without access to litigation data. First attempts to collect such data will be made in the coming year. It is indicated below at which points additional data would be necessary to provide more reliable evidence.

A. Assessment of the administrative procedures at OHIM

- 4.4 Demand for trade mark protection has increased world wide since OHIM began to operate in 1996. Demand for CTMs has also been increasing since then. It was particularly high during the dot-com boom, but has continued to grow since then. Additionally, the CTM system was extended in 2004 to include the ten new Member States Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Cyprus and Malta.
- 4.5 In spite of this it was found that OHIM was able to reduce both the average and median duration of trade mark registration and trade mark opposition procedures. Although it is sometimes claimed that demand for the CTM is not price sensitive it

was also possible to show that the fee reduction instituted by OHIM in 2005 had a strong positive effect on demand for the CTM. Moreover, it could be found that admission of a country into the Eurozone had a positive effect on demand for the CTM. The second fee reduction in 2009 was too close to the end of the available data series for being able to evaluate its effects at present.

- 4.6 While demand for the CTM from applicants within the European Union is strong for a long time the largest number of trade mark applications for the CTM came from the United States. Another notable source of applications from outside the European Union is Japan.
- 4.7 In this section, a preliminary assessment of trade mark renewals is also undertaken. The proportion of renewals is high and decreasing. This may be expected as the analysis is so far restricted to the renewal of CTMs registered in the first three years (1996-1999) of OHIM's operations. In these years the proportion of marks registered that were already well established (as indicated by multiple seniorities) was very high. Therefore the observed decline in renewal rates is not surprising.

B. Competition between OHIM and national trade mark offices

- 4.8 The existence of the CTM system is likely to have had an effect on demand for national trade marks within the European Union. To some extent this was the purpose of introducing the CTM, as the CTM is necessarily more attractive for companies operating in multiple jurisdictions in the European Union than a bundle of national rights. What remains unclear without an empirical analysis is the extent of the effect that competition between the CTM and national trade marks has on demand for the latter.
- 4.9 The analysis undertaken by INNO-tec is able to shed only a limited amount of light on this question as there are strong limitations in the available national trade mark data. For instance it was not possible to link applicants at the national offices and at OHIM in all cases. Using data on the United Kingdom where this link has been established in previous research by Mark Rogers and Christine Greenhalgh it was found that the number of large and medium-sized firms applying for trade marks at UKIPO and their total level of trade mark applications have both fallen slightly. In contrast, more of these firms filed with OHIM and for more trade marks. Very small firms have increased demand for national trade marks as well as marks registered at OHIM. The analysis of German data indicates that a similar process is ongoing there too.
- 4.10 It is highly likely that similar processes of substitution affect all national trade mark offices in Europe. For some of the smaller national offices this development has led to overall reductions in demand for national trade marks since accession to the European Community as is shown in the report.
- 4.11 Although the data provided by OHIM allow quantifying which proportion of opposition cases are based on prior national rights, there are almost no data on the proportion of opposition cases national offices must deal with that result from the existence of the CTM. Some survey evidence collected by the Max Planck

Institute during interviews is summarized in the report. This indicates that the proportion of such opposition cases has indeed increased. Better data on this question would be very helpful in assessing how costly the CTM system is for national offices.

- 4.12 Finally, it should be noted that it is unclear how often CTMs are the basis of litigation in the courts of different Member States of the European Union.

C. Applicant strategies within the CTM system

- 4.13 Information from firm representatives and trade mark attorneys received by the Max Planck Institute and by INNO-tec have revealed that firms often apply for more than one CTM at a time. This strategy is chosen where firms seek to ensure that they will have at least one trade mark in the register for a new product or service. It is often cheaper to apply for several marks, hoping that one will be registered, than to undertake an exhaustive search for all possible conflicts between marks on the OHIM and on national trade mark registers within the European Community. It was also revealed that due to the absence of coordination between the European Medicines Agency (EMA) and OHIM, especially pharmaceuticals firms often apply for large numbers of trade marks simultaneously. Investigating the data on applications at OHIM it was found that in general one third of applications are part of a set of applications filed on the same day by one firm.
- 4.14 It stands to reason that where more than one of these multiple applications is registered, as is usually the case, the register will contain trade marks that are unlikely to be used. As the number of such trade marks accumulates this is likely to contribute to additional search costs for later applicants and may also lead to unnecessary administrative processes. Using a variety of direct and indirect tests it was sought to establish whether surplus trade marks exist on the OHIM register in substantial numbers. One such test yields a figure of between 6% and 10% of registered trade marks. This test is based on data obtained before 2004. If the problem exists, then it is likely to have become worse over time, as more marks have been registered. Further tests support the interview evidence collected for this report.
- 4.15 The report also contains some evidence on firms' ability to turn trade mark applications into registered marks. It was found that over time the likelihood of registration increases and that firms with larger application portfolios have an advantage in successfully registering trade marks. These two effects are most likely the consequence of greater experience with the application process. Finally, the probability that the firms' applications encounter opposition was also investigated. Here too, frequent applicants have been able to reduce the probability of failure faster than smaller applicants.

D. Conclusion

- 4.16 Overall the analysis has revealed that many questions remain to be answered. Some evidence suggestive of overfull trade mark registers and competition between OHIM and national offices has emerged. So far there is no indication that either problem is very large or imposes high costs on users. Neither can it be said that the problems are minor or restricted to small segments of the trade mark system. Therefore, both developments should be investigated more thoroughly in focused studies. The frequency and effects of trade mark litigation in Europe remain to be investigated.

Part III - Legal Analysis

Chapter 1 - General aspects of European trade mark law

A. Coexistence

- 1.1 One of the core elements in European trade mark law is the principle of coexistence. Recital 6 in the preamble to the CTMR voices this principle by stating that the Community trade mark law does not replace the law of the Member States on trade marks and that national trade marks continue to be necessary for those undertakings which do not want protection of their trade marks at Community level. Coexistence means first of all that the trade mark systems on the Community level with the Community trade mark system and at the Member States level with their national or, in the case of the Benelux countries, regional systems exist alongside each other. All Member States operate a national or are parties to a regional trade mark system (in the following, and throughout this Study, references to the national systems include the Benelux system, unless stated otherwise). Hence, for any Member State trade mark protection can be established via the national system or via the Community-wide supranational system. Anybody is free in his choice to file either a Community trade mark or a national trade mark, or both.
- 1.2 There is broad consensus that the option for a national trade mark meets the needs of a large number of trade mark users, in particular SME's.
- 1.3 An inherent part of the coexistence model between the trade mark systems is the equal rights structure of trade marks on the Community and the national level. A Community trade mark prevails over a later national trade mark, whereas a prior national trade mark can be enforced against a Community trade mark. The guiding maxim for resolving conflicts between rights on the different levels is the priority principle. The CTMR grants the holder of an earlier national trade mark the right to file with OHIM an opposition or a cancellation request against a conflicting CTM, or to file a counterclaim in a CTM infringement proceeding before a Community trade mark court. Conversely, holders of prior Community trade marks are able to enforce their rights in national proceedings against conflicting national trade marks, the TMD providing that earlier CTMs constitute grounds for refusal or cancellation in the Member States.
- 1.4 The proper balance between the Community system and the national trade mark systems is considered vital for the coexistence and the functioning of the European trade mark system. However, it remains open what proper balance in this context means. The statistics of trade mark filings continue to show that cumulatively many more national marks are filed in the Member States than CTMs. It is, however, also true that trade mark filings in some national offices have seen a decline in recent years, primarily those filings which come from other Member States or from third countries, either directly or through the Madrid system. The statistics on national trade mark applications and international registrations are summarized in Part II Chapter 1; an analysis of the statistics

including the numbers of CTM applications is provided by INNO-tec in Part II Chapter 4.

- 1.5 The underlying reasons for this development are the subject of a controversial debate between the Community institutions and many Member States or their trade mark offices. This debate is influenced by different views on the question whether and to what extent the Community and the national trade mark systems are in a competitive relationship. Those who deny any systemic competition regard the different developments of the national systems and the CTM system as mere reactions of users to changes in the commercial framework and needs. According to this view, amendments to the Community system facilitating the access to Community trade marks, such as fee reductions, would not have any adverse effect for the national systems. Vice versa national systems would not benefit from modifications of the CTM system that reduce its attractiveness. The majority in this debate, however, proceeds from the idea that competition between the trade mark systems exists. Therefore, it would be possible to create a new or different balance between the systems by taking legal measures within the CTM system.
- 1.6 In this political discussion a number of aspects have been addressed as factors having an impact on the coexistence.
- 1.7 First of all, the level of fees for the registration and renewal of Community trade marks and national trade marks is regarded as an element that has an effect on the balance between the systems. Even though it is not yet clear to what extent the fee reduction for Community trade marks in 2009 played a role in the drop of national registrations it seems obvious that there must be some sort of interaction. A CTM covering the whole territory of the Community with 27 Member States with fees and attendant costs which may not be higher than the fees that would have to be paid for obtaining protection in three or four Member States directly or via the Madrid system obviously presents an attractive alternative for undertakings, including SMEs, without specific ambitions to extend their activity beyond the borders of their country. For cost reasons, larger companies with commercial activities in different European markets will usually opt for Community trade marks as long as a CTM protection does not encounter any legal obstacles, such as existing prior national rights. Therefore, when fees for the acquisition and maintenance of Community trade marks are relatively low compared to the fees that are due for an equivalent national and international trade mark protection, this is likely to be a strong incentive to file trade marks with OHIM rather than national trade marks.
- 1.8 Similar importance for coexistence is attributed to the issue of genuine use and the requirements for the territorial scope of use that must be established for a CTM after the grace period has expired. The Council conclusions of May 2007 regarding the financial perspectives of OHIM and the further development of the Community trade mark system have already emphasized that the territorial requirements for genuine use of Community trade marks must be addressed in the context of assessing the coexistence of the systems. OHIM's current approach to the genuine use issue follows the Joint Statement by the Council and the Commission of 20 December 1993 that genuine use of a CTM within the meaning of Article 15 CTMR in one Member State is regarded as sufficient for a use "in the Community". A number of Member States calls for a revision of that Statement,

based on the opinion that it does no longer match the actual dimensions of the Community market. According to their position, the threshold for finding of “genuine use” should be elevated in order to strengthen the national systems and to maintain their perception of coexistence.

- 1.9 The scope of the Joint Statement and its continued validity are subject to discussion. Under one reading, any use sufficient to maintain a national trade mark is at the same time sufficient to maintain a CTM. Under a different reading what is required to maintain a CTM is genuine use within the meaning of Article 15 CTM, and when such a finding is made, the fact that the use does not extend beyond the territory of a single Member State is not relevant. This latter interpretation is based on the “single market” theory where the frontiers between Member States are not a relevant criterion. The continued validity of the Joint Statement is challenged primarily because the European Union at the time was composed of 12 Member States, while today it comprises a much larger territory and 27 Member States. Some of the Member States, and some of the user organisations strongly favour the notion that the substantive requirements for “genuine use”, such as scope, volume and extent, should be higher than for national marks. Some consider that use in more than one Member State should be required. For some observers, the balance between the Community system and national systems is weighted unreasonably in favour of the CTM. Requiring more for CTMs than for national marks would also strengthen the national systems. Merely following the Joint Statement, and interpreting it in the strict sense that whatever suffices for a national mark suffices also for a CTM, would provide still another incentive to opt for a CTM when objectively one or more national marks would be entirely appropriate to cover the economic needs of the undertaking. Also, the acquisition of new national marks could be blocked forever on the basis of an earlier CTM used in a totally remote territory without any likelihood of a true commercial conflict, and thereby adversely affect the coexistence.
- 1.10 It will become clear throughout this study that any approach for the protection of CTMs which is linked as a decisive criterion to the frontiers of Member States is inappropriate. This does not mean however that the conditions for “genuine use” for national marks and for CTMs are necessarily the same.
- 1.11 The functioning of the coexistence model is related to some other factors, as for example the fee structure under the CTMR that currently allows three classes to be comprised by the basic application fee, or the territorial scope of protection for Community trade marks that are used and have acquired reputation only in a limited part of the Community. As far as extended trade mark protection derived from reputation is concerned the relevant provisions in the CTMR leave scope for interpretation by the ECJ. A case law approach setting low standards for the territorial requirements to be met for such protection of Community trade marks is fostering the CTM system and decreases the need for users to count on national trade marks.
- 1.12 This report will analyse which of these factors could be used to modulate the conditions for coexistence with a view to ensuring a proper balance between the systems and to what extent other aspects could be taken into account.

B. Principle of unitary character and impact on CTM protection

- 1.13 The principle of unitary character of the Community trade mark and the underlying ideas are emphasized in recital 2 and 3 in the preamble to the CTMR. These recitals read as follows:

“(2) It is desirable to promote throughout the Community a harmonious development of economic activities and a continuous and balanced expansion by completing an internal market which functions properly and offers conditions which are similar to those obtaining in a national market. In order to create a market of this kind and make it increasingly a single market, not only must barriers to free movement of goods and services be removed and arrangements be instituted which ensure that competition is not distorted, but, in addition, legal conditions must be created which enable undertakings to adapt their activities to the scale of the Community, whether in manufacturing and distributing goods or in providing services. For those purposes, trade marks enabling the products and services of undertakings to be distinguished by identical means throughout the entire Community, regardless of frontiers, should feature amongst the legal instruments which undertakings have at their disposal.

(3) For the purpose of pursuing the Community’s said objectives it would appear necessary to provide for Community arrangements for trade marks whereby undertakings can by means of one procedural system obtain Community trade marks to which uniform protection is given and which produce their effects throughout the entire area of the Community. The principle of the unitary character of the Community trade mark thus stated should apply unless otherwise provided for in this Regulation.”

- 1.14 According to Article 1 (2) CTMR Community trade marks have a unitary character. They shall have equal effect throughout the Community and be registered, revoked or declared invalid only in respect of the whole Community. A conflicting prior national right in any Member State can preclude the registration of a CTM. Territorial disclaimers are not permitted. Once the Community trade mark is refused in an opposition proceeding or ceases to have effect as a result of a decision of OHIM or a Community trade mark court the applicant or proprietor of the CTM can only opt for a conversion of the CTM into national trade mark applications.
- 1.15 The unitary character corresponds to the concept of the Community as a unitary territory with a single market. Any provisions in the CTMR specifying the territorial requirements for protection of Community trade marks refer to the Community or a part thereof. This applies to the absolute ground for refusal of protection in Article 7 (2) CTMR, the provision dealing with the rights conferred by a CTM in Article 9 (1) (c) CTMR, and the provision on use of Community trade marks in Article 15 (1) CTMR requiring a “use in the Community”. These territorial features have to be interpreted in light of the objectives pursued by these provisions.
- 1.16 Basically, the principle of unitary character ensures a Community-wide protection for Community trade marks. Yet there are a number of situations that require

further evaluation. The unitary character can create unique problems in applying substantive and procedural law rules on the protection of Community trade marks. For example, the question of where distinctiveness through use under Article 7 (3) CTMR must have been acquired cannot be answered by merely relying on the principle of unitary character. Another example is the question of how to determine the territorial scope of protection when likelihood of confusion, or a detrimental effect on the distinctive character or the repute of the CTM do not exist in all parts of the Community. The problems that arise are often linked to the fact that there are many languages spoken in the Community, and a particular term or sign may be distinctive in one part, but descriptive in another language, or may cause confusion in one language but not in others.

- 1.17 These and other territorial issues linked with CTM protection are addressed in Chapter 3 A and B (para 3.1).

C. Coherence

I. Coherence between TMD and CTMR

- 1.18 TMD and CTMR were developed jointly, as coordinated steps towards removal of barriers to trade within the internal market. While the CTMR aimed directly at removing obstacles resulting from territoriality by creating a unitary right (CTMR, recital 4), the TMD proceeded cautiously, harmonizing only those provisions by which the internal market was most directly affected (TMD, recital 4). This means that the core elements of trade mark protection, such as the essential grounds for refusal as well as provisions governing the scope of protection and limits of that protection, were brought into full harmony with each other, and are also congruent in their contents with the CTMR. Other provisions corresponding to those of the CTMR, such as extended protection for reputation marks, remained optional; a number of other optional provisions – mainly concerning absolute and relative grounds for refusal – allows to deviate from the CTMR. Lastly, the TMD expressly abstained from regulating rules of procedure concerning registration, revocation and invalidity, including the effect of cancellation (TMD, recital 6); it also does not contain anything on sanctions for infringement. However, the latter lacuna was filled by Directive 48/2004/EC (Enforcement directive).
- 1.19 While European trade mark legislation has come a long way in its goal to remove barriers to free movement of trade and competition by harmonisation, the present situation is still not fully satisfactory, as the law and practice in the national and Community systems still tend to diverge to a considerable extent. This is partly due to the fact that harmonisation has been incomplete, but it also ensues from the differences in understanding and practical implementation of provisions which are the same in all national trade mark laws and in the CTMR. The latter problem calls for a better coordination of practice.
- 1.20 Apart from that, however, the experiences gathered so far with the two-layered system of the CTMR and national laws as well as the fact that the general level of harmonisation within the EU is considerably more advanced today than at the time of enactment of the TMD, furnish sufficient reason to take approximation of national laws a step further, where that is warranted in order to create equal

conditions for doing business across the EU, and where it does not unduly interfere with Member States' legal traditions and established structures. Where proposals for further harmonisation are made, coherence with the CTMR should remain the governing maxim, meaning that in principle, the provisions of the TMD should be the same as in the CTMR, apart from the differences mandated by the distinct level on which they are effective.

II. Coherence with adjacent areas

- 1.21 Trade mark law stands in close interaction with other legal fields, in particular with regulations of marketing practices. Coherence must therefore also be ensured with regard to European legislation concerning those adjacent fields. This regards primarily Directive 114/2006/EC concerning comparative and misleading advertising; it also concerns Directive 29/2005/EC on unfair commercial practices (UCP Directive). The first-mentioned Directive has an immediate impact on trade mark law, as its scope of application is not limited to specific addressees, and some of its provisions, especially those dealing with comparative advertising, do in fact regulate trade mark use. The UCP Directive, however, is only meant to apply to relations between business and consumers, and does not cover or affect national regulations on commercial practices which harm only competitors' economic interests or which relate to a transaction between traders (UCP Directive, recital 6). Nevertheless, the UCP Directive forms part of the overall legal framework to be observed, so as to provide for coherence and legal consistency. This becomes particularly relevant where the scope of the UCP and of trade mark law overlap, such as in case of use of signs creating a likelihood of confusion or deception.
- 1.22 Finally, it is also crucial that coherence is guaranteed between trade mark law and the regulations on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (Regulation (EC) No 510/2006) as well as on spirit drinks (Regulation (EC) No 110/2008). The issue is addressed under Chapter 2 J (para 2.289 et seq.).

D. Trade Marks and Competition

I. Principle of Undistorted Competition

- 1.23 Since the beginning of the European Community the system of undistorted competition belongs to the goals among the list of objectives in the EC Treaty that have to be pursued. The protection of trade marks is an intrinsic part in the system of undistorted competition. Pointing to this relationship the ECJ has derived from the primary law of the EC Treaty the need to grant and to recognize trade mark protection. In 1990, the ECJ has stated in HAG II (Case C-10/89) for the first time that the system of undistorted competition requires that companies are able to create and maintain relations with their customers by virtue of the quality of their goods. Distinctive signs, and notably trade marks, are necessary to allow customers to identify goods and services and thus create a link between the goods

and services and the undertaking responsible for their marketing and their quality. In order to fulfil this purpose trade marks must guarantee the identity of origin of goods bearing them. For that reason, trade mark protection is needed.

- 1.24 Hence, European trade mark law, composed of the Community trade mark system and the partially harmonised national trade mark systems, is anchored in the fundamental principle of undistorted competition. European trade mark protection is regarded as an element of undistorted competition. It is this concept that has become a guiding factor for the interpretation of the provisions in the TMD and the CTMR by the case law of the ECJ. When the grounds for refusal under Article 3 TMD and Article 7 CTMR are interpreted, the principle of undistorted competition finds expression in the public interest underlying each of them in various forms (for details, see discussion under para 1.40). In general, the application of this principle increases the threshold for access to trade mark protection.
- 1.25 As a feature for determining the content of trade mark protection and the scope of trade mark rights the concept of undistorted competition is reflected by the requirement that trade marks have to guarantee the origin of the goods bearing the mark. Trade mark protection must ensure that all goods bearing them have been produced and were released on the market under the control of a single undertaking. This origin-indicating function of trade marks has become the basis for the interpretation of the notion of “trade mark use” or “use of a sign for goods” within the meaning of Article 5 (1) TMD and Article 9 (1) CTMR. The justification of the protection of trade marks against likelihood of confusion is directly related to the preservation of fair and suppression of distorted competition. Also the protection of trade marks with a reputation beyond likelihood of confusion, namely against taking unfair advantage of their distinctive character and reputation is justified because, and insofar as, it contributes to the creation and preservation of a system of undistorted competition.
- 1.26 As far as the limitation of rights is concerned the principle of undistorted competition calls for an assessment focussing on a balance between the interests of trade mark protection and free movement of goods and services within the internal market, and the interest of other market actors to use a sign for legitimate purposes in accordance with honest practices. In particular, this is reflected in the permissibility of use to indicate the product’s purpose, and the use of descriptive terms that are identical with, or similar to, protected trade marks or their components, where the legitimate interests of trade mark proprietors are not adversely affected.
- 1.27 The concept of undistorted competition as a guiding principle for interpretation of European trade mark law is not a one-way approach towards a protection scheme being faced with limiting effects only. Undistorted competition requires a basically strong and firm protection of trade marks that takes into account both the interests of the trade mark holders and the interests of competition. Under the roof of the principle of undistorted competition European trade mark protection has, based upon the case law of the ECJ, developed into a direction that emphasises the links between trade marks and their impact on competition.

- 1.28 The evaluation of the European trade mark law and the proposals submitted in this report proceed from this basic idea of trade mark law being a component of undistorted competition.

II. Trade marks and free competition

- 1.29 As a matter of principle, trade mark law and free competition are not in conflict with each other. On the contrary, rather than restraining competition, trade marks are indispensable elements for competition to function properly. By providing information about the commercial source of goods or services and thus enabling consumers to repeat purchases that were satisfactory, trade marks provide an incentive for entrepreneurs to invest in quality, and to increase the variety of commodities offered. Furthermore, by contrast to other IP rights such as patents, the objective of trade mark law is not to confer an exclusive market position for certain goods or technologies. Competition thus remains free; those entering the market only have to use another sign so as to indicate the different commercial origin.
- 1.30 Without doubting the basic validity of those tenets, certain observations must be added. Most importantly, economic reality will only function as indicated above if the acquisition of trade marks remains competition-neutral, in the sense that appropriation of the sign as such does not confer on its holder a competitive advantage from which others are excluded. That condition is largely met where (fantasy) word marks and other traditional forms of trade marks are concerned. Such signs are regularly in infinite supply, so that no barrier to entry for others will ensue. Contrary to that, signs consisting of colours *per se*, or descriptive designations, are only available in limited stock, which means that the exclusive effect of trade mark protection on the availability of the sign for others entails (more or less aggravating) obstacles for competition, to which the law must respond. Particular issues further arise with regard to shape of product marks where, contrary to the general rule, protection of the mark actually does lead to an exclusive right in the appearance of a specific product (see also Chapter 2 B para 2.17 et seq.).
- 1.31 Furthermore, the paradigm of trade marks functioning as tools conveying information about commercial origin, which underpins the fundamentally competition-friendly disposition of trade mark law, needs some adjustment. In addition to indicating origin, marks may acquire intrinsic value as business assets; extended protection of reputation marks beyond likelihood of confusion is a response to that development. The economic rationale is found in the fact that reputation enjoyed by a mark is regularly the fruit of intense investments, for which further incentives are provided by the additional protection granted. For competition, however, the phenomenon is not without risks. Due to their psychological dimensions – the capacity to symbolize status and life style – the market power of reputation marks can be very high, possibly resulting in undesirable effects such as high (psychological) entry barriers and reduced market transparency. Those risks as well may have to be considered for the balancing of interests to be undertaken on the premise of undistorted competition.

III. Accessibility of trade mark protection

- 1.32 Easy accessibility is of essential importance for the proper functioning of trade marks as an element of undistorted competition. Apart from potential issues resulting from the form of signs which were addressed above, the level of accessibility is largely determined by the overall volume of prior rights posing obstacles for protection of new signs. The topic is in the focus of discussions about the congestion, or “cluttering”, of registers. One position advanced in the debates holds that by attracting too many registrations, the CTM system tends to obstruct registration of marks under the national regimes. That argument is frequently linked with the issue of genuine use of CTMs, as the barring of access to new signs under national law is considered as particularly aggravating where it results from a CTM which is not used and has no factual effect on the domestic market. Apart from that, cluttering is also perceived as an internal problem for the CTM system, as the access to new CTMs is likewise impacted by the rising number of existing CTM applications and registrations. The problem – if it exists – is even exacerbated by the fact that applicants for CTMs are confronted with an aggregated number of prior rights existing on the Community level as well as under national law.
- 1.33 It is true that the difficulties for newcomers to find a sign which is not blocked by a prior mark – and which can easily be pronounced and remembered, and gives rise to positive associations without being descriptive – are bound to increase in proportion with the size of registers. On the other hand, this is not an issue of absolute figures. At present (30 June 2010), 650.000 trade marks are registered at OHIM, whereas the German Patent and Trade Mark office counts ca. 800.000 registrations of national marks in force at the end of 2009, and more than 1.5 mio trade marks are registered at the USPTO. However, this does not allow drawing conclusions regarding the level of accessibility under each system; for a full picture, other relevant systemic features must be included in the consideration. This is particularly obvious for the US system, where – inter alia because of the requirement to prove actual use or file a declaration of intent to use – the space occupied by each mark in the register is typically narrower than under European law and regularly reflects a fairly accurate picture of the mark’s “life-size” on the market.
- 1.34 In contrast to American law, it is a fundamental trait of European trade mark law that trade marks can be registered without actual use, and are only liable to revocation if no genuine use is made after the lapse of 5 years following registration. If not challenged, unused marks will typically remain in the register until the end of the registration period, and they may be renewed without difficulty. The system therefore inevitably involves a certain amount of “cluttering” in the sense that unused trade marks are found in the registers and will show up in searches, even when they cannot be validly enforced. Further features arguably contributing to the accumulation of “deadwood” at OHIM (and at national offices following the same model) concern the basic fee covering three classes, which may invite overbroad registrations, or the use of class headings as designations covering all goods or services under that heading.
- 1.35 Those features should, however, not be regarded in isolation, but must be appraised as an element forming part of a system which is more strongly geared

towards fast and cost-efficient procedures than its American counterpart. This implies that private actors must be alert and defend their interests in a pro-active manner instead of relying on the “watchdog-function” of the registry. Changes in that regard are only called for if the obstacles to access resulting from unused or unnecessary registrations are substantial in their dimensions, and if the solutions envisaged are feasible and appropriate under a cost-benefits perspective.

- 1.36 Regarding substantiality – i.e. the question whether and to what extent “cluttering” results in serious detriments for applicants – the views presented by offices and stakeholders diverge widely. Whereas OHIM and major business associations emphasize that no such problems exist, other stakeholder organisations, in particular those representing agents and attorneys, declare that the cluttering problem is virulent and growing. A tableau of split opinions also transpires from the Allensbach survey: Out of 74 percent of agents expressing a view on the issue, the majority (41 percent vs. 33 percent) is of the opinion that what may be described as cluttering poses a problem at OHIM, whereas that view is only shared by 21 percent of proprietors (vs. 29 percent endorsing the opposite opinion).
- 1.37 While it is difficult to find reliable data sustaining one or the other position, the evidence available from the CTM register appears to point in the direction that the access to CTMs is not severely hampered by the number of earlier marks. As is regularly emphasized by OHIM, the opposition rate has remained stable throughout the years or is even slightly declining, showing that the growing number of trade marks has not led to a rising portion of conflicts. Interestingly, statistics also show that very crowded classes such as 09, 35, 42 and 41 attract a relatively low opposition rate (between 14 percent and 15 percent). However, the evidence is not entirely conclusive. Apart from the absence of conflicts, an explanation for the low opposition rate could lie in the fact that more efforts are undertaken in those classes to clear the rights before filing an application, thus adding to the pre-filing costs incurred by the companies. Concrete data are not available on that point. However, according to reports by FICPI about an internal survey conducted among its members, clients are usually advised to submit for clearance at least 3 if not more “candidate marks”, as the statistical probability for clearing one particular sign has become “increasingly minimal” due to the high and rising number of prior registrations. This stands in certain contrast to the results of a survey undertaken among companies participating in the European Business Test Panel (EBTP), which was established by the Commission in order to receive direct information and feedback from European business by way of regular consultations on various topics. According to the consultation on trade marks conducted in that framework in 2008 (http://ec.europa.eu/yourvoice/ebtp/consultations/2008_en.htm) a clear majority of participants (54 percent of 391 answers received) never had difficulties in finding a proper name or sign for a trade mark. Of those who did experience such difficulties (84 participants), however, 45 (53,6 percent) answered that the name was already registered as a trade mark by others (with additional 13,1 percent answering that the sign was taken by a prior design, trade name or patent).
- 1.38 Some investigations on the issue have also been conducted by INNO-tec. According to rough estimations based on internet searches, about 6 – 10 percent

of CTMs remain unused after 5 years of registration. Furthermore, an attempt is made to find indirect evidence for the volume of strategic applications which are not meant to be used, and remain to be unused in case of successful registration. As a background, the hypothesis is promulgated that the “dummy” strategy described above with regard to searches might be practised also for applications, meaning that companies file several applications simultaneously in order to increase the probability that at least one of them will “survive”. Without going into the details which are set out in the report by INNO-tec (*Annex I*), it is remarkable that simultaneous applications have significantly increased in recent years and appear to be augmenting. Submitting that the above hypothesis is valid, the finding might indicate that a strategy initially devised by applicants in order to minimize the risk of finding access to protection barred by a growing number of prior rights might itself become a source of obstruction. This would be critical *inter alia* because it tends to disadvantage SMEs which cannot easily afford to adopt the same strategy, at least in the longer run. However, all those findings are preliminary and must be appraised with great caution. It is strongly recommended that further studies are carried out which help to shed light on the issue.

- 1.39 For the purposes of this Study it must be stated that the evidence gathered is imperfect and does not allow drawing definite conclusions. There is no sustainable documentation showing that access to trade marks is substantially impaired by congestion of registers. On the other hand, it would equally be unwise to contend that the features of the present system which tend to invite a certain amount of cluttering are not giving rise to any problems at all, and will not do so in the future. The lack of hard and fast evidence in that regard may have various reasons, such as the “hidden” nature of additional costs incurred in the pre-filing stage, or the hard-to-grasp impact of strategic conduct. The Study therefore adopts as a general premise that amendments aiming at reducing the number of unused or partially unused marks may contribute to improvement of the system, where such measures appear as sensible and balanced in view of the ensuing costs and benefits. The issue is addressed at several instances in the further course of this Study.

E. Impact of different interests involved in trade mark law

I. Background and problems

- 1.40 Current law does not expressly refer to interests of proprietors and the public in general, or to the interests of specific parts of the public. There is no doubt, however, that full recognition of the private and public interests affected by the acquisition and use of distinctive signs is of crucial importance for the correct understanding and application of trade mark law. This concerns the interests of applicants in a smooth functioning of the registration system as well as those of proprietors in full and efficient protection of their rights, the interests of consumers in protection against confusion and other distortions of competition possibly affecting their decision-making, and the interest of other market actors in maintaining free competition and the free movement of goods and services.
- 1.41 In the jurisprudence of the ECJ, it is regularly emphasized that the absolute grounds for refusal (Articles 7 CTMR and 3 TMD) are underpinned by specific

public interests (see e.g. Joined Cases C-456/01 P and 457/01 P, Henkel/OHIM, paras 45, 46; C-329/02 P, SAT.1/OHIM, para 25; C-37/03 P, BioID/OHIM, para 59). The general objective underlying the distinctiveness requirement, Articles 7 (1) (b) CTMR and 3 (1) (b) TMD, concerns the interest of consumers to identify, in accordance with the mark's origin function, the products they want to buy (SAT.1/OHIM, para 23). In contrast, the public interest in free competition, i.e. the interest of competitors to keep a sign available for general use, is an aspect to be considered in the appraisal of descriptive character, i.e. in the context of Article 7 (1) (c) (Joined Cases C-108/97 and 109/97 Windsurfing Chiemsee/Huber & Attenberger, para 25; see also Joined Cases C-53/01 to 55/01, Linde, Winward, Rado/DPMA, para 73, C-191/01 P, OHIM/Wm. Wrigley, para 31).

- 1.42 Although a broad overlap exists between (lacking) distinctiveness and descriptive character, the two grounds for refusal must be assessed separately, and each one must be interpreted in the light of the particular type of public interest informing its application. In practice, this means that there is no possibility to take account of competitors' interests to keep a mark available when protectability is assessed under Article 7 (1) (b) CTMR (SAT.1/OHIM, para 36).
- 1.43 So far, an exception from that rule was only accepted by the ECJ for colour marks. In the leading case C-104/01 – Libertel concerning the protectability for colours *per se* under Article 7 (1) (b) CTMR, the Court based its reasoning *inter alia* on the aspect that in view of the limited availability of colours, too generous access to protection might harm the interests of competitors.
- 1.44 Similar arguments could also be made with regard to shape of product marks, which may also be in limited supply. However, contrary to Libertel, the ECJ confirmed with regard to shape of product marks its general rule that the interest to keep signs available for competitors cannot be considered in the framework of assessing protectability under Article 7 (1) (b) CTMR (C-173/04 P, Deutsche SiSi Werke/OHIM, para 63).
- 1.45 Certain restrictions regarding the possibility to take account of specific types of public interests apply also with regard to the appraisal of acquired distinctiveness under Articles 7 (3) CTMR) and 3 (3) TMD. The issue was addressed by the ECJ in Joined Cases C-108/97 and C-109/97 - Windsurfing Chiemsee/Huber & Attenberger. The conflict concerned a geographical term which had arguably acquired a certain degree of distinctiveness through use on the market. In response to the question posed in that regard, the ECJ stated that the threshold for acquired distinctiveness cannot be measured according to the strength of the need to keep the sign available (para 48: “[Article 3 (3)] does not permit any differentiation as regards distinctiveness by reference to the perceived importance of keeping the geographical name available for use by other undertakings”). This does not mean, however, that the same standards apply to all kinds of marks. In the concrete case – concerning a geographical name – the ECJ stated that :”where a geographical name is very well known, it can acquire distinctive character under Article 3 (3) of the Directive only if there has been long-standing and intensive use of the mark by the undertaking applying for registration. A fortiori, where a name is already familiar as an indication of geographical origin in relation to a certain category of goods, an undertaking applying for registration of

the name in respect of goods in that category must show that the use of the mark — both long-standing and intensive — is particularly well established” (para 50).

- 1.46 The interest of competitors to keep a sign available was further declared irrelevant for assessing the scope of rights in case of conflict. In Case C-102/07 Adidas/Marca Mode, the ECJ stated in the context of assessing likelihood of confusion, that by allowing for the third party “to rely on the requirement of availability to use a sign which is nevertheless similar to the trade mark freely without the proprietor of the latter being able to oppose that use by pleading likelihood of confusion, the effective application of Article 5 (1) of the Directive would be undermined” (para 31). Even if the sign is perceived by the public as a decoration, this does not preclude a finding of likelihood of confusion if “despite its decorative nature, that sign is so similar to the registered trade mark that the relevant public is likely to perceive that the goods come from the same undertaking or, as the case may be, from economically-linked undertakings” (para 34). Similar considerations apply to Article 5 (2) TMD: “It is clear that the requirement of availability is extraneous both to the assessment of the degree of similarity between the mark with a reputation and the sign used by the third party and to the link which may be made by the relevant public between that mark and the sign. It cannot therefore constitute a relevant factor for determining whether the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.” (para 43). And, finally, no possibility exists pursuant to the ECJ to consider the “need to keep free” as a relevant element in the assessment of the limitation set out in Article 6 (1) (b), in addition to those expressly mentioned in the provision: “The requirement of availability cannot in any circumstances constitute an independent restriction of the effects of the trade mark in addition to those expressly provided for in Article 6 (1) (b) of the Directive. It must be stated in that regard that, in order for a third party to be able to plead the limitations of the effects of the trade mark in Article 6 (1) (b) of the Directive and rely in that respect on the requirement of availability underlying that provision, the indication used by it must, as required by that provision of the Directive, relate to one of the characteristics of the goods marketed or the service provided by that third party”. (para 47).

II. Evaluation and proposal

- 1.47 As indicated above, the principle of undistorted competition calls for an evaluation of trade mark issues in the light of all interests involved. In that regard, the division made in jurisprudence between the two grounds of refusal anchored in Article 7 (1) (b) and (c) CTMR and Article 3 (1) (b) and (c) TMD and the public interests underlying them may create difficulties. It is true that competition interests are typically affected most directly when clearly descriptive terms are at stake. As is pointed out under para. 1.29 et seq., competition concerns usually rise in proportion with the scarcity of the particular type of sign for which protection is sought, and designations that are capable to indicate the quality, geographic origin or other specifics of the goods or services to which they relate are definitely in limited supply. However, similar concerns may arise in view of marks which are suggestive rather than descriptive, or regarding combination marks involving elements which would not be registrable as such. Furthermore, the argument of scarcity also applies to colour marks, and it may be of relevance for signs

consisting of the shape of goods, in particular where the shape is functional to some extent.

- 1.48 As indicated above, the ECJ has reacted to the problem in the case of colour marks, by requiring to take the aspect of limited availability into account for the assessment under Article 7 (1) (b) CTMR and Article 3 (1) (b) TMD. It is difficult to see why that should be the only case where competition interests may play a role in assessing distinctiveness, whereas in all other cases, the argument must remain confined to Articles 7 (1) (c) CTMR and 3 (1) (c) TMD. This means, for instance, that shape of product marks need to be qualified as ‘descriptive’ in order to allow for the argument that the shape has certain functional advantages, whereas the same argument must be rejected as long as the case is argued under Article 7 (1) (b) CTMR and Article 3 (1) (b) TMD. Odd situations may also occur when a word or combination mark is primarily assessed under the aspect of non-distinctiveness, but when the additional argument is made that the sign has certain properties which should be kept available in the interest of competitors. Courts and offices rejecting such arguments for the sole reason that they are “misplaced” under Articles 7 (1) (b) CTMR and 3 (1) (b) TMD risk to appear as arbitrary, and to lose credibility.
- 1.49 To restrict the public interests of relevance for the assessment of distinctive character to specific subgroups also makes it more difficult to arrive at a meaningful differentiation concerning the threshold for protection. This regards the evaluation of inherent distinctiveness, and it applies even more to distinctiveness acquired by use. It is true that already by differentiating between varying degrees of ‘non-distinctiveness’, and by taking account of different levels of expertise among the relevant public for the measurement, consumers’ and competitors’ interests alike are regularly safeguarded, to the extent that the grounds limiting the availability of the sign in question coincide with elements that diminish the mark’s distinctive character in the public’s perception. However, without including elements which determine a sign’s market impact in an objective sense – such as for instance the specific functional advantages of a shape, or the capacity of a colour to save printing costs – the analysis remains incomplete.
- 1.50 Finally, the scope of protection conferred on a mark must also rest on a balance of interests which includes those of proprietors, consumers, and competitors. None of those interests should be excluded per se from the assessment. Regarding competitors’ interests, recognition is mainly achieved in two ways. First, it is a general rule that the scope of protection is measured according to the strength of the mark, meaning that marks with a low level of distinctive character or market recognition are regularly afforded a narrow scope of protection. It is important that the rule is strictly observed in practice, so as to maintain a functional equilibrium. Second, protected signs may be used by competitors where that is permitted by the limitations in Article 12 CTMR and Article 6 TMD. Due to the exhaustive character of the provision, however, it may not be able to encompass the full scale of competition concerns, in particular where use of signs is at stake which do not have descriptive connotations in a literal sense. The consequence of such restrictions should be examined and analysed with a view to avoiding risks of systemic imbalance.

- 1.51 The balance of interests and possible shortcomings of the current approach will be addressed at several instances in the Study, in particular in the context of shape of product marks (Chapter 2 B), and regarding limitations and exceptions (Chapter 2 H). Furthermore, it is proposed that the need for courts and authorities to engage in a full interest analysis on all stages of trade mark protection should be addressed in the Preambles of the CTMR and the TMD.

F. Jurisdiction

- 1.52 The procedural structure of the Community trade mark system is characterized by the lack of a genuine Community jurisdiction for infringement proceedings. Community courts have jurisdiction in CTM matters only for reviewing decisions of OHIM in examination, opposition or cancellation proceedings. According to Article 65 (2) CTMR, actions against decisions of the Boards of Appeal may be brought before the General Court on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaty, of the CTMR or of any rule of law relating to their application or misuse of power. Article 58 of the Statute of the Court of Justice states that an appeal against a judgment of the General Court is limited to points of law.
- 1.53 Jurisdiction for Community trade mark infringement actions is attributed by Article 96 (a) CTMR to the Community trade mark courts. Article 96 (d) CTMR extends their jurisdiction to counterclaims for invalidity. According to Article 95 (1) CTMR, Community trade mark courts are national courts of first and second instance designated by the Member States. Further appeals against judgments of Community trade mark courts of second instance are governed by the national rules of procedure. The Court of Justice is not the court of last instance in these proceedings. However, the system of preliminary references pursuant to Article 267 TFEU (previously Article 234 EC) is available in proceedings before Community trade mark courts, thus ensuring a uniform interpretation of the CTMR provisions on infringement and validity, to the extent that they arise in CTM courts. Aspects of infringement of a Community trade mark that are not covered by the CTMR provisions are, according to Article 14 (2) CTMR, governed by the national law relating to infringement of national trade marks unless otherwise provided in Articles 94 to 108 CTMR. An example in this context is Article 102 CTMR that provides the sanctions when a Community trade mark court has found that the Community trade mark has been infringed. Apart from the order to prohibit the defendant from continuing the infringing acts the court must, with regard to any other sanctions, rely on the law of the Member States in which the acts were committed.
- 1.54 Article 97 CTMR lays down the rules on international jurisdiction of Community trade mark courts by defining the Member States in which the infringement proceedings can be brought in a court. The territorial extent of this jurisdiction is determined by Article 98 CTMR. It distinguishes between courts with community-wide jurisdiction and courts with jurisdiction limited to the Member State in which the courts are situated. Jurisdiction in this latter case derives from Article 97 (5) CTMR, according to which infringement proceedings can also be brought in the courts of the Member State, in which the acts of infringement have been committed or threatened.

- 1.55 Specific problems can arise when a Community trade mark court has Community-wide jurisdiction but the acts of infringement only occur in a particular region of the Community. In these cases, for example, the territorial scope of protection when likelihood of confusion is limited to parts of the Community, or the territorial scope of injunctive relief when the infringing use is limited to a certain area, has to be defined. There are no clear rules in the CTMR provisions on infringement that provide an answer. These issues are discussed in Chapter 3 B.

G. Impact of International law

I. Background

- 1.56 European trade mark law is strongly impacted by obligations incurred by the European Union and its Member States by virtue of their adherence to international conventions. All Member States are members of the Paris Convention (1967) as well as of the TRIPS Agreement (1994). The EU is party to the TRIPS Agreement, and is thereby bound to comply with Articles 1-12 and 19 of the Paris Convention (cf. Article 2.1 TRIPS). In addition, the EU as well as all Member States except Malta have adhered to the Madrid Protocol Concerning the International Registration of Marks (1989).
- 1.57 Furthermore, all EU Member States except Cyprus and Malta have adhered to the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. The EU as well as all Member States except Bulgaria have signed up, and a majority of Member States has already acceded, to the Trademark Law Treaty (TLT; 1994). The more recent Singapore Treaty on the Law of Trademarks (2006), which builds upon the TLT, was also signed by a large majority of Member States, and accession procedures have been concluded in about half of them.
- 1.58 Recital 13 of the TMD sets out that, as Member States are bound to the Paris Convention, it is “necessary that the provisions [of the TMD] should be entirely consistent with those of the said Convention”, and that the obligations of the Member States resulting from that Convention “should not be affected”. Because of this situation, there was also no need seen to make provisions in the TMD implementing all Paris Convention obligations.
- 1.59 As far as the CTMR is concerned, when it was adopted the EU was not (yet) bound to observe any Paris Convention obligation. Nevertheless, it was clear that the CTMR must be compatible with the Paris Convention. The legislative approach was therefore to make specific provisions in the CTMR implementing all substantive Paris Convention obligations, such as the right of priority, the protection of well-known marks etc.
- 1.60 The CTMR was amended to create compliance with TRIPS (Regulation (EC) No 3288/94). It may appear unfortunate that at that time the Directive was not also amended.

- 1.61 As EU law is committed to the principle of compliance with international law, references to relevant provisions in the Paris Convention, the TRIPS Agreement, as well as to other international treaties will be made in the Study where appropriate.

II. Competence

- 1.62 The distribution of competence between the Community and its Member States to conclude TRIPS was the object of the ECJ's Opinion 1/94. It was held that the Community and the Member States were jointly competent in the field, with the Community being exclusively competent to the extent that its internal competence to enact legislation in the areas covered by TRIPS had been exercised. The Opinion refers to trade mark law as one of the areas where only partial harmonisation has been achieved, as according to the Preamble of the TMD (recital 3), legislation is confined to the approximation of national laws "which most directly affect the functioning of the internal market" (Opinion 1/94, para 103).
- 1.63 In subsequent case law, the scope of the Community's competence with regard to TRIPS has been interpreted rather broadly. In Case C-53/96 – Hermès International/FHT Marketing Choice, the ECJ held in a case concerning a preliminary injunction for alleged breach of copyright and trade mark law, that Community competence existed in both fields with regard to provisional and protective measures addressed by Article 50 TRIPS, due to the fact that the CTMR, which went into force briefly before TRIPS had been signed, includes an obligation to provide for injunctive relief in case of CTM infringement (Article 103 CTMR; then: Article 99).
- 1.64 After enactment of the TFEU, it has been questioned whether the ECJ's Opinion 1/94 can still be regarded as good law, given that according to Article 3 e) in conjunction with Article 207 TFEU, the European Union is exclusively competent for issues concerning trade related aspects of intellectual property rights. Although there is no decision on the issue as yet, it is held by a majority opinion that all areas covered by TRIPS have thus become a matter of exclusive Community competence.
- 1.65 Without pursuing the issue further, it can be concluded that (at least) for trade mark law, it seems to be clear that all matters relating to protection of trade marks for goods or services fall into the scope of the European Union's legislative competence. Of practical importance is the fact that this includes protection of marks for goods or services which are not registered, but which are well-known in the country where protection is sought in the meaning of Article 6^{bis} Paris Convention and Article 16 (2), (3) TRIPS. The issue is addressed in Chapter 2 F.

H. Markets

- 1.66 This section contains a review of the economic and marketing literature which is relevant to the question how integrated and unitary the common market presently is. This question is relevant to the discussion of the relevance and role of national trade mark systems within the common market. It may be expected that if the

common market is highly integrated, then the uses of national trade marks within this integrated market will be quite limited. In contrast, if the common market were highly fragmented the challenges facing a unitary Community wide trade mark would be very high. In a highly fragmented market it is much more likely that signs that are distinctive or that have acquired a reputation in one part of the market will not have done so in another or several others. Also, in such a fragmented market the question whether there is genuine use of a trade mark is much harder to answer as it can only be properly answered with reference to a part or parts of the common market. What then should the correct criterion be for genuine use in such a fragmented market? Finally, note that the role of national marks within the fragmented market is quite important as it will always be easier to establish whether such marks are genuinely in use or have a reputation with reference to an economically, culturally and linguistically integrated submarket within the common market. Thus such national marks will be subject to less legal uncertainty for smaller entities not interested in community wide trade.

- 1.67 As this first paragraph shows the central question to be answered here is that of the degree of fragmentation of the common market. First it should be noted that the integration of the common market advanced significantly between 1985 and 1992 in the phase leading up to the creation of the single market (Monti, 2010). However, recent research confirms Monti's view that the integration of the common market has slowed down in recent years (Balta and Delgado, 2009).
- 1.68 In order to answer the question of whether a market is integrated or fragmented it is necessary to have criteria or measures at hand that support such a conclusion. Before turning to the substantive question whether the common market is integrated or not is therefore reviewed as to the antecedent question how integration can be measured.
- 1.69 The economic literature offers several ways of approaching this question. In the economic geography literature it has become common to exploit the Law of one price (LOOP) in order to determine how closely integrated geographically neighbouring markets are in an economic sense. The idea here is to measure how shocks to demand and supply conditions for a homogeneous good in one market affect demand and supply of that good in those neighbouring markets. In an important contribution Parsley and Wei (1996) showed that it can take four to five quarters for half of the shock to the price of a tradeable in the United States to wear off as a consequence of trade between neighbouring markets. This demonstrates that even in a highly integrated national market it may take a surprisingly long time for trade to react to imbalances within the market.
- 1.70 This literature has also provided results suggesting that national boundaries can have substantial effects on trade. For instance the national border between the United States and Canada has been said to reduce trade as much as a geographic separation of 2500 miles between two markets within Canada or the United States (Engel and Rogers, 1996). More recently it has emerged that such results are not robust to the inclusion of migration and past trade flows (Millimet and Osang, 2007).
- 1.71 However, this does not mean that national borders or even more importantly cultural and language borders do not have effects on trade. Rather it means that

economists could not properly account for these effects before. In recent work it has been shown that ethno-linguistic borders often have stronger effects on trade than national borders (Heinemeyer, Schulze and Wolf, 2008) and that business and social networks have very strong effects on trade flows and integration of markets even within a highly integrated market such as France (Combes, Lafourcade and Mayer, 2005).

- 1.72 The upshot of this literature is that it is the extent to which labour migrates between parts of the common market and the degree to which firms link production across national boundaries which determines the degree of market integration. As these linkages become stronger the market will become more unitary.
- 1.73 Having established that these factors determine the degree of market integration it remains to survey the evidence on integration of the common European market. The economic geography and trade literature also provides some insight into this question. In a recent paper Wolf (2009) revisits the historical example of the integration of Germany after 1870. He shows that it took more than a generation (until 1925) for former borders within the newly unified country to become weaker barriers to trade than those constituted by the borders of Germany with other neighbouring countries. As an aside it may be interesting to note that Germany instituted a common trade mark system as of 1877.
- 1.74 More recent evidence is provided by Balta and Delgado (2009). They argue that consumption of goods within a fully integrated market should reflect production. Thus if the share of local goods in the overall production of a market such as the common market is small, then the local consumption of locally produced goods should also be small. They test this prediction and find that the common market fails the test of strong integration – on average an EU 15 country spends 86percent on goods produced in that country and only 10percent on goods produced within the EU. As noted above they also note that there is little evidence that this home bias is getting smaller over time.
- 1.75 A similar result is provided by Goldberg and Verboven (2005) who study the integration of the European car market. They conclude that this is “ a market in which substantial cross-price differences still exist, but where progress towards integration is evident.”
- 1.76 Finally, Okazaki et al. (2007) survey marketing executives in the United States and in Japan and seek to answer the question whether the integration of the common market opens up the possibility for an integration of marketing activities across this market. The question whether firms can benefit from marketing integration across international markets is a long standing one, as there are substantial cost savings to be had. On the other hand it is recognized in this literature that over hasty integration of marketing activities can be damaging for firms where strong heterogeneity of local customs and preferences prevail. Okazaki et al. (2007) find that the managers they surveyed agreed that there was progress in the integration of the common market and that this did create opportunities for marketing integration. However, they also clarified that currently only very few firms are seeking to take advantage of these trends, which also suggests that these trends are not very strong.

- 1.77 Overall it can be concluded that there is not as much evidence on the integration of the common market as one might want to see. What evidence does exist suggests that market integration is far from full. This suggests that there still is a substantial role for national trade mark offices to provide local trade mark protection within those industries and markets that are currently not strongly integrated into the common market.
- 1.78 On a more positive note this review also points to those factors which can and ought to be measured in future to determine the extent of market integration within the common market: flows of migrant workers and networks of firm collaboration. The denser these become the smaller will be the role for the national trade mark offices within the community trade mark system.

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Chapter 2 - Common issues for TMD and CTMR

A. Signs capable of being registered

I. Current law

- 2.1 A definition of protectable subject-matter (“signs of which a [Community] trade mark may consist”) is given in Article 4 CTMR and Article 2 TMD. Such signs must be capable of being represented graphically, and they must be capable of distinguishing the goods or services of one undertaking from those of other undertakings. In addition to those requirements, the provisions contain an exemplary, non-conclusive catalogue of protectable forms of signs.

II. Case law

1. Capability to distinguish

- 2.2 The ECJ ruled in a case concerning trademark protection for the element of transparency of a dust collector bin (for vacuum cleaners) that “Article 2 [TMD]...is to be interpreted as meaning that the subject-matter of an application ...which relates to all the conceivable shapes of a transparent bin...forming part of the external surface of a vacuum cleaner, is not a sign within the meaning of that provision and therefore is not capable of constituting a trade mark” (Case C-321/03, Dyson/Registrar of Trade Marks).
- 2.3 Other than that, no forms of signs have been considered as being precluded from trade mark protection *per se*. Concerning the TMD, it was made clear by the ECJ that the nature of a sign of which a trade mark may consist cannot be assessed differently from one country to another (Case C-283/01 – Shield Mark/Kist). Member States are therefore not free to exclude forms of signs from protection which do own the basic capability to distinguish goods or services of one enterprise from those of another.

2. Graphical representation

- 2.4 The requirement of graphical representation does not mean that signs are excluded from protection which are not perceptible visually (Case C-273/00 – Sieckmann/DPMA, para 45). However, signs must be capable of being represented in a manner that is “clear, precise, self-contained, easily accessible, intelligible, durable and objective” (Sieckmann, para 55).

- 2.5 For single colours, the condition cannot be satisfied merely by reproducing on paper the colour in question, but may be satisfied by designating that colour using an internationally recognized identification code (Case C-104/01 Libertel/Benelux Merkenbureau, para 37).
- 2.6 Colour combinations must be systematically arranged by associating the colours concerned in a predetermined and uniform way (Case C-49/02 - Heidelberger Bauchemie/DPMA, para 33).
- 2.7 For musical tunes, the requirements are satisfied where the sign is represented by a staff divided into measures and showing, in particular, a clef, musical notes and rests whose form indicates the relative value and, where necessary, accidentals (Case C-283/01- Shield Mark/Kist, para 64). No ECJ decision so far has dealt with sonograms as a means of graphical representation of sounds. Sonograms of sounds not represented by musical notes are accepted by OHIM in accordance with Rule 3 of the Implementing Regulation, if filed in the form of a graphic representation plus a sound file representing the sound itself.
- 2.8 In the case of smell marks (olfactory signs), the requirements of graphic representability are not satisfied by a chemical formula, by a description in written words, by the deposit of an odour sample or by a combination of those elements. (Sieckmann, para 73; see also General Court, T-305/04 – The smell of ripe strawberries). No other forms of representation, like for instance chromatograms, have been tested so far in the jurisprudence of the General Court and ECJ.

III. Opinions

- 2.9 A broad majority of user associations consulted in the course of the Study expressed the view that the requirement of graphical representation of signs was outdated, and that the wording of the law should be changed so as to allow for a more liberal practice regarding representation of non-traditional signs. However, it was also stressed that this should not detract from the exigencies of legal security, as set forth in the Sieckmann decision.

IV. Issues

1. Capability to distinguish

- 2.10 It seems to be an accepted principle that basically all imaginable forms of signs which can be perceived by the human senses and hence are able to perform a communication function are also able to distinguish goods or services of one enterprise from those of another. The same view is reflected in the jurisprudence of the ECJ, as related above. Accordingly, the reference to a sign's capability to distinguish in Article 4 CTMR and in Article 2 TMD rather constitutes a positive mandate to keep the system open for all conceivable types of distinguishing signs, and not a substantial restriction of access to protection, as the present structure of the provision seems to imply. The positive character of the criterion would emerge

more clearly if the provision is reformulated so as to comply with the structure found inter alia in Article 15 (1) TRIPS.

2. “Sign” vs abstract concept

- 2.11 The confines of what may constitute a “sign” in the meaning of Article 4 CTMR and Article 2 TMD are somewhat unclear. In particular, no indication is found in the present text of the degree of concretization of subject matter which is required for a sign to be eligible for protection.

3. Graphical representation

a) Structure of the requirement

- 2.12 By virtue of its position in the initial part of Article 4 CTMR and Article 2 TMD, the requirement that a sign must be capable of being represented graphically might appear as a crucial defining element of the notion of a (Community) trade mark. The argument was indeed made on that basis that signs which cannot be represented graphically can by no means be considered as trade marks under European law, even if they are acquired (under national law) without registration. In order to prevent such misunderstandings, it should be made clear that, as important as graphical representation may be, it is only of relevance in the framework of the registration system and does not determine the protectability of marks as such.

b) Means of representation

- 2.13 The fact that Article 4 CTMR and Article 2 TMD in their present form demand graphical representation instead of being open for other forms of representation is often criticized as too restrictive. Whereas the issue has become moot where feasible ways of graphical representation have been identified through case law and practice, there is still considerable uncertainty with regard to some categories of non-traditional marks, like mere sounds (by contrast to musical tunes), smells, tastes, or haptic marks. Furthermore, in cases such as musical tunes and sound marks, representation by other than graphical means (e.g. by sound recordings) may even be preferable to mere graphical representation, if it allows for a more precise identification of the mark and thereby serves the aim of enhanced legal certainty. Apart from that, however, to allow for more flexibility with regard to the means of representation should not grant dispense from the basic concept underlying the list of criteria enunciated in the Sieckmann case. Whereas they do not have to be repeated literally, those principles should be expressed in the law in a general form.

V. Proposals

- 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.

B. Shape of product marks

I. Current law

- 2.17 The shapes of products or their packaging are listed in Article 4 CTMR and Article 2 TMD as forms of signs of which a trade mark may consist. For the assessment of protectability, the same rules are applicable as for other kinds of marks. In practice, this means that protection for shapes must be refused if they are devoid of distinctiveness, may serve descriptive purposes, or have become generic (Article 7 (1) (b)-(d) CTMR and Article 3 (1) (b)-(d) TMD). In addition, and unlike other forms of marks, signs are barred from protection in an absolute manner if they exclusively consist of shapes which result from the nature of the goods, are necessary to obtain a technical result, or give substantial value to the goods (Article 7 (1) (e) (i)-(iii) CTMR and Article 3 (1) (e) (i)-(iii) TMD).

II. Case law

1. Distinctiveness, descriptive character

- 2.18 It is an established principle in ECJ case law that the standards to be applied in the assessment of distinctiveness are the same for all forms of marks, including the shapes of products (Joined Cases C-53/01-C-55/01 – Linde, Winward, Rado, para 46. However, in the perception of the buying public, unusual forms of marks like shapes (and colours *per se*) are less likely to convey a message about commercial origin than other, more traditional forms of marks; therefore, it may be more difficult in practice to establish distinctiveness in relation to a shape of product mark than a word or figurative trade mark (Linde, Rado, Winward, paras 40, 41, 48; for a similar view on colour marks, see Case C-104/01 - Libertel, paras 65, 66).
- 2.19 As a matter of principle, the more closely the shape for which registration is sought resembles the shape most likely to be taken by the product in question, the greater will be the likelihood of the shape being devoid of any distinctive character for the purposes of Article 7 (1) (b) CTMR. Only a mark which departs significantly from the norm or customs of the sector and thereby fulfils its essential function of

indicating origin is not devoid of any distinctive character for the purposes of that provision (Case C-136/02 P – Mag Instruments/OHIM, para 31; see also Joined Cases C-456/01 P, 457/01 P – Henkel/OHIM, para 39). The interests of competitors in the availability of the shape do not constitute a relevant yardstick for appraising the protectability of the sign within the ambit of Article 7 (1) (b) CTMR and Article 3 (1) (b) TMD (Case C-173/04 P - SiSi Werke/OHIM, para 63).

2.20 Apart from Article 7 (1) (b) CTMR and Article 3 (1) (b) TMD, protection of shape of product marks may also be refused on account of their descriptive character (Linde, Winward, Rado, para 6). In that context, it must also be examined whether the shape should be freely available to all and not be registrable (Linde, Winward, Rado, para 74). However, as long as the sign falls outside the ambit of Article 7 (1) (e) CTMR and Article 3 (1) (e) TMD, its registration may not be denied as a matter of principle (Linde, Winward, Rado, para 75 last sentence).

2. Permanent exclusion from protection

2.21 The leading case addressing permanent exclusion under Article 3 (1) (e) TMD is Case C-299/99 – Philips/Remington, concerning a picture mark representing a triple headed shaver. Regarding the rationale underlying all grounds for exclusion listed in Article 3 (1) (e) TMD, it was held that it shall “prevent trade mark protection from granting its proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors. Article 3 (1) (e) TMD is thus intended to prevent the protection conferred by the trade mark right from being extended, beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark” (para 78). Regarding in particular Article 3 (1) (e) (ii) TMD, the Court pointed out that the provision is intended to preclude the registration of shapes whose essential characteristics perform a technical function, with the result that the exclusivity inherent in the trade mark right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution they wish to adopt in order to incorporate such a function in their product (para 79). Finally, concerning the question whether Article 3 (1) (e) (ii) TMD would not be applicable if the same technical result could be obtained by other forms, it was stated that Article 3 (1) (e) TMD, second indent, must be interpreted to mean that a sign consisting exclusively of the shape of a product is unregistrable by virtue thereof if it is established that the essential functional features of that shape are attributable only to the technical result. Moreover, the ground for refusal or invalidity of registration imposed by that provision cannot be overcome by establishing that there are other shapes which allow the same technical result to be obtained (para 84).

2.22 Based on similar reasoning, the ECJ confirmed the decision by the Grand Board of Appeal at OHIM and of the General Court to cancel the CTM registration of the basic LEGO building block (Case C-48/09 P).

- 2.23 In Case C-371/06 – Benetton/G-Star, the ECJ was asked whether a shape of product mark could obtain protection in case that the appearance of the product (arrangement of stitches on a pair of jeans) had originally given substantial value to the goods in the meaning of Article 3 (1) (e) (iii) TMD, but had later-on, by virtue of intense advertising campaigns, acquired distinctive character, so that, at the time of filing the application, the reputation enjoyed by the goods was largely attributable not to the aesthetic attractiveness of the shape but to the attractiveness resulting from recognition of the trade mark. The ECJ referred to the fact that the obstacles listed in Article 3 (1) (e) TMD are not mentioned in Article 3 (3) TMD, with the consequence that those obstacles cannot be overcome by establishing that the sign has acquired distinctiveness through use.
- 2.24 Registration was further denied by the 1st Board of Appeals at OHIM for the shape of a loudspeaker on the basis of Article 7 (1) (e) (iii) CTMR, whereas the same shape had been found inherently distinctive in a previous decision of the General Court. The case is pending before the General Court (Case T-508/08 – Bang & Olufsen/OHIM).

III. Opinions

- 2.25 Protection of shape marks was addressed in consultations with user organisations and other expert circles (judges from specialized courts) under two aspects: First, regarding difficulties to establish acquired distinctiveness throughout the Community (see on that issue Chapter 3 B). Furthermore, it was noted critically that this is an area where differences in legal practice are quite profound, not only between different offices, but also within the same office.

IV. Issues

1. Registration requirements for shape of product marks (and colours *per se*)

- 2.26 Trade mark protection for the shape of products is special in so far as it appears to defy the general rule that protection for marks does not restrict competition in goods or services as such. Similar to industrial design protection, protection of shape of product marks bars others from making and offering the same article on the market, and by contrast to industrial designs, that barring effect can be maintained without any limitations in time. In view of those particularities, some trade mark laws in previous times entirely excluded protection for trade marks consisting of the shape of products, or at least required a showing of acquired distinctiveness through use. Today, total exclusion from trade mark protection of the shape of products or their packaging would not be a feasible option, as Article 15 TRIPS requires that all forms of signs capable of distinguishing goods or services must be accepted for registration as marks. However, it is still possible under international law to stipulate as a general rule that shape of product marks can only be registered upon a showing of acquired distinctiveness (or “secondary meaning”). That rule has been espoused in major non-EU jurisdictions such as the USA and Japan.

- 2.27 Under EU law, no such requirement applies. Shape of product marks (and even more so the packaging of goods) can be registered, if they are significantly different from shapes usually found in the relevant market sector. However, actual practice has established a rather high threshold. Most courts and authorities, in observance of the ECJ's jurisprudence, appear to take a rather cautious approach towards the appraisal of inherent distinctiveness of product shapes. Where exceptions are made from that rule, the reasons for the decision are often not quite clear. The two main grounds for refusal, Article 7 (1) (b) CTMR/Article 3 (3) (b) TMD and Article 7 (1) (c) CTMR/Article 3 (1) (c) TMD, were not formulated with a view to unusual forms of signs such as product shapes, and are therefore not easy to apply. The situation is not improved by the division made in ECJ jurisprudence between Article 7 (1) (b) CTMR/Article 3 (3) (b) TMD and Article 7 (1) (c) CTMR/Article 3 (1) (c) TMD and the different subsets of the public interests on which each of those grounds is founded (see above Chapter 1 E). Those difficulties seem to be a major source for inconsistency and lacking transparency in OHIM's and national offices' registration practice, and this may result in unequal conditions for businesses seeking to protect their assets. Another source for concern regards the overlap between trade mark and industrial design protection: it is unclear whether and how the criteria for appraising inherent distinctiveness of a shape mark are distinguished from the criterion of "individual character" under design law, and whether the distinction is one of grade or of substance.
- 2.28 The situation could be relaxed in two ways: It could be clarified in the Preamble or elsewhere, that a "significant" distance from customary shapes should not be required, so as to lower the present threshold for protection. However, this is likely to lead to a proliferation of such registrations, entailing a host of conflicts. Vice versa, it could be stipulated that acquired distinctiveness must always be established as a precondition for registration. While this bars the possibility for obtaining protection on the basis of inherent distinctiveness for a few, it would not result in a massive change of present practice, while reducing the inconsistencies which today seem to be the main source of discontent. Fears that this would lead to serious protection gaps are soothed by the fact that shapes which are significantly different from the norm and thereby might arguably qualify as distinctive, could regularly be protected as industrial designs, if they are new on the market and therefore incapable of showing acquired distinctiveness. It is also important to note here that, as proposed under Chapter 3 B, the requirements for establishing acquired distinctiveness in the Community should be eased to some extent, so that obtaining protection for shape of product marks as CTMs would not become unrealistic.
- 2.29 Nevertheless, to promulgate a hard and fast rule barring access to trade mark protection for shape of product rules is not warranted. Courts and offices should be left with some flexibility to assess the individual circumstances of the case. However, in order to prevent inequality, guidelines should be given in the Preamble so as to preserve, or even enhance the cautious attitude reflected in ECJ jurisprudence concerning shape of product marks. The same would appear appropriate with regard to other forms of signs such as, in particular, colours *per se*.

2. Permanent exclusion from protection

a) Application to shapes only?

2.30 According to the wording, the permanent exclusion clauses in Article 7 (1) (e) (i)-(iii) CTMR and Article 3 (1) (e) (i)-(iii) TMD only apply to shape of product marks. However, in view of the case law of the ECJ which requires the examination of marks consisting of a two-dimensional rendering of three dimensional object (such as a product shape) to be carried out by applying the same standards applicable to 3D marks, it may well be that the exclusion in Article 7 (1)(e) CTMR and Article 3 (1) (e) TMD will be applied also to 2D marks (leading case: Case C-25/05 P – Storck/OHIM, para 29). (In the Philips case, which involved a 2D mark, it was agreed among the parties and the referring court that a 3D mark was at issue, and the ECJ treated it as such.) Also in a case like Benetton, the question might have been posed whether the trade mark – a pair of jeans displaying a special arrangement of stitches – actually consisted of a product shape in the strict sense. That question was not posed to the ECJ, but had it been of crucial relevance in the case, it could have been expected that the Court would have addressed it on its own motion. It can therefore be concluded that the notion of ‘shape’ presently found in the legal texts is interpreted rather broadly.

2.31 Nevertheless, the confinement of the permanent exclusion clauses to shapes might be too narrow. For instance, the corresponding exclusion clause for functional signs in US trade mark law does not contain any such restrictions, but can be applied to all kinds of signs, like colours, smells, or sounds. Whereas the practical relevance of the exclusion clause for such other forms of signs may be much smaller in practice than for shape marks, there is no pertinent reason for generally excluding other signs from its ambit. For instance, if the sound of a motorbike is produced by the technical properties of the engine, it could be of relevance to assess whether the sound results from the nature, or rather from the technical performance, of the goods it is intended to designate.

b) Functional and value-conferring shapes

2.32 Regarding the first two grounds for permanent exclusion, Article 7 (1) (e) (i) and (ii) CTMR and Article 3 (e) (i) and (ii) TMD, exclusion from protection is motivated by the need to maintain the fundamental balance of interests reflected in the architecture of the intellectual property system. Where shapes are exclusively determined by the nature of the product, or by its functional or technical features, their attribution to a sole manufacturer, without any limits in time, would result in permanent monopolization of a(n important sector of a) market, and would thereby lead to serious distortion of competition. This complies with the basic rationale of Article 3 (1) (e) TMD which the ECJ identified in Case C-299/99 – Philips/Remington, namely to “prevent the grant of a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors”. However, the same arguments hardly apply to Article 7 (1) (e) (iii) CTMR and Article 3 (e) (iii) TMD. The legal objective of the clause is unclear, and case law under the TMD and CTMR as well as under its previous codification in the Uniform Benelux law is scarce and obscure. If it was originally meant as providing a demarcation line between the realms of industrial design and

trade mark protection, it has long forgone its purpose – in practice, it does not pose a meaningful obstacle against simultaneous or subsequent protection of shapes under both laws. Worse, it might present a dilemma for particularly ambitious designs: as indicated above, (only) products which are significantly different from pre-existing forms may, under the standards established in ECJ jurisprudence, qualify as being inherently distinctive – however, if that makes them also particularly attractive for consumers, they may, according to the logic of the law which was confirmed in Case C-371/06 – Benetton, for the same reason be barred from protection forever (that dilemma is brought to the fore in case T 508/08 Bang & Olufsen, pending before the General Court).

2.33 The problems are due to the fact that whereas the technical necessity of a shape can be assessed in a fairly stable and objective manner, the answer to the question whether a shape gives substantial value to a product (in terms of determining its commercial attractiveness) is essentially depending on the public's apprehension, which involves subjective evaluations. It is inevitable that such evaluations change with time, and where they do, this will directly affect the type and impact of competitive advantage conferred by the sign. Where a shape has initially attracted consumers by its aesthetic appeal, but has later-on developed a high degree of distinctiveness and is mainly appreciated for that reason, the basic rationale for Article 3 (1) (e) TMD articulated by the ECJ in Philips does not apply any longer.

2.34 In view of those misgivings, it appears recommendable to delete Article 7 (1) (e) (iii) CTMR and Article 3 (1) (e) (iii) TMD. Of course, this does not mean that the competition concerns which underlie the first two subsections of Article 7 (1) (e) CTMR and Article 3 (1) (e) TMD are completely meaningless with regard to products the commercial value of which resides entirely or predominantly in their shape. If that is the case, they should remain excluded from protection. That result can be achieved by applying Article 7 (1) (b) or (c) CTMR and Article 3 (1) (b) or (c) TMD, based on the consideration that as long as the product is bought for its appearance without the appearance having become an indication of commercial origin, the shape is not to be regarded as distinctive. That principle could also be set out expressly, by stipulating that shapes determining the commercial value of the goods are excluded from protection, unless the shape has become distinctive through use.

V. Proposals

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.

C. Disclaimers

I. Current legislation

- 2.38 Disclaimers regarding CTMs are regulated in Article 37 (2) CTMR. If a trade mark for which an application for registration has been filed contains an element which is not distinctive and which might give rise to doubts as to the scope of protection, OHIM may request as a condition for registration that the applicant disclaims any exclusive right to such element. Rule 11 (2) and (3) CTMIR set out that if registration of a trade mark is subject to a disclaimer, the office shall notify the applicant accordingly, and shall invite him to submit the relevant statement within a period specified by it. If the applicant fails to comply with the request, the application will be refused. If the requested statement is filed by the applicant, it is published together with the application or registration of the CTM. In practice, OHIM appears to make little use of the possibility to request disclaimers.
- 2.39 The TMD does not contain a provision on disclaimer. As procedural issues do not form part of harmonisation under the present Directive, Member States are free to include that feature into their national laws.
- 2.40 Disclaimers are still part of the trade mark law of some countries, such as Ireland, Sweden and Latvia, while the United Kingdom abolished disclaimers some years ago.
- 2.41 Neither the CTMR nor the TMD address the legal effect of disclaimers in case of opposition or infringement proceedings.

II. Case law

- 2.42 The General Court has confirmed that OHIM is not obliged to request a disclaimer, but that it only has an option to do so (Case T-295/01 – Nordmilch/OHIM (“OLDENBURGER”), para 64). Furthermore, the Office cannot be criticized for not considering a disclaimer when it is clear that the mark is descriptive or not distinctive and must therefore be refused (Case T-461/04 – Imagination Technologies/OHIM). OHIM is entitled to refuse an application in absence of a requested disclaimer (Joined Case T-425 and 426/07 – Agencja Wydawnicza Technopol, currently on appeal to the ECJ).

III. Opinions

- 2.43 Disclaimers were not addressed in statements by user associations. In talks with members of the Boards of Appeal of OHIM, the opinion was voiced, but not supported by a majority, that in order to ensure that combination marks are not given too broad protection on the basis inter alia of elements which are not protectable as such, it should be made mandatory to demand disclaimers in regard of such elements.

IV. Issues

- 2.44 The legal rationale for providing for disclaimers has been the difficulty of judging conflicts between marks consisting of elements which as such would not be registrable. In view of inconsistent application and absence of disclaimers in most Member States their impact in practice appears to be unclear. Disclaimers are of no relevance for the registrability examination: the general rule is that when a trade mark consists of several elements of which some are descriptive or not distinctive, it will be refused registration if, and only if, it is devoid of distinctive character in its entirety. Disclaimers have no influence on the outcome of the examination. Rather, they are intended to remove doubts about the scope of protection, an issue which arises only when conflicts must be judged. When determining conflicts, the overall impression of the conflicting marks is decisive, and it is difficult to see how a disclaimer (of which the public to which the marks are addressed is entirely unaware) can change the outcome. This is the more doubtful because of the de facto absence of disclaimers in registered CTMs and the absence of such disclaimers in most marks protected in Europe. The optional character of disclaimer practice, and the required exercise of predicting or anticipating disputes between marks necessarily result in unequal treatment of applications which are basically identical in view of the factual and legal elements involved, without the affected person being able to call for judicial control and redress.
- 2.45 Similar concerns are raised by the way in which disclaimers, where they are filed upon or without an express request, may impact the scope of protection of a trade mark. Article 37 (2) CTMR seems to indicate that elements which have been disclaimed cannot be taken into account for assessing the similarity of signs. Trade marks for which a disclaimer has been filed are disadvantaged in that regard vis-à-vis other signs where, in practice, all elements of which the mark consists are taken into consideration for the overall impression to be compared

with the conflicting sign, including elements which, as such, are descriptive or not distinctive. As a matter of principle, that result does not change with regard to disclaimed elements if the mark concerned becomes “strong” by way of intense and extended use on the market. Hence, in that regard as well, the use or non-use of disclaimers may result in unequal treatment.

- 2.46 The issue could be addressed by making disclaimers mandatory, and extend the power to request disclaimers also to the courts. In a certain variation of that rule, it could also be provided that disclaimers are mandatory (only) where an element consists of features that are entirely functional or result from the nature of the goods, and would be incapable of protection under Article 7 (1) (e) CTMR (in a similar vein, see opinion of Advocate General Mengozzi, Case-48/09 P – Lego Juris /OHIM, para 73). However, such a rule would likely create problems in practice, as it would force examiners to “dissect” every application, in particular applications for device marks or figurative marks, into the various elements, and subject them to separate tests of distinctiveness or functionality.
- 2.47 In view of these doubts and difficulties, rather than making disclaimers mandatory, the option under the CTMR to request disclaimers as a prerequisite for registration should be deleted. It needs to be observed, though, that such a move would have detrimental effects if it were understood as signalling that functional, descriptive or non-distinctive elements of combination marks regularly carry a weight of their own in the assessment of the mark’s scope of protection vis-à-vis similar signs. Whereas it is true that also non-distinctive elements are part of the overall impression conveyed by a sign, it should remain clear that as a rule, findings of likelihood of confusion cannot be based on elements which are not eligible for protection as such. It is a generally accepted principle that marks or elements of marks which are “weak” should only be given narrow protection; accordingly, where elements must be qualified as non-protectable, protection should not find a basis at all therein (see also para 2.195). Whereas that result – which must be applied consistently to all signs – largely corresponds to that achieved by disclaimers, it is more flexible in its effects, as it leaves room for taking account of the dynamics of consumer perception. Hence, if originally non-protectable elements become distinctive through use, their impact on the scope of protection will naturally change as well.
- 2.48 The proposed deletion of Article 37 (2) CTMR would leave the possibility open for applicants to add disclaimers, on a voluntary basis, regarding certain elements of the trade mark application. However, it should be clear that such disclaimers only serve clarification purposes and have no influence on the decision as to whether or not the trade mark is registrable, or on its scope of protection.

V. Proposals

- 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.

- 2.50 To the extent that CTMs are registered with a disclaimer, no transition rule seems necessary. Alternatively, it might be considered to allow proprietors of CTMs to request deletion of any disclaimers entered voluntarily or upon request by the Office.

D. Loss of distinctiveness and acquired distinctiveness (relevant date)

I. Current law

- 2.51 According to Article 7 (1) (b)-(d) CTMR registration of a mark must be refused if the conditions of these provisions are met. This has been interpreted by OHIM to mean that the conditions must not only be fulfilled on the filing date, but also continue to be fulfilled on the date when the decision on registration is taken. This was perceived to be in line with Article 52 (2) CTMR according to which a mark that has obtained distinctiveness through use after registration cannot be declared invalid. In consequence of this approach it was considered by OHIM to be sufficient for refusing registration to show absence of distinctiveness or descriptiveness at the time that the decision was taken. However, the ECJ in a recent decision (Case C-332/09 P – OHIM/Frosch Touristik) has held that the only relevant date is the filing date, which seems to mean that a mark that has lost its distinctiveness after the filing date or that has become descriptive after that date cannot be refused.
- 2.52 Protection on the basis of acquired distinctiveness is regulated in Article 7 (3) CTMR and Article 3 (3) TMD. Registration of a trade mark shall not be refused, or be liable to a declaration of invalidity, on the ground of Article 7 (1) (b), (c) and (d) CTMR or Article 3 (1) (b) (c) and (d) TMD if the mark has acquired distinctive character in consequence of the use which has been made of it. The TMD specifies that the provision is mandatory when distinctiveness has been acquired prior to the date of application for registration. In addition, Member States may also provide that the trade mark is registrable if distinctiveness has been acquired in-between application and registration, or after registration.

II. Case law

- 2.53 As regards the first issue, the relevant date for assessing distinctiveness or descriptiveness, the ECJ recently confirmed a General Court judgment which had been appealed by OHIM, in view of its constant practice referred to above (Court Order of 23 April 2010, Case C-332/09 P – OHIM/Frosch Touristik).
- 2.54 As regards the second issue, the ECJ has confirmed that the present wording of Article 7 (3) CTMR does not allow any other interpretation than what is observed in practice by OHIM, namely that distinctiveness must have been acquired before the

date of application (Case C-542/07 P – Imagination Technologies Ltd/OHIM, para 60).

III. Opinions

- 2.55 The relevant date for assessing (acquired) distinctiveness was rarely brought up as a topic during the consultations. However, being asked about their position regarding possible changes in the CTMR, it was signalled by members of the Appeal Boards at OHIM that it would be acceptable to switch to the date of registration as the relevant date for assessing protectability, including acquired distinctiveness, if it remained assured that this would not be to the detriment of third parties.
- 2.56 Apart from that, acquired distinctiveness was addressed with a view to a possible relaxation of the present requirements for CTM registration of signs which are non-distinctive throughout the Community. This will be addressed under another topic (Chapter 3 B).

IV. Issues

- 2.57 As regards the time for assessing protectability in general, an approach requiring to disregard developments between the filing date and the date when the decision on registration is taken does not appear in line with the principle that the absolute grounds for refusal must be assessed in the light of the general interest which underlies each of them. This general interest has to be taken into consideration at the time of the decision on registration. An examination of the protectability limited to the filing date could lead to the registration of marks which at the time of registration are not registrable, and which thereafter cannot be invalidated because loss of distinctiveness or descriptiveness are not grounds for invalidation. The only ground for invalidation on account of post-registration developments is the development of the mark to a common name for the product pursuant to Article 51 (1) (b) CTMR. Also, as regards judging registrability, the tasks of examiners is easier if focussed on the time when the decision is taken rather than on the earlier time when the application was filed, even though the actual perception of the mark by the relevant public may not have changed between these dates.
- 2.58 As regards acquired distinctiveness, the differences existing at present between the CTMR and national laws with regard to the relevant date for assessment of distinctive character create unequal conditions for protection within the EU. The legal rule applying with regard to the issue should be clear and uniform on the national as well as on Community level. The present practice observed by OHIM is dissatisfactory as it disregards the dynamism of market effects resulting from trade mark use, which may lead to changes in the perception and awareness of the public within months. If it is not possible for the applicant to prove the degree of acquired distinctiveness at a time which follows the application date, a new application must be filed, which entails additional costs and burdens for the applicant, and reduces the efficiency of proceedings. On the other hand, the interests of third parties should not suffer from the possibility to take account of

acquired distinctiveness after the date of application. This could be ensured by postponing the relevant date from the date of application to the date for which acquired distinctiveness has been established with the Office, without the need to file a new application. Legal certainty as regards the relevant date can be ensured by a registration and publication of the date as of which acquired distinctiveness was established, which will then become the filing date for purposes of establishing which of conflicting rights is earlier. If distinctiveness has been acquired after registration, the trade mark cannot be declared invalid (Article 52 (2) CTMR). Rights which were acquired by third parties during the time when the registered trade mark was not distinctive are to be treated as “intervening rights”, meaning that they cannot be opposed on the basis of the prior trade mark. The issue of “intervening rights” is dealt with in a different context (see Chapter 2 I).

- 2.59 Article 7 (3) CTMR also raises an issue with regard to the geographical breadth of the area for which distinctiveness needs to be established. This is of particular importance for trade marks which are considered non-distinctive throughout the EU, such as shape of product marks or colours *per se*. The issue is addressed under another topic (Chapter 3 B).

V. Proposals

- 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 descriptiveness 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.

E. Use requirement

I. Current law

- 2.62 The requirement of genuine use with a “grace period” of five years is the subject of Articles 10, 11 and 12 TMD and Articles 15, 42, 51, 57, 99 and 100 CTMR. As a matter of substantive law, what is required is
- use of the mark in the course of trade,
 - use of the mark as a mark,
 - use of the mark as registered or with variations not affecting its distinctive character,

- use of the mark for the goods or services for which it is registered,
- use of the mark by the proprietor or with his consent,
- use in the Community for CTMs or in the respective Member State for national marks; use on exported goods is sufficient,
- use following a “grace period” of five years from the date of registration for CTMs or from the date of the termination of the registration proceedings for national marks,
- use which is “genuine” or justified reasons for non-use.

2.63 Procedurally, the CTMR provides for the defense of non-use in opposition proceedings in Article 42 CTMR and in cancellation proceedings based on earlier rights in Article 57 CTMR as well as in infringement proceedings in Article 99 (defense) and Article 100 CTMR (defense to counterclaim based on earlier registered marks), and for the revocation on grounds of non-use in Articles 50 and 100 CTMR. These provisions are supplemented by provisions in the Implementing Regulation.

2.64 The TMD, in accordance with the absence of any mandatory procedural rules, does not provide for a set of procedural rules comparable to the CTMR, but essentially only obliges Member States to make provisions for the revocation on grounds of non-use and the refusal of invalidation on grounds of unused earlier marks. It is for each Member State to determine, if it has an opposition procedure, to provide for the defense of non-use, and the same applies for infringement actions.

2.65 Later CTMs acquired during a time when a CTM or an earlier national trade mark was subject to revocation on grounds of non-use are protected from subsequent cancellation (Article 57 (2) (3) CTMR) (intervening rights). There is no comparable provision as regards infringement actions. No provisions on intervening rights are found in the TMD. The issue is addressed under Chapter 2 I.

II. Case law

1. Substantive law

a) Use of the mark in the course of trade

2.66 There is no non-use specific case law on the use in the course of trade. From other cases having interpreted that term, it appears that “in the course of trade” must be distinguished primarily from private use. Also, pure internal use within a company is not use in the course of trade.

b) Use of the mark as a mark

2.67 The mark must be used as a mark, i.e. as a sign distinguishing the goods or services of the proprietor from those of others. It is therefore necessary to make a distinction between “trade mark use” and other forms of use. There are no decisions by the ECJ directly on this issue.

c) Use of the mark as registered or of an acceptable variation

2.68 Whether the mark is used as registered or not is determined by a (visual) comparison of the registration with the actual use. The use of a registered mark together with another mark, or even as part of another mark, is not detrimental, as long as the mark maintains its independent character.

2.69 Whether the used version is a variation of the registered mark sufficiently close to the registration so as not to affect the distinctive character is judged on a case by case basis. The case law does not allow any general rules to be derived.

2.70 The ECJ has taken the view in the Bainbridge case (Judgment of 13 September 2007, Case C-234/06 P – Il Ponte Finanziaria S.p.A.) that where the proprietor has several similar registrations the use of a particular mark cannot be taken as use of a similar registration on account of that similarity:

86 “In any event, while it is possible, as a result of the provisions referred to in paragraphs 81 and 82 of the present judgment, to consider a registered trade mark as used where proof is provided of use of that mark in a slightly different form from that in which it was registered, it is not possible to extend, by means of proof of use, the protection enjoyed by a registered trade mark to another registered mark, the use of which has not been established, on the ground that the latter is merely a slight variation on the former.”

2.71 In the General Court’s judgment in the Bainbridge case the same issue was treated somewhat differently, the Court considering that a particular use may be attributed only to one particular registration (Judgment of 23 February 2006, Case T-194/03, para 50: “ ... However, Article 15 (2) (a) does not allow the proprietor of a registered trade mark to avoid his obligation to use that mark by relying in his favour on the use of a similar mark covered by a separate registration.”). There is no reason given for this apodictic statement.

d) Use for the goods or services for which the mark is registered

2.72 The use made must be “for” goods or services. This does not necessarily require use directly on the goods or their containers, but the use must be in relation to the goods, or, in the case of services, in relation to these services. The use may also be in the course of advertising, even if the marks do not appear directly on the product. This follows from the Judgment of 11 March 2003, Case C-40/01 – Ansul BV v. Ajax Brandbeveiliging BV – Minimax, para 37 :

“It follows that 'genuine use' of the mark entails use of the mark on the market for the goods or services protected by that mark and not just internal use by the undertaking concerned. The protection the mark confers and the

consequences of registering it in terms of enforceability vis-à-vis third parties cannot continue to operate if the mark loses its commercial raison d'être, which is to create or preserve an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of other undertakings. Use of the mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are under way, particularly in the form of advertising campaigns. Such use may be either by the trade mark proprietor or, as envisaged in Article 10 (3) of the Directive, by a third party with authority to use the mark.”

2.73 The use of the mark must be made for the registered goods or services. Use for goods or services similar to the registered goods or services, or for dissimilar goods or services, is not sufficient.

2.74 OHIM practice considers the complete class headings for a class of the International Classification as encompassing all the goods or services falling into that class, even if the goods or services are not specifically included in the specification and may not actually fall under any of the generic terms used in the class headings. An example: A mark is registered for musical instruments, the class heading of class 15, but used only for carrying cases for violins, which are also classified in class 15. Under OHIM practice, the mark would not be subject to revocation entirely, because used for goods in class 15, but would be restricted to a proper generic indication, such as “carrying cases for musical instruments”. In some national systems the mark would be considered as not having been used for any product for which it is registered and thus removed from the register entirely. That issue is dealt with under the aspect of classification (see Chapter 4 B).

2.75 Where the mark is registered for a generically defined group of products (e.g., scientific apparatus) but is used for a specific product (e.g. microscopes) only, the case law of the General Court, most prominently the leading case Aladin/Alladin (Judgment of 14 July 2005, T-126/03, Reckitt Benckiser (España) SL v. OHIM – Aladin Gesellschaft für innovative mikrobiologische Systeme GmbH), requires an analysis to determine the appropriate sub-genus. A more restrictive approach, limiting the proprietor to the specific goods for which the mark has been used, has been refused. According to the General Court, the mark will then be taken as registered for that sub-genus, and comparisons in likelihood of confusion cases must take that sub-genus into account. A partial cancellation will be available, limiting the registration to the sub-genus.

e) Use of the mark by the proprietor or with his consent

2.76 The mark must be used by the proprietor or with his consent, such as by a licensee or a related company. The ECJ has confirmed a General Court judgment which had taken the view that even without specific evidence of consent the circumstances allowed the conclusion that the use was made under the authority of the proprietor (Vitafruit, Judgment of 11 May 2006, Case C-416/04 P – The Sunrider Corp).

f) Use in the Community or in the respective Member State

2.77 The use must be made in the Community for CTMs and in the respective Member State in case of national marks. There is as yet no case law from the ECJ or the General Court specifically dealing with the territorial extent of use.

g) Use and starting date of “grace period”

2.78 The use must begin, in order to support the registration and avoid cancellation, no later than five years after the date of registration for CTMs and five years after the end of the registration procedure for national marks.

2.79 According to the Häupl judgment (Judgment of 14 June 2007, Case C-246/05 – Häupl v. Lidl Stiftung & Co. KG – Chef de Cuisine), it is for each Member State to determine when the registration procedure ends, also in case of IR marks.

2.80 The same five-year period applies when the use of the mark is interrupted.

h) Genuine use

2.81 The ECJ has defined “genuine use” in the leading “Minimax” case (Judgment of 11 March 2003, Case C-40/01 – Ansul BV v. Ajax Brandbeveiliging BV), as follows:

“Article 12 (1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that there is 'genuine use' of a trade mark where the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services; genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark. When assessing whether use of the trade mark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of the goods or services at issue, the characteristics of the market and the scale and frequency of use of the mark. The fact that a mark that is not used for goods newly available on the market but for goods that were sold in the past does not mean that its use is not genuine, if the proprietor makes actual use of the same mark for component parts that are integral to the make-up or structure of such goods, or for goods or services directly connected with the goods previously sold and intended to meet the needs of customers of those goods.”

2.82 What is decisive therefore is not the absolute volume of sales, but the genuineness of actual use, modest as it may be. The Minimax judgment was confirmed in the subsequent La Mer Order (27 January 2004, Case C-259/02 – La Mer Technology Inc. v. Laboratoires Goemar SA). The principles have been confirmed by the ECJ in cases reaching the court on appeals from the General Court, notably in the Vitafruit judgment (Judgment of 11 May 2006, Case C-416/04

– The Sunrider Corp.). Numerous General Court judgments have applied these principles.

2.83 The ECJ has also held in the Wellness case (Judgment of 15 January 2009, Case C-495/07, Silberquelle GmbH v. Maselli-Strickmode GmbH) that the use of a mark on goods distributed “free” with other, unrelated goods does not amount to genuine use. On the other hand, the Court has held in the Radetzky case (Judgment of 9 December 2008, Case C-442/07, Verein Radetzky-Orden v. Bundesvereinigung Kameradschaft Feldmarschall Radetzky) that services provided for free by charitable institutions satisfy the use requirement.

2.84 As regards justification of non-use, the ECJ has expressed the principles in the Häupl judgment (Judgment of 14 June 2007, Case C-246/05 – Häupl v. Lidl Stiftung & Co. KG – Chef de Cuisine) as follows:

“Article 12 (1) of Directive 89/104 must be interpreted as meaning that obstacles having a direct relationship with a trade mark which make its use impossible or unreasonable and which are independent of the will of the proprietor of that mark constitute ‘proper reasons for non-use’ of the mark.”

2.85 The ECJ has also held that “defensive” registrations under national law (in that case: Italy) do not justify non-use (Bainbridge, *supra*).

2. Procedure

2.86 As regards CTMs, many procedural aspects have been brought before the General Court, and the Court of Justice, and it does not seem necessary to report these judgments.

2.87 On procedural issues in national law, the Häupl judgment (*supra*) held that the “termination of registration proceedings” (in the specific case for a Madrid mark), set as the beginning of the grace period, is a matter for each Member State to determine.

3. Bad faith

2.88 Neither the CTMR nor the TMD contain a definition of bad faith. There is also no case law by the ECJ or the General Court on the question whether the absence of an intent to use or any other circumstance surrounding the use requirement could in general amount to “bad faith”. However, the ECJ has held in Case C-529/07 – Lindt&Sprüngli AG/Hauswirth that an application may be in bad faith “when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market” (para 44).

2.89 OHIM Guidelines provide that re-filing an unused mark and thus seeking to obtain a new “grace period” constitutes bad faith.

III. Opinions

- 2.90 Most of the comments by user associations regarding the use requirement concerned the territorial scope of genuine use made of CTMs, which is addressed under another topic (Chapter 3 A). As in that context, opinions were also divided with regard to other aspects concerning use, including the general question whether the use requirement in its current form results in too many unused signs being protected as CTMs or national marks, leading to a cluttering of registers. The background for those divergences may be found in subjective evaluations based on personal experiences of various kinds, as well as in differences between relevant sectors of industry. While it is not possible therefore to arrive at conclusions reflecting the unanimous view of users, the fraction of those voicing concerns about the present situation regarding the use requirement and other aspects of relevance in the same context, in particular concerning classification, is relatively strong. However, only a minority among user associations endorsed the proposal to reduce the grace period for showing genuine use from 5 years to the international minimum standard of 3 years, or to require a declaration of intent to use at the time of application. A somewhat higher degree of support, but also a fair degree of scepticism was raised by proposals to demand a declaration of use at a later point in time, e.g. at the time of prolongation. Such proposals were considered as acceptable only if the requirements would be relatively simple to deal with, without requiring too much of an administrative effort.
- 2.91 A similar picture also derived from the talks with the offices. Also there, the (geographical) extent of the use requirement was in the foreground of discussions; however, apart from that, most of those representing the national offices were open to measures which would reduce the volume of non-used marks in their registries, or pointed to implementation of such measures which had already been taken under national law (including measures concerning classification).
- 2.92 The Allensbach survey showed that a relative majority of agents (41 percent of the entire sample) agreed to the statement that too many CTMs are in the register which are not (fully) used. The degree of consent varies strongly between countries, with agents from the UK being the most critical, followed by those from new EU Member States. Proprietors, on the other hand, tend to be less concerned; however, in that group, the portion of those who do not issue any opinion at all is particularly high (50 percent). Regarding reactions to proposed changes, a clear majority of proprietors favoured maintaining the present grace period of 5 years over a shortened period of three years (55 percent compared to 28 percent), while the difference between those positions was not quite as pronounced (but still clear enough) among agents (54 percent compared to 40 percent).

IV. Issues

1. General remarks

- 2.93 It was established at the time the TMD and the CTMR were adopted that a proper enforcement of the use obligation is considered essential for the European trade mark system, both as regards CTMs and as regards national marks. Use of marks is the essential justification for their protection. Also, the ability to remove unused marks from the registers is necessary in order to facilitate the acquisition of new marks and reduce the number of potential conflicts.
- 2.94 Currently, when availability searches reveal potentially conflicting marks, costly inquiries need to be made into whether these marks are actually used for the goods or services for which they are registered, and these inquiries are often inconclusive, thus leaving potential risks for new applicants. On the other hand, trade mark owners must have the ability to obtain registration prior to actual use, in accordance with their current or potential business needs. Under the CTM system, trade mark proprietors may claim broad protection without any examination as to their needs, as the CTMR does not provide for an intent-of-use requirement applicable at the time of filing or registration. The TMD is silent on the issue, but some Member States require a present intent of use and thereby limit overbroad specifications.
- 2.95 A properly administered requirement of use regime is essential for the functioning of the European trade mark system, both at the level of the Union and at the level of the Member States. Accordingly, appropriate measures must be taken to ensure that registered marks are actually used, after the expiry of the “grace period”, and that unused marks are removed from the trade mark registers. In the first place, this is achieved by the current rules governing the requirement of use.
- 2.96 In addition, this chapter addresses the issues of “intent of use” and “declaration of use” as further points of discussion. Other aspects of the same topic are addressed in more detail in the context of “Classification” (Chapter 4 B) and in the context of “Fees” (Chapter 4 F).
- 2.97 The issue of broad specification is, on the one hand, the other side of the “intent of use” issue, dealt with hereafter, and, on the other hand, related to the use of the Nice classification, treated separately (“Classification”, Chapter 4 B).

2. Requirement of use

- 2.98 The principal issue currently discussed relates to the substantive and territorial scope of use required to maintain a CTM. That issue is dealt with elsewhere (Chapter 3 A). No problems are perceived in this regard with national marks.
- 2.99 In most other respects the use requirement as currently provided for and interpreted is considered appropriate and not in need of substantial change. Nevertheless, a number of issues appear in need of clarification:
- a) Multiple registrations of similar marks
- 2.100 Where the mark as used is invoked to maintain a registered variation, but the used version is also separately registered, the Bainbridge judgments have created

doubts whether the use of the variant will still be sufficient to support any registered mark that does not differ as to its distinctiveness.

b) Use for the registered goods or services

2.101 The issue of whether the use of class headings covers all the goods or services in a particular class is dealt with in the context of “Classification” (Chapter 4 B).

c) Grace period

2.102 As regards the “grace period”, the question has been posed whether it should be reduced to three years from the current five years.

2.103 As to the beginning and the end of the “grace period” for CTMs, the CTMR is specific: the date of registration controls.

2.104 The beginning of the grace period of Madrid marks protected in the Community begins with the publication stating that the mark is protected in the Community. As for the beginning of the grace period in case of Madrid marks protected in the Community which are subject to a (partial) refusal for some of the goods or services, either on absolute grounds or on relative grounds, it appears that under current law the grace period begins, also for the unobjected goods or services, when the proceedings for the contested goods or services are finally terminated. This may postpone the use obligation actually for many years, even though the proprietor already enjoys full rights, at least for part of the goods or services.

2.105 The TMD leaves the determination of the beginning of the grace period – the termination of registration proceedings – to each Member State, contributing to a complex situation even if the mark is the same and protected in several Member States. This situation is compounded when the grace period for a Madrid registration needs to be determined.

d) Genuine use

2.106 Aside from the territorial scope of use for CTMs, the ECJ’s case law on genuine use has found broad acceptance.

2.107 This does not apply, however, to the use of the mark for goods distributed “free” with other unrelated goods (Silberquelle). The issue of whether use is “genuine” also arises when the mark is registered and used for “secondary” or promotional items, which the proprietor makes available along with the primary goods or services (e.g., printed matter for marks of financial institutions; soap and toiletry items by hotels; pencils or writing instruments distributed as promotion items, etc.). It appears that as long as goods are genuinely used on the market the question whether they are distributed for free or only against payment should not be decisive.

e) Procedure in national systems

- 2.108 For national systems, provisions on appropriate proceedings to assert non-use are missing, except that the defense of non-use must be available in cancellation cases.

3. Intent of use

- 2.109 If intent of use would be required as a filing requirement, broad specifications including goods or services which the proprietor would be unlikely to use, either himself, or through authorised users such as licensees, would potentially be excluded or reduced. Whereas that aim is laudable as such, the introduction of a general requirement of intent to use at the time of filing, possibly sustained by a declaration specifying the way in which the use shall be made, would constitute a breach of fundamental tenets of the present system. It should therefore only be envisaged if the current legal situation leads to massive grievances which cannot be resolved by other, less radical means.

4. Bad faith

- 2.110 The filing of a trade mark without the intent of using the mark or the re-filing of a mark not put into use may be considered acts undertaken in bad faith, and marks thus obtained may be subject to invalidation or revocation. There are however no clear precedents for this (except for C-529/07 – Lindt & Sprüngli AG/Hauswirth, which concerned a specific situation among competitors). OHIM's Examination Guidelines for cancellation contain the statement that refiling an unused mark is an act done in bad faith.

5. Declaration of use

- 2.111 In some (very few) legal systems the requirement of use is enforced by obliging trade mark proprietors to file statements of use, and submit evidence of actual use, at periodic intervals, or in any event at the time of renewal. These requirements might be effective in reducing the number of registered marks which are not used. Other than the requirement of intent to use at the time of filing, the introduction of such an obligation would not be completely incompatible with the present European trade mark system, as it does not interfere with the full enjoyment of the grace period. To impose such an obligation would even be in accordance with the strong statement in recital 10 of the Preamble to the CTMR that there is "no justification" for protecting (Community) trade marks except where the mark is actually used.
- 2.112 However, to require a declaration of actual use places additional burdens on trade mark proprietors as well as on offices. It must also be noted that the efficiency of such declarations appears to be doubtful. No European trade mark system applies such a rule, and also from an international perspective, the number of trade mark

systems including that feature is on the decline. The introduction of such a requirement could only be considered on the basis of a thorough costs-benefits analysis. At present, the data available about the “cluttering” of registers and the costs generated thereby do not furnish any basis for such a novel feature. In particular, it is unclear for lack of relevant data to what extent pre-filing costs are actually increasing by virtue of a growing complexity of searches, and how those costs are related to unused or “overbroad” trade mark registrations. Therefore, it is recommended that the cluttering issue should be observed further, with the requirement of a declaration of use remaining an “ultima ratio” in the event that serious problems should emerge which can not be solved by other measures.

6. Other measures

2.113 It has been suggested to provide monetary incentives for trade mark proprietors to surrender (unused) marks or restricting their registrations. However, apart from the fact that to handle such “paybacks” would create administrative burdens and costs, it must be considered that the offices regularly render the full service covered (e.g.) by the basic fee by processing the application and registering the trade mark in its original form and breadth. When part of the trade mark is surrendered later-on, this rather adds to the workload of offices than providing an economic basis for refunds.

2.114 Furthermore, it is of relevance in this context that proprietors of unused rights will usually not consider it worth-while to pay renewal fees, especially if those fees – as for CTMs – are relatively high. The Allensbach survey has shown that the level of fees does have a major impact on users’ decisions to register or renew a trade mark. It can therefore reasonably be expected that most unused marks will finally lapse due to non-renewal after ten years, so that the blocking effect becomes a temporary issue. This effect might even be enhanced if fees for each single class would have to be paid for renewals.

V. Proposals

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.

3. Genuine use

- 2.120 As regards genuine use, it is proposed to have language in the Preamble confirming the principles established by the ECJ. The issue of the territorial scope of use for CTMs is addressed in a different context (Chapter 3 A). The problem of “free” goods should also be addressed in the Preamble.

F. Well known and reputation marks

I. International law

- 2.121 Article 6^{bis} Paris Convention obliges Member States to grant protection against registration and use of a trade mark which is
- “considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.”
- 2.122 The obligation under the Paris Convention is extended by Article 16 (3) TRIPS so as to cover also goods or services which are dissimilar, if use of the sign for those goods or services would indicate a connection between the merchandise and the proprietor of the mark, provided that the interests of the proprietor are likely to be damaged by such use. Protection of well-known marks under Article 6^{bis} Paris Convention applies irrespective of whether or not a mark is registered, whereas extended protection pursuant to Article 16 (3) TRIPS can be made dependent on registration.
- 2.123 The concept of a well-known mark and the scope of protection it shall enjoy are further elaborated in the WIPO Joint Recommendation Concerning Provisions on

the Protection of Well-Known Marks (JR 1999). Article 2 (1) JR 1999 lists as relevant factors inter alia

- the degree of knowledge of the mark in the relevant sector of the public
- the duration, extent, and geographical area of the use or promotion
- the value associated with the mark.

2.124 Pursuant to Article 2 (2) JR 1999, the relevant public consists of

- actual or potential consumers of the goods or services concerned;
- persons involved in the channels of distribution;
- business circles dealing with the relevant goods or services.

2.125 Furthermore, it is stipulated in Article 2 (3) JR 1999 that registration may not be required as a condition for determining whether a mark is well-known. According to Article 4 JR 1999, protection of well-known marks extends to use for dissimilar goods in cases covered by Article 16 (3) TRIPS, in cases of dilution and in cases where unfair advantage is taken of the well-known mark. Pursuant to the JR 1999, this extended protection may be claimed regardless of whether or not the well-known mark is registered in the country where protection is claimed. This means that the option under Article 16 (3) TRIPS to require registration as a precondition for extended protection has been renounced.

2.126 In contrast to international conventions to which the EU or its Member States have adhered, Joint Recommendations are not binding. However, the EU regularly refers to (inter alia) JR 1999 in its negotiations with third countries about Partnership or Association Agreements, and thereby commits itself to observation of the principles set out therein.

II. Current law in the European Union

2.127 Article 8 (2) (c) CTMR lists well-known marks as a relative ground for refusal. The TMD as well contains a mandatory provision on well-known marks as relative grounds for refusal in Article 4 (2) (d) TMD. Due to the scope of the TMD which is limited to the protection of registered trade marks, no provision in the TMD addresses remedies against infringing use of well-known marks; nevertheless, such provisions are found in most or all Member States' trade mark laws. The CTMR does not contain a corresponding provision.

2.128 The regulations under national law differ widely in their structure and contents. This concerns in particular the manner in which the relationship between protection for reputation marks and that of well-known marks has been addressed. The most common approach found in national law is that well-known marks are granted extended protection under the same conditions as registered marks, i.e. if they have a reputation. A cumulative approach was chosen in Spain, Slovakia and Lithuania; those countries have promulgated separate provisions based on Article 4 (4) (a) and 5 (2) TMD as well as on Article 16 (3) TRIPS respectively.

2.129 Whereas most Member States refer to "well-known marks" or to Article 6^{bis} Paris Convention without further indications as to the conditions qualifying a mark as

being well-known, some Member States (Estonia, Bulgaria, Romania) have included in their trade mark laws lists of criteria resembling those of the WIPO JR 1999. In others, such as Lithuania, the trade mark offices have issued guidelines for that purpose.

III. Case law

2.130 The ECJ has ruled in Case C-328/06 – Nieto Nuño/Franquet that in order to be considered well-known in a Member State in the meaning of Article 6^{bis} Paris Convention, “a trade mark cannot be required to be well known ‘throughout’ the territory of the Member State and it is sufficient for it to be well known in a substantial part of it”. An analogy was drawn to Case C-375/97 - General Motors/Yplon, paragraph 28, which concerned “the kindred concept of the ‘reputation’ of a trade mark for which Article 5 (2) of the Directive refers also to an assessment ‘in the Member State’.” (C-328/06, para 17). More specifically, the criteria and aspects to be considered for assessing whether a mark has reputation in a Member State (or region, like the Benelux), were listed in General Motors as follows (C-375/97, paras 23-27):

- it is necessary to establish knowledge of the earlier mark by a significant part of the public concerned by the products or services covered by that trade mark;
- the ‘public concerned’ includes either the public at large or a more specialised public, for example traders in a specific sector;
- to be considered are also the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting the sign.

IV. Opinions

2.131 The opinions received on the issue were nearly unanimously in favour of clarifying the relationship between well-known and reputed marks, without making specific proposals as to how this should be done.

V. Issues

1. Relationship between well-known and reputation marks

2.132 The elements listed in ECJ jurisprudence for determining whether a mark has a reputation are very close to those enunciated in Article 2 (1) and (2) of the WIPO JR 1999 as relevant for determining whether a mark is well-known (with the difference that in addition to the criteria listed above, JR 1999 also allows or requires that aspects of “international” reputation are taken into account). Furthermore, the ECJ considers the concepts of well-known marks and reputation

marks as closely related (“kindred concepts”). These elements furnish a sufficient basis for concluding that marks which have attained a level of reputation that qualifies for extended protection would likewise have to be protected as well-known marks within the meaning of Article 6^{bis} Paris Convention and vice versa. This means that well-known marks also fulfil the requirement of “reputation” within the meaning of Articles 8 (5) and 9 (1) (c) CTMR and Articles 4 (4) (a) and 5 (2) TMD.

2.133 The question remains whether such marks also qualify as reputation marks in the legal sense in absence of registration. That question should be answered in the affirmative. It does not appear appropriate to deny the extended protection for lack of registration in cases when the substantive requirements for protection as a well-known mark, and of reputation in the meaning of the relevant articles in European trade mark law, are satisfied. To insist on registration as an indispensable condition for this protection would contradict the explicit provision of Article 2 (3) JR 1999. In spite of its non-binding character, the Joint Recommendation does have substantial authority as an international document which was adopted unanimously by the WIPO and Paris Union Assemblies. Furthermore, it has gained relevance as an element frequently stipulated by the EU in trade negotiations with third countries.

2. Protection of well-known marks

2.134 Due to the fact that the TMD as well as the CTMR solely deal with protection of registered marks, protection in case of infringement is only granted to unregistered well-known marks on a non-harmonized basis at the national level. The protection presently available to trade marks which are well-known in one or several Member States therefore remains confined to the Member States concerned and must be litigated separately, unless a common forum can be established under the Brussels I Regulation (Regulation No 44/2001). There is no possibility for the owners of unregistered trade marks which are well-known in the Community to get access to the judicial system established under the CTMR.

2.135 As was pointed out above (Chapter 1 G), the EU is subject to the obligations under TRIPS and, by implication, the Paris Convention. Furthermore, the EU has the competence, under Article 118 TFEU as far as Community trade mark law is concerned, and under Articles 114, 115 TFEU as far as approximation is concerned, to adopt legislation for the protection of well-known marks even if they are not registered. It therefore appears appropriate to address the issue of protection for well-known marks against infringing use within European trade mark law, as an issue of approximation and as an issue of unitary law, instead of leaving the matter to the Member States.

2.136 This means, first, that earlier well-known marks should be entitled to claim protection as earlier marks in opposition and invalidation proceedings also where protection in absence of likelihood of confusion is claimed.

2.137 Secondly, protection of well-known marks against infringing use should become part of the TMD. The current limitation to registered trade marks in Article 1 TMD should therefore be complemented by a reference to unregistered marks which

are well-known in a Member State. Furthermore, by setting out the conditions and scope of protection for well-known marks in Article 5 TMD, the current diversities of national laws should be replaced by harmonised protection which ensures full compliance with the Paris Convention and TRIPS, and which also takes account of the WIPO JR 1999.

- 2.138 Thirdly, it could be envisaged to regulate that trade marks which are well-known in the EU should receive the same protection as registered CTMs. This would mean that the owners of such marks would be entitled to claim protection against infringing use in proceedings before Community trade mark courts.
- 2.139 One possible argument against this approach relates to the fact that in view of the ECJ judgment in Case C-301/07 – Pago/Tirolmilch, trade marks enjoying the status of well-known marks throughout the territory of one Member State might qualify as marks which are well-known in the Community. However, as is explained in more detail elsewhere (Chapter 3 B), this would not automatically mean that such marks obtain protection throughout the EU. Rather than that, protection could be denied for those parts of the EU where, due to the fact that the mark is not well-known there, likelihood of confusion or detriment to reputation would be lacking. If those reservations are adopted by the case law of the ECJ, the practical effects of elevating the protection against infringing use of well-known marks to the Community level would not differ much from the degree of protection currently available under national law. Nevertheless, the decision to include well-known trade marks into the Community trade mark system is ultimately of a political character.

VI. Proposals

1. TMD

- 2.140 It should be clarified that current Article 4 (4) (a) TMD applies to unregistered well-known marks having a reputation in the Member State.
- 2.141 The prerequisites and scope of protection for well-known marks against infringing use should be addressed in Art. 5 TMD. It should be clarified that a mark which satisfies the conditions of reputation in the Member State at the same time qualifies as well-known in the meaning of Article 6^{bis} Paris Convention. Protection should be granted against likelihood of confusion, and it should also extend to infringements caused by detriment done to or unfair advantage taken of the reputation or distinctive character of the well-known mark. Registration should not be a condition for such protection.
- 2.142 In accordance with the proposed changes, Article 1 TMD should be complemented by stating that the Directive applies also to trade marks which are well-known in the Member State.

2. CTMR

- 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.
- 2.144 In addition to that, the CTMR should be amended so as to include unregistered (national) well-known marks among the marks which enjoy protection beyond likelihood of confusion pursuant to Article 8 (5) CTMR.

G. Exclusive rights, conflicts, infringement (Article 9 CTMR, Article 5 TMD)

I. Current law

1. Conflict

- 2.145 Current law governing conflicts between trade marks or other signs is found in Articles 4 and 5 TMD and in Articles 8, 9 and 53 CTMR.
- 2.146 Under Articles 8 (1), 41 (1) and 53 (1) CTMR an earlier CTM or national trade mark prevails over a later CTM application or registration in opposition or cancellation proceedings in three situations:
- if the trade marks and the goods are identical ('double identity')
 - if in the absence of double identity the trade marks and the goods or services are identical or similar, provided there exists likelihood of confusion
 - irrespective of likelihood of confusion, if the trade marks are identical or similar and if the earlier trade mark has a reputation and the use of the later mark would be detrimental to or take advantage of the distinctiveness or reputation of the earlier trade mark.
- 2.147 Other earlier rights prevail if and to the extent that they provide their proprietors with the right to prohibit the use of a later (registered) trade mark (Articles 8 (4) and 53 (2) CTMR).
- 2.148 The same rules apply in conflicts at the national level, except that protection of national trade marks in the absence of likelihood of confusion is optional (Articles 4 (4) (a) and 5 (2) TMD). All Member States except Cyprus have made use of those options. The right for proprietors of non-registered trade marks or other signs used in the course of trade to file either opposition or a cancellation request, and for proprietors of other earlier rights to request cancellation, as provided for in the CTMR in Articles 8 (4), 41 (1) and 53 (1) and (2), is also optional under Article 4 (4) (b) and (c) TMD.

2. Infringing acts

- 2.149 Current law is found in Article 5 TMD and in Article 9 CTMR.
- 2.150 The proprietor of a registered trade mark has exclusive rights entitling him to prohibit the use of any trade mark or sign in the course of trade where the conflict criteria mentioned previously are met.
- 2.151 Articles 9 (2) CTMR and 5 (3) TMD provide a non-exclusive list of prohibited acts falling into the ambit of the provisions, such as affixing the trade marks, offering goods and services, importing and exporting goods, and using the sign on business papers and in advertising.
- 2.152 According to Article 5 (5) TMD, Member States may provide trade mark protection when a trade mark is used for other purposes than distinguishing goods or services and the use takes advantage of or is detrimental to the distinctiveness or reputation of the trade mark. It appears that only in Benelux law has this option been exercised. No such provision is found in the CTMR.

II. Case law

1. Double identity

- 2.153 As regards identity, the ECJ has held that visual identity of the trade marks is required (Case C-291/00 – LTJ Diffusion (“Arthur”/“Arthur et Felicie”)); only minor differences not normally recognized by the public to which the trade marks are addressed are irrelevant. Goods and services are considered to be identical where the goods or services covered by the earlier trade mark include the goods or services covered by the later trade mark; there are many General Court judgments to this effect.

2. Likelihood of confusion

- 2.154 The ECJ has established the general criteria for judging likelihood of confusion in a series of preliminary rulings (Cases C-251/95 – Sabel/Puma; C-342/97 – Lloyd Schuhfabrik Meyer/Klijsen Handel (“Lloyd/Loints”); C-425/98 – Marca Mode/Adidas; C-39/97 – Canon Kabushiki Kaisha/MGM (“Canon/CANNON”), C-120/04 – Thomson Multimedia/Medion AG (“Thomson Life”)) and refined these further in a number of appeals from the General Court.
- 2.155 It was clarified as a matter of principle that the concept of likelihood of association which is mentioned in Articles 9 (1) (b) CTMR and 5 (1) (b) TMD is not an alternative to that of likelihood of confusion, but serves to define its scope, meaning that application of the provisions is excluded where there is no likelihood of confusion on the part of the public. As regards similarity of marks or signs, the comparison must be made with regard to visual, phonetic and conceptual similarities, taking into account the distinctive and dominant elements of the marks. As regards the similarity of goods or services, all relevant circumstances must be taken into account, such as their nature, destination, use, complementarity or competitiveness, normal channels of distribution and normal commercial origin. Likelihood of confusion is present when the public to which the

marks are addressed is likely to assume that the respective goods or services have the same commercial origin or originate from economically related undertakings. Likelihood of confusion is judged by taking into account all relevant circumstances, and notably the degree of distinctiveness of the earlier mark, the degree of similarity of the goods or services and of the respective marks, and the degree of attention of the relevant public. Strong marks deserve a greater scope of protection than weak marks.

3. Reputation marks

- 2.156 As regards trade marks with a reputation, the cases have clarified that in essence this is a protection without the need to prove likelihood of confusion (C-292/00 – Davidoff/Gofkid (“Davidoff/Durfee”); C-408/01 – Adidas/Fitnessworld). Instead of likelihood of confusion as determinative the ECJ uses the notion of “link” (Adidas/Fitnessworld).
- 2.157 As regards the degree of knowledge to establish “reputation”, the ECJ has held that the trade mark must be known to a significant proportion of the relevant public (C-375/97 – General Motors./Yplon S.A (“Chevy”)). In addition, courts must take into consideration all the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.
- 2.158 As regards the territorial scope of reputation for CTMs, reputation must exist in a “significant part” of the Community (C-301/07 – PAGO International/Tirolmilch), and the territory of a single Member State may be sufficient.
- 2.159 Detriment and taking unfair advantage requires taking into account all the circumstances of the case (Intel). For detriment to distinctiveness, the ECJ requires economic damage or likelihood of such damage to the proprietor of the reputed mark as a result of a change in the economic behaviour of his customers (C-252/07 – Intel Corporation/CPM). No such requirement exists for detriment to reputation or for taking unfair advantage of distinctiveness or reputation (C-487/07 – L’Oréal/Bellure).

4. Use in the course of trade

- 2.160 Article 5 TMD and Article 9 CTMR require that a sign is used “in the course of trade” in order for infringement to be found. According to the formula used by the ECJ, such use will be found “where it occurs in the context of commercial activity with a view to economic advantage and not as a private matter” (Case C-206/01 – Arsenal/Reed, para 40; regularly repeated in subsequent decisions). In addition, the use must be made in the alleged infringer’s own commercial communication (Joined Cases C-236/08 to C-238/08 – Google France/Louis Vuitton Malletier, para 56).
- 2.161 Most conflicts do not pose a problem with regard to separating the private and commercial sphere. However, the boundaries become blurred in the digital

environment, for instance when goods are offered for sale on Internet platforms. Until now, the question whether such sales constitute infringement where they concern non-genuine goods, or goods which were not released on the market in the Community by the proprietor, has not been addressed at the Community level, and is resolved differently in the Member States. The same applies to the use of trade marks in “virtual worlds”, such as Second Life.

2.162 Apart from the distinction between private and commercial use, use in the course of trade also poses an issue with regard to goods which are passing the territory of the EU or its Member States by way of transit, or which are kept in customs-free zones. The issue is addressed below (para 2.212).

5. Use as a mark

2.163 As a requirement for infringement, the sign must be used “as a mark”. The issue has given rise to a number of ECJ decisions. The great majority of those decisions deal with the “double identity” rule, Articles 5 (1) (a) TMD and 9 (1) (a) CTMR.

2.164 One of the first judgments applying Article 5 (1) (a) TMD concerned commercialization of genuine goods which had been imported, without the proprietor’s consent, from a non-EU country (C-355/96 – Silhouette/Schmied). The ECJ declared in that decision that Article 5 (1) provides that the proprietor of the trade mark shall be entitled to prevent all third parties not having his consent from using the trade mark (para 17). No qualifications of any kind were mentioned.

2.165 The requirement that a mark must be used “as a mark” was first articulated in Case C-63/97 – BMW/Deenik (para 38): the “scope of application of Article 5 (1) and (2) of the Directive... depends on whether the trade mark is used for the purpose of distinguishing the goods or services in question as originating from a particular undertaking”. In Case C-2/00 – Hölterhoff/Freiesleben, it was further held that “Article 5 (1) of the Directive is to be interpreted as meaning that the proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.” (para 17). In a slightly different vein, it was declared in Case C-228/03 – Gillette/LA Laboratories that “in accordance with Article 5 (1) (a), the holder of that exclusive right shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered” (para 28). The provision was therefore held to be applicable, although the referring court had pointed out that the reference made to the proprietor’s trade mark on stickers affixed to the competitor’s products “could not in any way have given the impression that there was a commercial connection between (the parties)” (para 21).

2.166 In Case C-206/01 – Arsenal/Reed, it is set out that “for the trade mark to be able to fulfil its essential role in the system of undistorted competition..., it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their

quality” (para 48). Therefore, “the proprietor must be protected against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it” (para 50). However, “the exclusive nature of the right conferred by a registered trade mark on its proprietor under Article 5 (1) (a) of the Directive can be justified only within the limits of the application of that article” (para 52). Purely descriptive use therefore remains excluded from its ambit (para 54), whereas use is infringing if it is “such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor” (para 56).

2.167 In Case C-23/01 - Robeco/Robelco (para 34), the ECJ considered that use in order to designate a business as such does not constitute trade mark infringement. Also in Case C-245/02 – Anheuser-Busch/Budejovice Budvar it is said that if the targeted consumers consider the use of the sign as being the use of a company or trade name, the case must be judged under national law in accordance with Article 5 (5) TMD (para 64). However, according to Case C-17/06 – Céline Sarl/Céline SA, Article 5 (1) TMD is applicable where the public considers use of a company name as (also) relating to the goods or services offered by the company (para 23).

2.168 In Case C-48/05 – Adam Opel/Autec, the conditions for the exclusive right of the trade mark proprietor to apply against use of the trade mark by a competitor are further explained: first, the use must be made in the course of trade, (para 17; see already above); second, it must be without the consent of the proprietor (para 19); third, it must be “in relation to goods or services”. The ECJ affirms that (with the exception of references to the object of services rendered, a constellation decided by the ECJ in the BMW/Deenik case) “Article 5 (1) (a) only covers the use of a sign identical to the trade mark in respect of goods marketed or services supplied by the third party”, i.e. not in respect of those of the proprietor (paras 28 and 29). As the fourth criterion, the ECJ points out that even in the case of an identical mark being used for identical goods or services, “Article 5 (1) (a) of the directive does not apply unless it affects or is liable to affect the functions of that trade mark.” And, as the ECJ continues to explain, if it is found by the national court “that the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it, it would have to conclude that the use at issue in the main proceedings does not affect the essential function of the Opel logo as a trade mark registered for toys” (para 24). This does not exclude, however, that protection is granted in the event that other functions of the mark are affected (para 25), or against unfair advantage being taken, or detriment being done to, the reputation or distinctive character of the trade mark under Article 5 (2) TMD (para 31 et seq.).

2.169 In Case C-533/06 – O2/Hutchinson, the ECJ concluded that “use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, a competitor’s mark may constitute use within the meaning of Article 5 (1) and (2) of Directive 89/104” (para 33). Such advertisement is considered to constitute use by the advertiser in relation to his own goods or services, because “it is aimed at promoting the goods and services of that advertiser” (para 35). If the sign used for the purpose of comparison is only similar to, and not identical with, the proprietor’s mark, the case falls under Article 5 (1) (b) TMD, with the effect that likelihood of

confusion must be established (para 50). As regards the relationship between comparative advertising and trade mark use, the Court held that “the proprietor of a registered trade mark is not entitled to prevent the use by a third party of a sign identical with, or similar to, his mark, in a comparative advertisement which satisfies all the conditions, laid down in Article 3a (1) of Directive 84/450, under which comparative advertising is permitted” (para 51).

2.170 In Case C-487/07 – L’Oréal/Bellure , the ECJ confirmed the holding in O2 that use of a competitor’s trade mark in comparative advertising constitutes use of that mark in relation to the advertiser’s own goods and services, and that such use cannot be prohibited in case that all the conditions of the Directive on comparative advertising are fulfilled. Furthermore, it is reaffirmed that a party’s exercise of the exclusive right under Article 5 (1) (a) TMD “must be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, to ensure that the trade mark can fulfil its functions” (para 58). And the Court continues: “These functions include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising” (para 58). Therefore, the protection conferred by Article 5 (1) (a) TMD is said to be broader than that under Article 5 (1) (b) TMD, which requires a showing of likelihood of confusion (para 59). In any case, “the proprietor of the mark cannot oppose the use of a sign identical with the mark on the basis of Article 5 (1) (a) if that use is not liable to cause detriment to any of the functions of that mark” (para 60).

2.171 Finally, the ECJ held in Joined Cases C-236-238/08 – Google/Vuitton that a referencing service which permits advertisers to select, as keywords, signs identical with trade marks, stores those signs and displays its clients’ advertisements alongside the natural search results, does not ‘use’ those signs within the terms of Article 5 TMD and Article 9 CTMR because it does not use the mark in its own commercial communication (para 56; see already above). As regards an advertiser using an Internet referencing service and purchasing as a keyword a sign identical with another’s trade mark, the Court concludes that he uses that sign within the meaning of Article 5 (1) (a) TMD as interpreted by the case law of the Court. Thus, the selection by an advertiser of a sign identical with a trade mark as a keyword in the context of an internet referencing service falls within the concept of use ‘in relation to goods or services’ within the meaning of Article 5 (1) (a) TMD (para 73), irrespective of whether this is done with the aim to present his goods as an alternative to those of the competitor, or with the aim to mislead consumers about the commercial origin of the goods. However, the proprietor “cannot oppose the use of a sign identical with the mark if that use is not liable to cause detriment to any of the functions of that mark”, whether that be the function of indicating origin or one of the other functions (paras 77 and 78). Regarding the essential function of indicating origin, that function is adversely affected by the keyword-generated advertisement if the latter “... does not enable normally informed and reasonably attentive Internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party” (para 84). Hence,

the origin function would be adversely affected (only) in the case where a third party's ad suggests that there is an economic link between that third party and the proprietor of the trade mark (para 89). Turning to the question of whether the advertising function of a mark is adversely affected by its selection as a keyword by a competitor, the ECJ acknowledges that the proprietor, wishing to purchase his own mark as a keyword, will have to pay a (high) price for a sponsored link in order to be ranked high in the order of those links when his mark is used as a search term. According to the Court, this will not affect the list of natural results, where the proprietor will usually appear, free of charge, in one of the highest positions. The Court therefore concludes: "... use of a sign identical with another person's trade mark in a referencing service such as that at issue in the cases in the main proceedings is not liable to have an adverse effect on the advertising function of the trade mark" (para 98).

2.172 The ECJ decided two similar cases in the same week as it decided the Google cases, by repeating the holdings in these cases (Cases C-278/08 – BergSpechte/Guni; C-91/09 – Eis.de/BBY (by way of order); see also the subsequent decision in C-558/08 – Portakabin/Primakabin). Additional cases involving the liability for keyword advertising and similar issues (liability of auction platforms) are still pending before the Court.

2.173 In Case C-449/09 – Canon, the ECJ confirmed the rule set out in the Silhouette judgment that Article 5 TMD applies to the use of a trade mark for goods of the trade mark proprietor which have been placed on the market in the EEA without his consent.

6. Prohibited acts: custom-free zones, importation, transit

2.174 As regards the territorial scope of protection, the Court has held that any use in free-trade zones or any use prior to clearance for entry into the stream of commerce of the internal market is not a use which the proprietor of the mark may prohibit (Case C-405/03 - Class/Unilever). Infringement will only be found where goods placed under the external transit procedure are subject to the act of a third party which necessarily entails their being put on the market in the Member State of transit (C-281/05 – Diesel/Montex, para 23).

7. Third-party liability

2.175 All the cases so far decided involved "direct" infringement. The ECJ has so far not acknowledged that European law extends the rights to contributory or secondary infringement. In the Google cases, the Court did not exclude such infringement theories, but referred to national law.

8. Non-trade mark use

- 2.176 Article 5 (5) TMD relating to the use of signs for other purposes than to distinguish goods or services is a clause allowing Member States to provide for protection in cases where a sign is used for purposes other than distinguishing goods or services. The ECJ has therefore regularly emphasized that such uses are only subject to the provisions of national law (Cases C-23/01 – Robeco/Robelco, para 31; C-245/02 – Anheuser Busch/Budejovicky Budvar, paras 62 and 64).

III. Opinions

- 2.177 As a matter of principle, the scope of exclusive rights is not considered as giving rise to fundamental concerns from the perspective of users. Only a few issues were addressed by stakeholder associations as points of interest for further harmonisation. Apart from clarification of the relationship between well-known marks and reputation marks, which is treated under another topic, this concerns in particular the possibility to seize goods in transit, where the present situation is considered as unsatisfactory. Some user associations also raised the issue of “look-alikes”, i.e. usually cheap products resembling in their appearance the overall get-up of the market leader(s), without coming close enough to the protected trade mark(s) to evoke a likelihood of confusion. In a similar vein, user associations as well as one representative of a national office emphasized the importance of the ECJ’s statement in L’Oréal/Bellure that in addition to the origin function, trade mark law also serves to protect further trade mark functions, such as the function to guarantee quality, as well as the advertising, communication and investment functions. Furthermore, fairly broad support was found for the suggestion that use of signs for other than distinguishing purposes, which at present is left for national law to regulate, should become part of the TMD and CTMR.
- 2.178 The scope of exclusive rights and in particular the requirement that a mark must be used as a mark also figured as themes of a workshop held within the framework of this Study with trade mark experts from the international academic community. There was general agreement among participants that the current jurisprudence of the ECJ in respect of those issues is neither consistent nor satisfactory. However, no consensus was reached as to the manner in which more transparency and consistency can be achieved. While it was held by some that ‘use as a mark’ should be interpreted as broadly as possibly in order to encompass all possible modes of trade mark use under the provisions of trade mark law, others warned against extending trade mark protection too far, as it might lead to an increase in the prohibitive power of trade mark holders at the expense of free competition and consumer information. Against that, it was held that only by providing common legal ground for all possible modes of trade mark uses under the umbrella of trade mark law, could it be avoided that marketing practices typically extending over national borders such as trade mark use on the Internet, are adjudicated differently under national unfair competition law or similar regulations, and that a mosaic approach must be applied in cases of such uses being made of CTMs. Regarding the necessary balance which must be maintained between the interests of proprietors and those of consumers and other market actors, it was emphasized on the one hand that this could best be achieved by strengthening and extending, where necessary, the limitations and exceptions to the rights conferred. On the other hand, it was contended that some modes of use

which should generally fall under trade mark law, such as use of a mark to identify goods and services as those of the proprietor (referential or nominal use), should not even be considered as infringement in the first place, unless they do not comply with honest commercial practices, meaning that the burden of showing unfairness should rest on the trade mark holder, instead of shifting to the alleged infringer, as is usually the case with regard to defenses such as limitations and exceptions. Further in this context, it was stated that it is not for trade mark law alone to provide a full and satisfactory catalogue of limitations and exceptions, but that this also depends on the contents of adjacent regulations, such as Directive 2006/114 on comparative advertising. For instance, the fact that it had been prohibited in *L'Oréal/Bellure* to use another person's trade mark on a chart comparing the smells of perfumes was not primarily caused by a (too far-reaching) extension of trade mark law as such, but rather resulted from Article 4 (1) (g) Directive 2006/114 which had been created for exactly that purpose.

IV. Issues and conclusions

1. Trade mark functions

2.179 Trade mark functions have long played a role in the legal and economic analysis of trade mark law. In European trade mark law the function to guarantee the trade mark as an indication of origin has been in the forefront, exemplified by the Preambles to the TMD and the CTMR. Additional functions – guaranteeing quality, communication, advertising, investment – have recently surfaced in ECJ case law (*L'Oréal/Bellure*, *Vuitton/Google*). It appears that the reference made to those additional functions was motivated not least by the need to state a reason for holding that the conduct at stake may fall into the ambit of Article 5 (1) (a) or (b) TMD, although the risk of jeopardizing the function of indicating origin, which the ECJ had previously declared as crucial for a finding of infringement under the pertinent provisions, was non-existent or only of little relevance in the actual cases. Although in particular *L'Oréal/Bellure* has been welcomed by proponents of strong trade mark protection, it is undeniable that the increased focus laid on trade mark functions as an element defining the concrete ambit and scope of trade mark law has blurred the picture, notably in the double identity cases.

a) Double identity

2.180 If an identical sign is used for identical goods or services, this may concern use made of the proprietor's mark either as an indication of origin for the infringer's own goods or services, or in order to identify or refer to the goods or services of the proprietor. In the first situation, the function of indicating origin will regularly be jeopardized. By contrast, use made of the mark for the purpose of identifying or designating the goods or services of the proprietor (nominal or referential use) does not clash with the origin function. Nevertheless, according to ECJ jurisprudence, such uses may fall into the ambit of trade mark law under the double identity rule (*Silhouette*, *BMW*, *Gillette*, *O2*, *L'Oréal*, *Vuitton/Google*).

- 2.181 Under current law, infringements falling under the double identity rule are considered as “absolute” in the meaning that no likelihood of confusion needs to be established. On the other hand, this does not mean that protection in these cases is unlimited. If the sign is used on goods (or in connection with) services not originating from the proprietor infringement will be excluded (only) if the function of guaranteeing origin is not affected, because the public does not consider the mark as a sign indicating origin. This is a limitation inherent in Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR. When a mark is used to identify the goods or services of the proprietor (referential or nominal use), limitations follow in the first place from the exceptions and limitations set out in Articles 6 and 7 TMD and Articles 12 and 13 CTMR, or from other rules determining the boundaries of legitimate commercial communication. The fact that the “double identity” rule may relate to two different types of cases, as well as the limitations to which each of them is subject, should be set out in the Preamble.
- 2.182 Use of signs relating to the goods or services of the proprietor may also occur if the sign is not identical with, but only similar to, the protected mark. This may concern use of signs in comparative advertisement (C-533/06 O2/Hutchinson), or as Internet adwords (C-558/08 – Portakabin/Primakabin), or on genuine goods which are imported under a trade mark which is (slightly) different from the mark under which the same goods are sold by the proprietor in the country of importation (unless such goods are re-branded in compliance with the criteria set forth in Case C-379/97 – Pharmacia & Upjohn SA/Paranova). Under the current provisions, such cases are treated under the aspect of likelihood of confusion, which requires an encroachment of the origin function (see below). As a rule, however, the origin function is not affected in the relevant cases; at least, risks for confusion, where they occur, do not result from the similarity of signs, as is stipulated by Article 9 (1) (b) CTMR and Article 5 (1) (b) TMD. Rather than fitting into the scheme of likelihood of confusion, those uses fall into the same category as referential or nominal use of signs in double identity cases, and should be treated accordingly.
- 2.183 A straightforward way of regulation would be to promulgate a specific provision concerning use of an identical *or similar* sign in order to refer to the proprietor’s goods or services in commercial communication or for commercializing genuine products, while the “double identity” rule in Article 9 (1) (a) CTMR and Article 5 (1) (a) TMD would remain reserved for cases when the sign is used for designating the commercial origin of goods or services which do not originate from the proprietor. However, this would result in a profound change to the current structure of the provisions on exclusive rights, which might entail further problems and misunderstandings. No such changes are therefore proposed in this Study.
- 2.184 As regards the additional trade mark functions, in particular those of guaranteeing the quality of the goods, communication, investment and advertising, and their interpretation in double identity cases, it should be accepted as a principle for the future practice that these functions *do not play an autonomous role* in defining the scope of protection under Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR. An adverse effect on these functions has no relevance for protection under the double identity rule.

b) Likelihood of confusion

2.185 In likelihood-of-confusion cases under current law as interpreted by the ECJ the origin-indicating function must be infringed. This does not mean, however, that a trade mark would “lose” its other functions when Article 5 (1) (b) TMD or Article 9 (1) (b) CTMR are applied. Detriment to the earlier mark’s other functions may therefore also arise in non-identity cases. It might have been possible to interpret “likelihood of confusion” as including damage to such additional functions. However, current case law recognises such damage or detriment only in reputation cases.

c) Reputation marks

2.186 Current law protects marks with a reputation from detriment to or the taking advantage of its distinctiveness or its reputation. Distinctiveness and reputation may be described as part of the “goodwill” function of a trade mark, or its value as a tool of communication between proprietor and customer. There is thus no need for explicit recognition of additional trade mark functions.

d) Conclusion

2.187 Issues relating to the purpose and scope of trade mark protection should be addressed in the Preamble. The aim should be to give a full account of the functions performed by trade marks, without thereby blurring the contours of legal provisions determining the ambit of trade mark law.

2. Conflicts

2.188 Overall, the state of law as regards definition of conflicts and infringement appears satisfactory. However, some adjustments appear to be called for.

a) Double identity

2.189 As was pointed out above, it should be clarified that the use of an identical mark for identical goods may concern use for the third party’s own products or for those of the proprietor. In both cases, it is decisive for the application of Article 5 (1) (a) TMD that the use is made, and is perceived by the public, as identifying and distinguishing goods and services in regards of their commercial origin. Other modes of use are encompassed by the proposed mandatory implementation of Article 5 (5) TMD (see below).

b) Likelihood of confusion

- 2.190 Criticism has been raised regarding the supposedly “mechanical” approach of the Luxembourg courts, as regards the so-called “neutralisation” theory, and regarding the inability to distinguish properly between weak and strong marks.
- 2.191 There is not much that can be done about the way courts decide cases. The legal rules appear to be sufficiently flexible to take into account differences in the factual situations. Nevertheless, the following remarks highlight some concerns in view of the present practice.
- 2.192 The “neutralisation” theory, according to which conceptual differences between marks may counteract any existing visual or phonetic similarities and thus lead to a denial of any likelihood of confusion, applied by the General Court and confirmed by the ECJ in Cases C-361/04 P (Picasso/PICARO) and C-206/04 P (SIR/Zirh), is based on the perception of the respective marks by the relevant public, an element in the balancing of all relevant circumstances. Such conceptual differences may or may not be decisive, as everything depends on the factual circumstances in each case. There is no room (or reason) for a special legal rule excluding taking into account conceptual differences.
- 2.193 A similar issue arises in the case of conflicts between marks sought to be protected for pharmaceutical products. According to ECJ case law, the relevant public to be taken into account includes, also in cases of prescription medicine, not only professionals such as doctors and pharmacists, but also the end user of the product (Case C-412/05 P – TRIVASTAN/TRAVATAN, para 58). One would have expected that this would lead to taking into account the imperfect recollections of end consumers and the risk of mistaking one medicine for another. However, the ECJ has also supported the conclusions reached by the General Court that the relevant public, including the end user, are particularly attentive (“high degree of attentiveness, loc.cit., para 65). This has the result that marks for pharmaceutical products may be closer to each other than marks for other consumer products. This leads to unfortunate consequences. It is reported, for example, that the European Medicines Agency (EMA) in judging the suitability of proposed names for new medicines is rejecting proposed names in more than 50 percent of cases because of their similarity with existing names even though the proposed names have been registered and continue to be registered as trade marks. In this regard as well it seems impossible to write a special rule for conflicts involving pharmaceutical products. However, OHIM in its opposition or invalidation decisions should attempt to re-orient its practice in these cases, and it may be hoped that the Boards of Appeal and eventually the General Court and the ECJ will follow suit, particularly if appropriate factual assessments are presented by the parties to such cases. Also, OHIM should be encouraged to establish working relations with the EMA in order to obtain an alignment of the respective practices.
- 2.194 As regards the scope of protection of “strong” and “weak” marks, the case law does not distinguish properly between inherently distinctive marks and marks well established on the market through use. Inherently distinctive marks should, in the absence of use, be taken to possess no more than “average” distinctiveness, while marks well established on the market through use may as a result of such use obtain a high degree of distinctiveness. Also, the case law, while recognizing “weak” marks, often does not accept the conclusion that protection must be denied in situations where a “strong” mark might prevail (see Case C-235/05 P –

FLEX/FLEXI AIR, where the ECJ confirmed the decision of the General Court by Order and stated, inter alia: “45 The applicant’s approach would have the effect of disregarding the notion of the similarity of the marks in favour of one based on the distinctive character of the earlier mark, which would then be given undue importance. The result would be that where the earlier mark is only of weak distinctive character a likelihood of confusion would exist only where there was a complete reproduction of that mark by the mark applied for, whatever the degree of similarity between the marks in question. If that were the case, it would be possible to register a complex mark, one of the elements of which was identical with or similar to those of an earlier mark with a weak distinctive character, even where the other elements of that complex mark were still less distinctive than the common element and notwithstanding a likelihood that consumers would believe that the slight difference between the signs reflected a variation in the nature of the products or stemmed from marketing considerations and not that that difference denoted goods from different traders.”). The result in this case and other similar cases appears to be out of line with the general principles announced by the ECJ in the series of cases referred to earlier, and specifically with the following statement found in the Canon case (C-39/97, para 18): “ ... the more distinctive the earlier mark, the greater the risk of confusion (SABEL, paragraph 24). Since protection of a trade mark depends, in accordance with Article 4 (1) (b) of the Directive, on there being a likelihood of confusion, marks with a highly distinctive character, either per se or because of the reputation they possess on the market, enjoy broader protection than marks with a less distinctive character.” It is proposed to address the issue in the Preamble.

2.195 It could be asked whether it would add clarity to the legal provisions if the reference to likelihood of association were deleted from the text of Articles 9 (1) (b) CTMR and 5 (1) (b) TMD, as association does not as such furnish a reason for a finding of likelihood of confusion (Case C-251/95 – Sabel/Puma). However, as is set out in the same decision, likelihood of association may have some use as an element in defining the scope of likelihood of confusion, in particular by clarifying that confusion in the meaning of the provision will also be found if the signs or the goods and services are recognized as different, but if the public is nevertheless misled into thinking that they originate from economically or legally linked enterprises. If the reference to likelihood of association were deleted, this might create the erroneous impression that likelihood of confusion in the latter, larger sense would no longer be regarded as infringement.

2.196 No changes to Articles 5 (1) (b) TMD and 9 (1) (b) CTMR are proposed with a view to encompassing look-alikes. It is considered that those cases can be resolved in a satisfactory manner on the basis of the pertinent provisions, either in the framework of likelihood of confusion (which, apart from the degree of similarity of the signs and products also depends on the strength of the mark), or, with stronger prospects for success, on the basis of claiming extended protection for reputation marks.

c) Reputation marks

2.197 Articles 8 (5) and 9 (1) (c) CTMR and Articles 4 (4) (a) and 5 (2) TMD should be changed so as to express the principle that protection is granted irrespective of

whether the infringing sign is used for identical, similar or dissimilar goods, in accordance with ECJ Case C-292/00 – Davidoff.

2.198 As regards the TMD, the optional provisions in Articles 4 (4) (a) and 5 (2) should become mandatory. The provisions should be relocated to the first paragraphs in Articles 4 and 5 (Articles 4 (1) (c) and 5 (1) (c) TMD). In the CTMR, it appears appropriate to integrate what currently is Article 8 (5) CTMR into Article 8 (1) CTMR, as it is already done in Article 9 CTMR.

2.199 Case law requires actual or serious likelihood of “economic harm” to the proprietor in cases of detriment to distinctiveness (Intel). This has been criticised as making the enforcement of dilution claims unnecessarily difficult. However, the cases so far show that the courts also take probabilities and likely developments into account, as they must, for example, in opposition cases where the contested mark often has not yet been used. Furthermore, the claimant can always rely on the “taking advantage of” branch of the claim.

2.200 The current English text allows an interpretation that “unfairness” applies only to the taking advantage, but not to the detriment caused. The requirements should be set out in detail to avoid that interpretation. This would also add to the understanding of the “taking advantage” part of the provision insofar as “unfairness” and lack of “due cause” need to be assessed separately, and are not implied in the taking of commercial advantage as such.

3. Infringing acts; forms of infringement

a) Infringement claims subject to earlier rights

2.201 Neither the CTMR nor the TMD contain a clear rule according to which the proprietor of a trade mark cannot successfully invoke his rights against the use of an identical or similar sign already subject of an earlier right. It may seem obvious that this should be the result in view of the principle of priority, but the way Article 99 CTMR is currently drafted (giving the proprietor of an earlier right only a defense subject to the ability to obtain a declaration of invalidity of the claimant’s mark) actually reinforces these doubts. The solution proposed consists of adding language in Article 9 CTMR and Article 5 TMD that infringement claims are without prejudice to earlier rights. This is entirely in line with Article 16 (1) 3rd sentence TRIPS Agreement.

b) Use in the course of trade

2.202 Traditionally, the criterion that a mark must be used in the course of trade has not caused major difficulties. Such use is regularly found when a person uses a mark for her own commercial gain by offering or marketing goods or services physically in the jurisdiction where the earlier mark is protected. New ways of marketing and selling, including through the Internet, present new challenges. Thus, problems may arise in Internet cases with regard to the exact location of the infringement. Of much practical relevance is also the issue of contributory liability, as the current

wave of litigation against Internet service providers and auction platforms demonstrates. Furthermore, it is unclear to what extent Internet sales of privately owned goods fall under the exemption for non-commercial activities, and similar difficulties arise in connection with other forms of “semi-private” communication over the Internet.

- 2.203 Similarly, the fight against counterfeit products, an international phenomenon, presents new challenges. In their efforts to “dry out” the market for counterfeit goods, some Member States do not limit criminal or administrative sanctions to use in commerce, but prohibit and punish even private purchases or possession of counterfeit goods. In the context of counterfeiting, it also needs to be questioned whether current law provides sufficient possibilities for the intervention with and seizure of counterfeit goods in transit situations.
- 2.204 There is no uniform response to all those challenges. In particular, it is not proposed that the criterion of use in the course of trade should be changed or abolished. However, legislative action may be called for in view of specific issues such as use of marks in custom-free areas, such as harbours or special zones outside the intra-Community internal market, goods in transit, and contributory liability. Those issues are addressed under a different heading (below, para 2.212 et seq.). Apart from that, the current provisions are flexible enough to allow for appropriate solutions. The following remarks serve to give some indications on that.
- 2.205 Regarding the localisation of potential infringements caused by use of signs on the Internet, the WIPO Joint Recommendation of 2001 (Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet) have established the principle that use on the Internet will only be found infringing if it produces a commercial effect in the territory where it conflicts with an earlier mark. That solution appears to be generally accepted and is applied by courts in its essence, irrespective of whether the decisions actually refer to the Joint Recommendation or not.
- 2.206 Issues concerning the borderline between “private” and “commercial” use must be solved on a case-by-case basis by the courts, with the ECJ’s jurisprudence providing the general guideline. The decisive aspects are therefore whether
- the use is made for commercial gain rather than as a private matter, and
 - whether it took place in the alleged infringer’s own commercial communication.
- 2.207 With regard to the latter aspect, it should be understood, however, that an enterprise offering to third parties commercial services which involve, or are technically connected with, another party’s trade mark, always uses the mark “in the course of trade”. A different result appears justified only if another person’s trade mark is used in strictly internal commercial communication, like internal analyses of the other party’s commercial success, etc.

c) “Trade mark” use

- 2.208 It appears appropriate to maintain the requirement established by case law that use must be made for the purpose of (identifying and) distinguishing the commercial origin of goods or services. This requirement is also called for in order to delimit the “standard” infringement cases from other cases, currently addressed in Article 5 (5) TMD, but now proposed also for the CTMR.
- 2.209 Use for the purposes of distinguishing should not be interpreted in the sense that marks and goods/services must always appear together. For example, advertising by use of a mark, without showing the goods/services, would still be use for the purposes of distinguishing. Use for the purposes of distinguishing goods can also exist in case of use of a mark in comparative advertising.

d) Use of trade names

- 2.210 Use of a sign for goods or services has been denied in ECJ jurisprudence where the sign is (solely) used for designating a business. While this has support in the wording of Article 9 CTMR and Article 5 TMD, the distinction is difficult in practice. To distinguish between use as a trade name and as a trade mark is frequently impossible with regard to service marks which do not appear on physical products, but are only used in connection with the activities of the company rendering them. Also in cases of product marks, the name of a company frequently becomes associated with the products it produces and sells, and *vice versa*, the company is often identified with its products. Moreover, it is a general principle of trade mark law that use of conflicting marks is prohibited because the public must not be misled as to the source (or the links between the sources) from which the goods or services emanate. Exactly the same risk – confusion as to source – is at stake when a company uses the same or a similar sign as a trade name in such a way that a link is established between the company bearing the name and the goods or services coming from that company.
- 2.211 It therefore makes sense to treat trade name use of a protected mark as an infringing act under Article 9 CTMR and Article 5 TMD if the requirements of use for goods or services are met. This should be set out in Articles 9 (2) CTMR and 5 (3) TMD. However, in view of the wording, and considering the interpretation given to those terms by the ECJ, this is not sufficient to encompass all possible conflicts. The use of a trade name to merely identify a company or to designate a business is dealt with as use of a sign for purposes other than distinguishing goods or services under the current Article 5 (5) TMD, which, according to this Study, should become mandatory and should also form part of the CTMR. This provision leaves scope for a balancing of interests as it requires a use which is made without due cause and contrary to honest practices in industrial or commercial matters. This balancing of the interests seems particularly necessary to prevent cross border commercial activities of companies under trade names that are used within the meaning of Article 5 (5) TMD from being unduly blocked by trade mark rights.

e) Custom-free zones; transit

aa) Custom-free zones

2.212 The ECJ has held that an infringement requires that the mark is used within the territory of the European Union after customs clearance. While the leading case (C-405/03 – Class/Unilever) involved allegedly original goods (released on the market in a third country with the consent of the trade mark proprietor) placed in a customs-free zone for purposes of shipment to another third country, the holding of the court is not limited to transit situations or to original goods. Rather, the holding seems broad enough for the conclusion that any use of an infringing trade mark (or any of the acts that a trade mark proprietor is authorised to prohibit) when taking place before clearance of the goods for the free circulation in the internal market (or when such a use in the internal market is necessarily implied) may not be prohibited. While this conclusion has some validity for transit goods – dealt with hereafter – the general proposition contradicts long-standing principles of intellectual property law in European countries and elsewhere, namely that the validity – and enforceability – of intellectual property rights, including trade mark rights, covers the whole territory of the country without regard to customs rules. Customs rules, including the introduction of so called customs-free zones follow their own economic logic; however, they cannot provide a justification for abstaining from enforcing intellectual property rights in such zones. For example, producing goods bearing an infringing trade mark in a customs-free zone for export constitutes or in any event should constitute an infringement just as much as the sale of goods bearing an infringing mark in a customs-free zone, for example in an airport, would constitute such an infringement. It may even be doubted whether the exclusion of customs-free zones is compatible with TRIPS obligations. Therefore, it appears appropriate to clarify that the right to prohibit infringing uses applies throughout the territory making up the European Union, or, in the case of national marks, the territory of that Member State. This principle in no way prejudices whether or not goods in transit that bear an infringing trade mark may be held up by customs and are subject to the proprietor's infringement claims, an issue dealt with hereafter.

bb) Transit

2.213 Pursuant to the ECJ's case law, infringement in transit cases will only be found if it can be established that the goods on which the mark is used are subject to activities in the course of which they will necessarily be brought into free circulation on the common market. Depending on the circumstances, the required evidence may be very difficult, if not impossible to adduce. Goods suspected of infringement and held in detention on the basis of the (present) Border Measures Regulation may therefore often have to be released again in the course of subsequent infringement procedures. While that result appears odd, it can be justified to some extent by the argument that freedom of international trade constitutes an important policy concern to which the interests of national right holders must yield because and in so far as domestic commerce is not directly and demonstrably affected. However, prevalence of free trade must not be endorsed

under all circumstances. If the relevant shipment concerns clear counterfeit goods, it would amount to misuse if the argument of free transit is invoked, even if it is obvious that the goods must be kept off the market in any case. There is no reason for guaranteeing free passage of fake goods to the country of destination, where they are equally illegal.

2.214 The solution therefore must encompass the interests of either side. The fact that counterfeiting and piracy constitute serious threats to global trade which must be tackled efficiently is as undisputed as the principle that care must be taken so as not to disrupt international trade where it is legitimate. Furthermore, while efficiency militates in favour of an early reaction, by stopping goods in transit so as to keep them away from markets where they would cause infringement, it is no less important that for reasons of comity, right holders should not be given too ample opportunity to establish jurisdiction in transit countries for litigation which should appropriately be conducted in the country of origin or final destination. This means that the possibility for courts and authorities in transit countries to consider infringement should be narrowed down to obvious cases, where no doubt exists as to the illegality of the relevant goods under the laws of the transit country as well as those of the country of final destination.

2.215 The rule proposed with regard to transit is therefore limited to counterfeit goods, as defined in footnote 14 (a) to Article 51 TRIPS Agreement ("counterfeit trademark goods" shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation"). Furthermore, it is required that the mark must be infringing in the territory of transit as well as in the country of destination. Consideration has been given to providing for the right to intervene in the transit country when the production in the country of origin amounted to infringement, regardless of the legal situation in the country of destination. However, as the activity in the country of origin was terminated with the goods physically leaving the country, this Study does not propose to broaden the scope of the right to intervene to those cases as well.

2.216 Apart from that, the principle remains valid that infringement will also be found if it can be established that the goods will be brought into free circulation in the EU or its Member States, as under the current case law.

f) Liability of legal persons for acts committed on their behalf

2.217 The current law holds "persons" liable for acts of infringement. No special rules exist for the (civil) liability of legal persons for acts committed by their employees or on their behalf. To provide for such a rule appears appropriate because although the direct action was taken by a natural person, the infringement ultimately benefits the legal person on behalf of which it was committed. It is submitted that most or all national laws would come to the same result anyway by applying general rules of tort law or civil liability. For the sake of clarity and transparency, however, it is proposed to adopt provisions both in the CTMR and in the TMD providing for the liability of legal entities in such situations.

g) Preparatory acts

- 2.218 Current law has no provision allowing to proceed against import, distribution and sale of labels and packaging and similar products which may be combined with products and convert them to infringing products. Some national laws have explicit rules covering this activity. To introduce such rules in the CTMR and the TMD appears appropriate, as it provides another practically relevant and efficient contribution to the combat against counterfeiting.

h) Third party liability (contributory or secondary liability; indirect infringement)

- 2.219 The issue of third-party liability, under criminal law called “aiding and abetting”, in civil law “indirect infringement”, “secondary liability”, “inducement” etc., is currently under review in the context of the Enforcement Directive.
- 2.220 It seems obvious that all IP laws, whether at the European Union level or at the national level, should provide for harmonised rules for third-party liability. In view of the ongoing developments at the European level in a “horizontal” context, no specific proposals are submitted at this time.

i) Right to prohibit non-trade mark use in special situations

- 2.221 It appears appropriate to provide for protection against other uses of the mark in the course of trade in circumstances currently covered by Article 5 (5) TMD. That provision should be made part of the mandatory TMD provisions, and should be included in the CTMR as well so as to provide common ground regarding the legal situation in the Member States and at the Community level. The result could thus be avoided that – as under pertinent law – the proprietor of a CTM must rely on a mosaic approach involving different national legislations in order to establish infringement in cases when the use sought to be prohibited does not fall into the ambit of current Article 9 CTMR. The aim of the proposed amendment is therefore to enhance the level of harmonisation and transparency, and not to expand the general level of trade mark protection presently available in the Member States under a combined approach based on trade mark law and (national) unfair competition law or similar regulations. For a finding of infringement, it will regularly have to be shown that the interests of the proprietor are seriously affected, and that the use is not justified for any reason. Regarding the latter aspect, the limitations set out in Article 6 TMD and Article 12 CTMR may serve as a guideline, but do not confine the breadth of arguments which can be considered in the evaluation.
- 2.222 The current Article 5 (5) TMD does not establish reputation as an initial threshold, but requires that distinctiveness or reputation are abused or detrimentally affected. In view of the rather strict prerequisites for showing detriment to distinctive

character, and given that abuse or detriment to reputation necessarily require that the mark is reputed, the ambit of the provision may nevertheless be restricted, with the result that no protection is granted if the trade mark does not live up to the level of reputation required under Article 9 (1) (c) CTMR and Article 5 (2) TMD. The result would be unsatisfactory for instance in cases when a likelihood of confusion ensues from use of an identical or similar sign for the purpose of designating a business (and thus not falling under Article 5 (1) TMD and Article 9 (1) CTMR). It is therefore proposed to complement the current wording by declaring as inadmissible use which is likely to mislead the public about the existence of a commercial link between the proprietor of the trade mark and a third party.

V. Proposals

1. TMD and CTMR

2.223 The TMD and the CTMR should, as far as possible, provide the same protection to trade marks. Accordingly, the structure and the provisions should be aligned. Several provisions which are currently optional in the Directive should be made mandatory. (See under Part V Chapter 1).

2. Preambles

2.224 The Preambles of the TMD and the CTMR should be supplemented by adding explanations about the scope of protection, and infringing acts.

2.225 The basic principles in the Preamble to the Directive could be expressed as follows (the Preamble to the Regulation would contain parallel principles):

- 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 6^{bis} 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.

3. Conflicts

- 2.226 Article 4 TMD and Article 8 CTMR should be aligned. Protection of marks with reputation should become mandatory under the TMD (currently optional pursuant to Article 4 (2) TMD), and should become part of the respective first paragraph. The criteria for reputation marks should be specified more clearly, by including cases where the goods or services are identical or similar, and by better separating the types of cases.
- 2.227 Corresponding adaptations should be made with regard to the infringement provisions (Article 5 TMD and Article 9 CTMR).
- 2.228 The optional provisions in the Directive concerning the right to oppose or to obtain cancellation on the basis of rights other than (registered) trade marks (Article 4 (3) and (4) TMD) should become mandatory (see under 3. b).

4. Infringement

- 2.229 Trade mark infringement should be defined as use for the purposes of distinguishing goods or services. Other forms of objectionable trade mark use should be covered by a mandatory provision in the Directive and by a corresponding provision in the CTMR, on the basis of what is currently an optional provision in the Directive (Article 5 (5) TMD).
- 2.230 Infringement rights should be without prejudice to earlier rights, in accordance with Article 16 (1) 3rd sentence TRIPS Agreement.
- 2.231 Infringement rights should cover the whole territory of the European Union (or the respective Member State).
- 2.232 Transit of goods bearing an infringing trade mark should be covered provided that the goods are also infringing a parallel right existing in the country of destination. The interference with transit goods should be limited to counterfeit goods, as defined in footnote 14 (a) to Article 51 TRIPS.
- 2.233 Furthermore, use of a mark in comparative advertising not complying with Community rules relating to such advertising shall constitute trade mark infringement, if the requirements for infringement under trade mark law are met (see also below, Chapter 2 H).

- 2.234 Infringement should also cover certain acts prior to the affixing the infringing mark to goods, such as acts relating to labels etc.
- 2.235 Liability of legal persons for acts committed in their undertaking should be provided for.
- 2.236 No proposals are made for third-party liability, for the reasons explained earlier.

H. Limitation of rights

I. Current law

- 2.237 Article 6 TMD and Article 12 CTMR provide for three exceptions to the exclusive rights of trade mark proprietors: use of one's own name or address (lit. a), descriptive use (lit. b), indication of intended purpose of product (lit. c). These uses are only justified if they are in accordance with honest practices in industrial or commercial matters.
- 2.238 Due to the principle of exhaustion (Article 7 TMD, Article 13 CTMR) the proprietor of a trade mark is not entitled to prohibit the use of the mark in relation to goods which have been put on the market in the EU under that trade mark by the proprietor or with his consent. This principle, however, does not apply where the proprietor has legitimate reasons to oppose the further commercialization of the goods.
- 2.239 At present, the TMD and the CTMR do not provide for any other explicit limitations.

II. Case law

1. Use of own name, descriptive use, indication of intended purpose

- 2.240 Article 6 (1) (a) TMD has been interpreted broadly by the ECJ. The provision is not limited to the use of names of natural persons (Case C-245/02 – Anheuser-Busch/Budejovicky Budvar). This interpretation, however, is not in accordance with the Joint Statement of the Council and the Commission (OJ OHIM 1996, p 606).
- 2.241 Indications of product characteristics may also be used in a trade mark sense; e.g., an indication of geographical origin was allowed even though it had the same appearance as a trade mark (Case C-100/02 – Gerolsteiner/Putsch (“Gerri”/“KERRY Springs”). The provision is primarily designed to prevent a proprietor from prohibiting third parties from using descriptive terms which are within the scope of the mark, i.e. because they are similar to the mark or are the same as elements of a composite mark that are themselves descriptive. It may also authorise a third party to use a trade mark if such use consists in giving an indication concerning the kind, quality or other characteristics of products marketed by that third party (Case C-48/05, Opel/Autec, para 42, 43). However, it was held that Article 6 (1) (b) does not to justify the use of trade marks on toy reproductions of original products (Opel/Autec, para 45).

- 2.242 The limitation concerning the use of a trade mark as an indication of the purpose of a product (Article 6 (1)(c) TMD, Article 12 (c) CTMR) is not limited to uses for accessories or spare parts, which are only mentioned by way of example (C-228/03 – Gillette/LA Laboratories). Use of the mark by a third party as an indication of the purpose of the product will not be in accordance with honest practices
- 1) if it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner;
 - 2) if it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; if it entails the discrediting or denigration of that mark;
 - 3) or where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner (Gillette, para 49).

2. Exhaustion

- 2.243 Trade mark rights are exhausted only when products were put under that mark on the market in the Community or the EEA by the proprietor or with his consent (Article 7 TMD, Article 13 CTMR). The TMD does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by a trade mark in respect of products put on the market in non-member countries (C-355/96 – Silhouette International /Hartlauer, para 26). The concepts of “putting on the market” and “consent” require a uniform interpretation throughout the EU (Joined Cases C-414/99 to C-416/99 – Zino Davidoff et al.). Goods are put on the market when the proprietor transfers the right to dispose of the goods to a third party and thereby realises the economic value of the mark (Case C-16/03 – Peak Holding). Making available “perfume testers” to dealers while prohibiting the sales of these testers does not amount to a disposition leading to exhaustion of rights (Case C-127/09 – Coty/Simex). Implied consent cannot be inferred from the fact that the goods carry no label prohibiting their resale in the EEA or from the fact that the proprietor of the mark does not impose contractual restrictions on buyers which prohibit the re-sale of the goods within the EEA (Zino Davidoff et al.).
- 2.244 The notion of consent also covers acts undertaken by separate persons or entities who are economically linked to the proprietor in a manner which allows him to exercise control as to the marketing of the products, such as members of the same group of companies, subsidiaries or licensees (Case C-9/93 – IHT Heiztechnik/Ideal Standard; C-59/08 – Copad/Dior).
- 2.245 Trade marks are exhausted only with respect to the individual items of the product which have been put on the market (Case C-173/98 – Sebago/Unic). Resellers are also free to use the mark in order to bring to the public’s attention the further commercialisation of those goods (Cases C-63/07 – BMW/Deenik and C-558/08 – Portakabin/Primakabin).
- 2.246 The following grounds have been recognised as legitimate reasons which allow the trade mark owner to oppose the further commercialisation of the goods:

- the condition of the goods is changed or impaired (Article 7 (2) TMD, Article 13 (2) CTMR);
- the use of the mark seriously damages the reputation of the mark (Cases C-337/95 – Dior/Evora, C-63/07 – BMW/Deenik, C-59/08 – Copad/Dior);
- the reseller suggests that there is a commercial connection between itself and the trade mark proprietor (BMW/Deenik, Portakabin/Primakabin); the use of the mark in connection with notions such as “used” or “second-hand”, however, will not normally evoke this impression (Portakabin/Primakabin);
- the removal of identification numbers applied for legitimate purposes (Case C-349/95 – Loendersloot/Ballantine);
- the resale of pharmaceutical products after repackaging unless it satisfies the criteria set forth in Case C-348/04 – Boehringer Ingelheim;
- the removal of the trade mark from the products (“de-branding”) (Portakabin), although the trade mark may not have been used “in relation to goods or services” in this situation.

2.247 The following grounds do not by themselves constitute legitimate reasons for the proprietor to oppose the use of the mark:

- the reseller derives an advantage from the reputation of the mark by reselling quality goods (BMW/Deenik),
- the reseller uses the trade mark in advertising for its resale activities which include the sale of other second-hand goods (Portakabin/Primakabin),
- the reseller affixes a different trade mark on the product, if the product is sold under that mark in the state of importation, and if all other criteria set out in Case C-348/04 – Boehringer Ingelheim are satisfied (Case C-379/97 – Pharmacia & Upjohn SA/Paranova). In that case, Article 7 (1) TMD does not apply because the marks used in the country of importation are not the same as in the country of origin; the permissibility of such acts follows from Article 34, 46 TFEU.

3. Comparative advertising

2.248 The trade mark owner cannot prevent the use of his trade mark in comparative advertising which satisfies the requirements of Article 4 of Directive 2006/114/EC (Cases C-533/06 – O2 and C-487/07 – L’Oréal). Hence this provision functions as an additional exception which covers some cases of referential use and which partly overlaps with Art 6 (1) (c) TMD and Article 12 (c) CTMR, since the reference to OEM products by independent manufacturers of spare parts can be comparative advertising (Case C-112/99 – Toshiba/Katun) while at the same time benefiting from the Article 6 (1) (c) TMD and Article 12 (c) CTMR exception (Gillette/LA Laboratories).

4. Interrelations between conditions of infringement and limitations

2.249 The limitations in Articles 6 and 7 TMD and Articles 12 and 13 CTMR apply only in cases where an infringing use is established. In the absence of such use, there would be no room for applying the limitation. The “use” requirement and the

requirement made under Article 5 (1) (a) and (b) TMD and Article 9 (1) (a) and (b) CTMR that the use must be capable of having an adverse effect on the protected trade mark functions can have the same effect as exceptions. Descriptive use may not be trade mark use (Case C-2/00 – Hölterhoff/Freiesleben - “Sun Spirit”) and the use of a trade mark on a toy which reproduces the original product may not interfere with the protected functions (Case C-48/05 – Opel/Autec).

- 2.250 Under Article 5 (2) TMD and Article 9 (1) (c) CTMR trade mark exceptions do not play an independent role as uses of reputation marks which would benefit from one of the exceptions are made “with due cause”. The use of a mark which is perceived as an embellishment by the public will not constitute an infringement under Article 5 (2) TMD and Article 9 (1) (c) CTMR unless the public establishes a link with the reputation mark (Case C-408/01 – Adidas/Fitnessworld).

III. Opinions

- 2.251 Limitations and exceptions were not frequently addressed by user associations or other stakeholders consulted in the course of the Study. However, the need to counterbalance an extension of the present ambit of trade mark law to basically all modes of trade mark use was strongly emphasized in the statement by the German Association for Intellectual Property (GRUR).
- 2.252 The interplay between the scope of exclusive rights conferred by trade mark law and the exceptions and limitations balancing that scope was also a main topic in the academic workshop arranged by the MPI within the framework of this Study (see above, G III). There was broad agreement among those favouring an ‘opening’ of trade mark law for all modes of use that the present catalogue of exceptions and limitations should be expanded accordingly. In particular, it was considered as important to include a reference to comparative advertisement and general issues of free speech. Moreover, a majority of participants was in favour of making the catalogue of limitations “open-ended”, so as to encompass also other cases of legitimate conduct comparable to the constellations explicitly mentioned.
- 2.253 No comments were received with regard to exhaustion or related topics.

IV. Issues and conclusions, proposals

1. Article 12 CTMR and Article 6 TMD

a) Use of name or address

- 2.254 Due to the broad interpretation by the ECJ, Article 6 (1) (a) TMD and Article 12 (a) CTMR at present apply to all trade names, even where they do not contain the personal name of the owner. Such a broad scope of the limitation does not seem appropriate. It creates unequal conditions for trade names and trade marks in case of conflicts, as trade names are regularly granted unrestricted protection against younger trade marks. It thereby clashes with a maxim which is well-established in the legal tradition of most or all Member States, namely that all types of distinctive

signs belong to the same branch of law, and that conflicts between them should be uniformly resolved on the basis of the priority principle. Exceptions from that rule are necessary only where the use of the later sign is founded on the legitimate interest of the owner to use his own personal name in commerce in order to designate his business.

- 2.255 Article 6 (1) (a) TMD and Article 12 (a) CTMR should therefore be restricted to the use of the name of natural persons. The Study does not take a position on whether this is limited to family names or includes also forenames, and whether the right to use a name will continue when there is a succession in ownership and when there are transformations, such as from a partnership to a limited liability company.

b) Use of descriptive indications

- 2.256 Article 6 (1) (b) TMD and Article 12 (b) CTMR are currently applicable primarily if the use is made of a descriptive indication, i.e. an indication which would not as such be registrable pursuant to Article 3 (1) (c) TMD and Article 7 (1) (c) CTMR (in the absence of acquired distinctiveness). The same exception should also apply to signs or indications which are lacking any distinctive character. The arguments for allowing the free use of non-distinctive signs or indications are just as strong as those for exempting the use of descriptive indications from trade mark infringement claims.

- 2.257 In addition, Article 6 (1) (b) TMD and Article 12 (b) CTMR could be extended to cover all cases in which a trade mark, even if distinctive as such, is not perceived as an indication of commercial origin by the relevant public. However, in these cases, protection under Article 5 (1) (a) or (b) TMD and Article 9 (1) (a) or (b) CTMR will regularly have to be denied. Such cases would therefore fall under the current Article 5 (5) TMD, if it is made mandatory in accordance with the proposal made in this Study (see under G IV 3). It will be sufficiently clear then that such use is only prohibited if it conflicts with honest practices. As Article 6 (1) (b) TMD and Article 12 (b) CTMR are also subject to compliance with honest business practices, the result would be the same.

c) Use to indicate purpose

- 2.258 Article 6 (1) (c) TMD and Article 12 (c) CTMR are just one example of the use of a trade mark as an indication of the trade mark owner's products (rather than, as is the case in "standard" situations, as identifying the infringer's products). It appears appropriate to make provision for a broader clause exempting "honest referential use" from infringement, i.e. cases where the protected trade mark is used as a reference to the proprietor's goods or services.

d) Honest referential use

- 2.259 As pointed out above, a close relationship exists between the provisions on infringement and limitations. In particular the requirement that a mark must be used to distinguish goods or services can constitute a functional equivalent to

limitations; the same applies to the requirement in current Article 5 (2) TMD and Article 9 (1) (c) CTMR, that the use made of a sign must be unfair and without due cause. Whether and which limitations are needed depends therefore of the principal breadth of protection accorded to trade marks under Article 5 TMD and Article 9 CTMR.

- 2.260 Under current law, the use of a trade mark as a correct identification of the trade mark owner's own products (referential use) has been held to be use of the mark in relation to the third party's own products (O2). Furthermore, it was held that Article 5 (1) (a) not only protects the essential function of indicating origin but also other functions such as the quality, investment or communication function (L'Oréal). As a result, many cases of referential use may come within the scope of Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR. The protection afforded by this provision, however, is "absolute" in the sense that it does not depend on any balancing of interests, apart from a functional analysis. Although many cases of "honest referential use" will constitute comparative advertising and will hence come under Article 4 of Directive 2006/114/EC, the present state of law is unsatisfactory.
- 2.261 The situation would not change significantly in the relevant aspects if the analysis and proposals made above with regard to Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR are taken into account (for details, see G IV 1): It is proposed to clarify in the Preambles that the provisions comprise use in respect of the alleged infringer's own goods or services as well as use designating the goods or services of the proprietor. No additional functional analysis is needed in the second case. It is only declared that the use must be within the limits of honest business practices, as reflected in the relevant provisions. Hence the need for an explicit limitation regarding honest referential use is even enhanced. Furthermore, in addition to its direct application in conflicts falling under Article 5 (1) (a), the catalogue of limitations in Article 6 TMD and 12 CTMR would also provide guidance (inter alia) for assessment of the criterion in the implementation of Article 5 (5) TMD that the use must be "unfair and without due cause" (see the proposal under G IV 3).
- 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).
- 2.263 It should be noted that use of the mark for communication purposes characterised as free speech, or in artistic works, would frequently not be covered by the

exclusive rights provided for in Article 5 (1) TMD and Article 9 (1) CTMR. To the extent that such use falls under the new (proposed) provision regulating use for purposes other than distinguishing goods or services in the course of trade, the “fair use” limitation to the exclusive right is found in the new provision itself. As set out above, the catalogue of limitations would offer a certain guideline for the assessment, without being directly applicable.

2.264 Furthermore, in order to clarify that a trade mark cannot be used under the aspect of honest referential use in case that the goods or services to which it relates were not released on the market in the EU or EEA by the proprietor of the mark or with his consent, an explicit reservation should be added with regard to Article 13 CTMR and Article 7 TMD.

e) (Non)compliance with honest business practices

2.265 It is further proposed that it should be set forth in Article 6 (2) TMD and Article 12 (2) CTMR under which conditions use of a trade mark will not be considered as complying with honest business practices in the meaning of both paragraphs in the provision. This is the case if use of the sign creates the impression that a link exists between the parties, or if it affects the reputation or distinctive character of the mark or if it discredits or denigrates the mark.

f) Fair Use?

2.266 In a more general sense the introduction of a general “fair use” clause could be contemplated. It would allow for flexibility in situations not previously envisaged by legislation and would thus cater for new business models which, in particular, regularly are created in the context of the internet. A possible legislative technique would be the combination of a general exception with specific examples, as it can be found in Articles 5 to 9 of the Unfair Commercial Practices Directive (2005/29/EC).

2. Exhaustion

2.267 The present wording of Article 13 CTMR and Article 7 TMD only relates to the Community market. However, according to the Agreement on the European Economic Area, exhaustion will also occur if the products were released on the market in a Member State of the EEA which is not an EU Member. This follows from No. 8 of the Protocol 1 on Horizontal Adaptations, which provides as follows:

2.268 REFERENCES TO TERRITORIES

Whenever the acts referred to contain references to the territory of the "Community" or of the "common market" the references shall for the purposes of the Agreement be understood to be references to the territories of the Contracting Parties as defined in Article 126 of the Agreement.

- 2.269 As the TMD belongs to the “acts referred to”, this clarifies the situation for the TMD. The CTMR is not one of the “acts referred to”, and the exhaustion under the CTMR for goods placed on the market in an EEA member has remained unclear. In the interest of clarity, the fact that exhaustion applies with regard to the entire area of the EEA should be set out in the texts of the relevant Articles in the TMD and the CTMR.
- 2.270 As the present wording of Article 13 (1) CTMR and Article 7 (1) TMD refers to putting a product on the market under the trade mark in respect of which exhaustion occurs (“that” trade mark), it does not offer a basis for cases when a trade mark must be exchanged by the importing company for another trade mark under which the same product is commercialized by the proprietor in the country of importation. However, as such cases are rare, and in view of the fact that the situation has been clarified by the ECJ (Case C-379/97 – Pharmacia & Upjohn SA/Paranova), it should suffice to state in the Preambles that the principles developed by the ECJ in respect of free movement of goods remain to be valid in addition to and, were applicable, beyond the express codification in the TMD and CTMR.
- 2.271 Finally, the fact that the notion of “consent” in Article 13 (1) CTMR and Article 7 (1) TMD also covers the situation that the products were released onto the market by a separate party over whom the proprietor of the mark is entitled to exercise legal control should likewise be set out in the Preambles.

I. Further Defenses (earlier rights, non-use, acquiescence, prescription, intervening rights)

I. Current law

- 2.272 Apart from exhaustion (Article 13 CTMR and Article 7 TMD) and the limitations provided for in Article 6 TMD and Article 12 CTMR, proprietors of later marks as well as alleged infringers may raise further defenses, such as earlier rights, non-use, acquiescence, and prescription.
- 2.273 As regards CTMs, the defense of “earlier right” of the alleged infringer is provided for in Article 99 (3) CTMR, where the condition is that the allegedly infringed CTM is subject to invalidation on account of an earlier right of the defendant. The defense of non-use is available in opposition and invalidation proceedings (Articles 42 and 57 CTMR), and in infringement proceedings (Article 99 (3) CTMR). Acquiescence as a defense to an invalidity action is provided for in Article 54 CTMR and to an infringement claim in Article 9 (1) TMD. Prescription is not provided for as a defense.
- 2.274 As regards the TMD, only acquiescence is a mandatory defense to invalidation and infringement (Article 9 TMD). The defense of non-use is a mandatory defense only to invalidation (Article 11 (1) TMD).

II. Case law

- 2.275 Case law is relatively rich with decisions regarding the use requirement, whereas decisions involving acquiescence until now have been rare. There is no need to go into any detail about that, as both issues are treated elsewhere in this Study.

III. Opinions

- 2.276 No specific opinions were expressed on the issues in focus here, i.e. prescription and intervening rights as defenses in infringement proceedings.

IV. Issues and proposed solutions

1. Earlier rights

- 2.277 As regards earlier rights, it is proposed to provide in Article 9 CTMR and Article 5 TMD that claims for infringement are not available against proprietors of earlier rights (see above, G V, 2.230). This corresponds to the general principle of priority governing IP law. The same principle is expressed in Article 16 (1) 3rd sentence TRIPS Agreement. The defense based on an earlier right of the defendant, as currently provided for in Article 99 (3) CTMR, is in line with this principle.

2. Non-use, intervening rights

- 2.278 As regards non-use, proprietors of later CTMs are “safe” from refusal or invalidation on the basis of earlier CTMs and national trade marks when these trade marks have not been used, as provided for in Articles 42 and 57 CTMR. Details of this constellation are analysed in the section of “Requirement of use”.

- 2.279 Proprietors of later national trade marks need to be given the same “safety” in the Directive. While non-use is already a defense to cancellation (Article 11 (1) TMD), the defense of non-use should also be mandatory in opposition proceedings. This requires Article 11 (2) TMD to become a mandatory provision.

- 2.280 Alleged infringers, including proprietors of later trade marks, whether Community or national trade marks, are provided only with the defense of non-use under Article 99 (3) CTMR, which requires that the allegedly infringed CTM is subject to revocation at the time the infringement action is brought. No provision is made for protecting proprietors of “intervening rights”, i.e. of later trade marks which cannot be declared invalid pursuant to Article 57 CTMR. It appears necessary to protect these proprietors not only from invalidation but also from being found liable for infringement, regardless of whether the infringement action is brought on the basis of an earlier CTM or national mark. Therefore, the defense of an “intervening right” as well as the defense of non-use to an infringement action should be provided for both in the CTMR and in the TMD.

3. Absence of distinctiveness, intervening rights

- 2.281 When a CTM has been registered even though it is actually defective because of being non-distinctive, descriptive or generic, its cancellation is precluded if it has become distinctive through use after registration (Article 52 (2) CTMR). No such provision is found in the TMD. For reasons of coherence it is proposed to add to the TMD a corresponding provision.
- 2.282 Neither the CTMR nor the TMD provide an answer to the question whether a later trade mark filed or registered at a time when the earlier mark was still subject to invalidation may be declared invalid and its use be prohibited. It appears appropriate to provide for the “safety” of such intervening rights in these situations, both in the CTMR and in the TMD.

4. Absence of likelihood of confusion, absence of reputation; intervening rights

- 2.283 When a trade mark can not be invoked against a subsequent mark because the proprietor of the earlier mark can not yet rely on likelihood of confusion or reputation since the mark had not yet been established on the market, the question arises as to whether, once the requisite use has been made, the later mark can still be invalidated and its use can be prohibited. It appears appropriate to provide for the “safety” of such intervening rights both in the CTMR and in the TMD.

5. Acquiescence

- 2.284 Acquiescence is a defense both to invalidation and to infringement (Articles 54 CTMR and 9 (1) TMD); no new provisions are necessary.

6. Prescription of claims

- 2.285 The lack of provisions in the CTMR and TMD on prescription of claims has so far not created any problems, as far as the opinions submitted and the case law researched have shown. While prescription is usually not an issue with regard to injunctive relief, it becomes relevant where it limits the possibility to claim damages for past infringements. In order to create equal conditions throughout the EU, and in the interest of transparency and legal security, an appropriate period (e.g. three years), starting from the time when the plaintiff had obtained knowledge of the infringement and the person of the infringer, should be set out both in the CTMR and the TMD.
- 2.286 It is recommendable to undertake a survey on pertinent rules applying under national civil law in preparation of the proposal. For the time being, no specific proposal is made in this Study.

J. Trade Marks and GIs

I. Current law

- 2.287 Trade marks and geographical indications (GIs) belong to the category of distinctive signs. Trade marks are protected as intellectual property rights under EU law (CTMR and TMD), whereas GIs are protected in part under specific EU legislation relating to wines, sparkling wines, spirits, and foodstuffs and agricultural products, in part under international agreements to which the EU and Member States belong and in part under provisions of national law which are GI-specific or which protect GIs under general clauses prohibiting misleading and unfair business practices.
- 2.288 At the international level, protection for GIs is provided for in the TRIPS Agreement (1994).
- 2.289 Specific conflict rules are found in the Community legislation mentioned.

1. Community Trade Mark Regulation

a) Specific conflict rules

- 2.290 In the CTMR, specific rules governing conflicts between GIs and trade marks are found in the absolute grounds of refusal, notably Article 7 (1) (j) and (k) CTMR, and in Article 164 CTMR which preserves the application of Regulation (EC) No 510/2006.

b) General conflict rules

- 2.291 General rules applicable to conflicts between GIs and trade marks are provisions excluding the registration of non-distinctive, descriptive or generic indications (Article 7 (1) (b), (c), and (d) CTMR), provisions providing that certain earlier rights other than registered trade marks may constitute relative grounds of refusal or invalidation (Articles 8 (4) and 53 (2) CTMR), and provisions limiting the exclusive rights of trade mark proprietors vis-à-vis the “fair use” of geographically descriptive indications (Article 12 (b) CTMR/Article 6 (1) (b) TMD).

c) Collective marks

2.292 Community collective marks may be registered also for GIs but do not entitle to prohibit the “fair use” of GIs by those entitled to use them (Article 66 (2) CTMR).

2. Trade Mark Directive

2.293 The TMD does not contain the specific conflict rules found in the CTMR.

2.294 General conflict rules are aligned with those in the CTMR, except that the right to rely on certain earlier rights other than registered trade marks as relative grounds of refusal or invalidation does not expressly extend to rights protected under Community law.

II. Case law

2.295 The ECJ has rendered a substantial number of judgments interpreting the Community rules protecting GIs and conflicts that may arise with trade marks.

2.296 Decisions of OHIM (or of national authorities) refusing trade mark applications ex-officio on the basis of Article 7 (1) (j) or (k) CTMR have not been subject to review by the General Court or the ECJ.

2.297 The General Court has been called upon repeatedly to review decisions taken by OHIM in opposition cases where oppositions were based on earlier GIs. One of these cases, involving a conflict between the Czech GI “BUD” protected under the Lisbon Agreement and a later CTM application “BUD” is currently pending before the ECJ (Case C-96/09 P).

III. Issues

1. General remarks

2.298 Conflicts between GIs and trade marks present issues which have led to much litigation in Europe (and elsewhere).

2.299 The solutions adopted in the TRIPS Agreement constitute the current (minimum) consensus at the international level. Aside from *per se* protection of GIs for wines and spirits, GIs are protected in the WTO Members only if their use is liable to mislead consumers. Under these conditions trade marks may not be registered, while earlier trade marks acquired in good faith remain valid.

2.300 Under European Union legislation the general rule is that a trade mark may not be registered if it conflicts with an earlier GI, whereas a later GI generally coexists with an earlier trade mark, unless the earlier trade mark has a reputation, in which case a later GI may not be protected. The rules applicable for wines, spirit drinks and foodstuffs and agricultural products still evidence differences among each other.

2.301 The CTMR reflects these positions: Trade marks consisting of or including GIs for wines and spirits may not be registered for goods of a different origin (Article 7 (1) (j) CTMR). Trade marks consisting of or containing GIs for foodstuffs or agricultural products may not be registered if they contravene Article 13 of Regulation 510/2006 (Article 7 (1) (k) CTMR). Generally, descriptive, non-distinctive or generic indications, whether geographic in character or not, may not be registered as trade marks (Article 7 (1) (b), (c), and (d) CTMR), an exception being the registrability of GIs as collective marks (Article 66 (2) CTMR).

2.302 The TMD does not contain specific conflict rules found in Article 7 (1) (j) and (k) CTMR. This does not present a major problem because the Member States must apply the provisions on conflict found in the applicable legislation anyway. Member States' current trade mark laws frequently list GIs either as absolute or relative grounds for refusal of conflicting trade mark applications.

2. Absence of “harmony” in the EU legislation protecting GIs

2.303 The lack of harmony between the various EU legislative acts has been narrowed recently with the wine and spirits legislation following to a large degree the model developed for foodstuffs and agricultural products, now found in Regulation 510/2006 (successor to Regulation 2081/92). However, it is for the EU legislator dealing with these specific areas to create more harmonious provisions.

3. CTMR

a) Specific “reservation” of Regulation 510/2006

2.304 Article 164 CTMR was added to the CTMR (as Article 142a) at a time when the specific absolute ground in Article 7 (1) (k) CTMR did not yet exist. Today, the specific “reservation” of Regulation 510/2006 in Article 164 CTMR appears out of place, where EU legislation in other product areas contains similar rules dealing with conflicts between GIs and trade marks. If the consideration is justified that later EU legislation, such as the 2009 codification of the CTMR or eventual subsequent changes, might supersede earlier specific legislation, the “does not affect” provision in Article 164 CTMR should be made general.

b) Specific exclusions in the CTMR

aa) Wines and spirits – Article 7 (1) (j) CTMR

2.305 Article 7 (1) (j) CTMR was added to the CTMR after the TRIPS Agreement was adopted and before the reform of GI protection for wines and spirits in EU legislation, now in Regulations No 478/2008 (wines) and No 110/2008 (spirits).

2.306 As regards GIs for wines, the clause governing conflicts with trade marks in Article 44 of Regulation No 478/2008 requires that the product for which trade mark protection is sought falls “under one of the categories listed in Annex IV” (the products in Annex IV comprise wine, liquor wine, sparkling wine and many other wine-based products, including wine vinegar). However, the scope of protection provided for in Article 45 (2) of that Regulation provides that protection is applicable to “comparable” products not complying with the product specification of the protected name” as well as any other product “insofar as such use exploits the reputation of a designation of origin or a geographical indication”. This range of the prohibition is not reflected in Article 7 (1) (j) CTMR.

2.307 As regards GIs for spirits, the clause governing conflicts with trade marks in Article 23 of Regulation No 110/2008 refers to Article 16 of that Regulation, which provides that protection is applicable to “comparable” products as well as any other product “insofar as such use exploits the reputation of the registered geographical indication”. This range of the prohibition is not reflected in Article 7 (1) (j) CTMR.

bb) Foodstuffs and agricultural products – Article 7 (1) (k) CTMR

2.308 As for GIs for foodstuffs and agricultural products, the exclusion in Article 7 (1) (k) CTMR applies only for “the same type of product”, a term not used either in Article 14 (1) Regulation 510/2006 (there the terminology is “same class of product”), or in Article 13 (1) of that Regulation (“comparable product”). Even though Article 13 (1) (a) of Regulation 510/2006 provides for protection also against the use of protected GIs for any other product “in so far as using the name exploits the reputation of the protected name”, no such protection is available under Article 7 (1) (k) CTMR.

2.309 Furthermore, Article 7 (1) (k) CTMR is, unlike Article 14 (1) Regulation 510/2006, limited to trade marks which contain or consist of a geographical indication registered under Regulation 510/2006 and which fall under one of the situations covered by Article 13 Regulation 510/2006. By this wording, Article 7 (1) (k) CTMR does not include trade marks which use the protected geographical indication in translation or with delocalising additions even if they “evoke” the geographical indication in the meaning of Article 13 (1) (b) Regulation 510/2006.

cc) GIs as earlier rights

2.310 It has been accepted in practice and by the courts that earlier GIs (can) constitute rights entitling the bringing of opposition or invalidation actions against later CTMs. The language used in Articles 8 (4) and 53 (2) CTMR is sufficiently broad.

IV. Proposals

1. CTMR

a) Specific “reservation” of Regulation 510/2006

2.311 The specific “reservation” of Regulation 510/2006 in Article 164 CTMR should be replaced by a general clause referring to EU legislation in general.

b) Specific exclusions in the CTMR

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.

c) GIs as earlier rights

2.313 No proposals are made for the amendment of Articles 8 (4) and 53 (2) CTMR.

2. TMD

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.

Chapter 3 - Functioning of the CTM system - Issues of substantive law

A. Territorial aspects of genuine use

I. Current law

3.1 Current law on genuine use of a CTM and its territorial requirement is contained in Article 15 CTMR. Article 15 reads as follows:

“If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.”

- 3.2 The question of whether the use, in order to be recognized, must extend beyond the borders of a Member State has been widely discussed before and after the adoption of the CTMR. At the time of the adoption, the Council and the Commission adopted a Joint Statement, which was entered in the minutes of the Council session at which the CTMR was adopted and reads as follows:

“The Council and the Commission consider that use which is genuine within the meaning of Article 15 in one country constitutes genuine use in the Community”. (Joint Statement of 20 December 1993)

II. Case law

- 3.3 The ECJ and the General Court have so far not been asked to take a position on the issue of the requirements of genuine use in the Community in terms of its territorial scope. It is however relevant that the ECJ has, on at least two occasions, come out in favour of an interpretation of “genuineness” which does not analyse actual volumes of sales, or territories where the mark is actually present, in objective and quantitative terms, but rather inquires as to whether what the proprietor is doing is actually using the mark on the market. Under this approach, there is neither a “de minimis” limit nor a territorial scope in absolute terms. Genuine use is rather determined by taking into account all the circumstances of the case (ECJ Case C-40/01 para 38 - Ansul, Case 259/02 para 27 - La Mer Technology).

- 3.4 In the leading “Minimax” case (Judgment of 11 March 2003, Case C-40/01 – Ansul BV v. Ajax Brandbeveiliging BV), the ECJ defined “genuine use” as follows:

“Article 12(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that there is 'genuine use' of a trade mark where the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services; genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark. When assessing whether use of the trade mark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of the goods or services at issue, the characteristics of the market and the scale and frequency of use of the mark. The fact that a mark that is not used for goods newly available on the market but for goods that were sold in the past does not mean that its use is not genuine, if the proprietor makes actual use of the same mark for component parts that are integral to the make-up or structure of such goods, or for goods or services directly connected with the goods previously sold and intended to meet the needs of customers of those goods”.

- 3.5 What is decisive therefore is not the absolute volume of sales, but the genuineness of actual use, modest as it may be. The Minimax judgment was

confirmed in the subsequent La Mer order (27 January 2004, Case C-259/02 – La Mer Technology Inc. v. Laboratoires Goemar SA). The principles have been confirmed by the ECJ in cases reaching the court on appeal from the General Court, notably in the Vitafruit judgment (Judgment of 11 May 2006, Case C-416/04 – The Sunrider Corp.). Therefore, they are also applicable to CTMs. Numerous General Court judgments have applied these principles.

- 3.6 OHIM's current approach to the genuine use issue follows the Joint Statement of 20 December 1993 that genuine use of a CTM within the meaning of Article 15 CTMR in one Member State is regarded as sufficient for a use "in the Community".

III. Opinions

1. The Joint Statement

- 3.7 Many positions have been submitted on the issue of the territorial scope of use necessary to maintain a CTM.
- 3.8 As far as user associations are concerned, some opinions (FICPI, APRAM, COAPI, ECTA, VFA, AIPPI Belgium) support the position that the threshold set in the Joint Statement by the Council and the Commission of 20 December 1993 (use in one country only) is too low for the present scale of the EU and should be increased e.g. by introducing the requirement of a use in a substantial part of the EU. On the other hand, some statements (INTA, AIM and LESI, IP Federation, EFPIA, BusinessEurope, MARQUES) support the position presented in the mentioned Joint Statement. They consider that the question of whether or not use of a CTM is genuine use within the Community must be assessed on the facts of each case, not solely on the basis that the use has taken place only in one Member State. It has also been proposed to leave the question to the European Union courts and ask for guidance and the establishment of a correct set of criteria thereby taking into account the concept of the unitary character.
- 3.9 Also regarding the national offices, opinions are not unanimous. While it is confirmed by some offices that they consider the Joint Statement of 1993 as valid guideline for their own practice, others call for a revision. Much attention has been raised in this context by the decision of the Benelux Trade Mark office of 15 January 2010 (ONEL/OMEL). Pointing out that the Joint Statement is not legally binding, and that it stems from a time when the European Community comprised much fewer members than today, it was held that use in one Member State should not "by definition" constitute use in the Community. The case is currently pending at the appeal stage; it has been announced that the issue of genuine use will be referred to the ECJ. The ONEL decision and its reasoning were supported in a public statement by the Hungarian Patent office (see also the decision by the Hungarian Patent office of 11 February 2010, Case No. M0900377 "C City Hotel"). The view that the Joint Statement of 1993 no longer adequately reflects the actual dimensions of the Community was further endorsed in a number of statements received from national offices. Most of those statements strongly favour the notion that the substantive requirements for "genuine use" of CTMs, such as scope, volume and extent, should be higher than for national marks. It is argued that a lax approach would have detrimental effects on the coexistence between the systems,

as it would provide yet another incentive to opt for a CTM when objectively one or more national marks would be entirely appropriate to cover the economic needs of the undertaking. As a further possible disadvantage of requiring a low threshold for genuine use, it is pointed out that the acquisition of new national marks could be blocked forever on the basis of an earlier CTM used in a totally remote territory without any likelihood of a true commercial conflict. However, most statements by national offices also emphasize that the sufficient scale of genuine use cannot be determined on the basis of a quantitative approach linked to national borders. The view that a CTM must be used in at least two (or three, or all) Member States seems to be held only by a minority. Most statements agree to the point that there is no rule which applies mechanically. It is frequently stated that the solution needs to be found on the basis of a case-by-case approach, taking into account all circumstances, such as in particular the nature of the goods and services, as well as the size and type of business activities by the proprietor.

2. Coexistence with subsequent marks

- 3.10 Another issue discussed in the context of genuine use concerns the suggestion that if a trade mark application is filed, or if a mark has been registered, in a part of the Community where a prior CTM was never used although it has been registered for a long time (10 or 15 years), the possibility for the proprietor of the CTM to oppose or file for cancellation of the later mark should be restricted. Whereas the proposal found support from representatives of national offices as well as from certain user organisations, who found that this would be an adequate corollary to the rule that CTMs retain their validity throughout the Community even if they are only used in a (small) part of the territory, others reacted sceptically, arguing that this would invite abusive registrations, and might lead to fragmentation of the market.

IV. Issues

- 3.11 The ongoing discussions on the scope of the Joint Statement and its continued validity are partly due to the fact that it can be read in two different ways. Under one reading, any use sufficient to maintain a national trade mark is at the same time sufficient to maintain a CTM. Under a different reading, the Statement only clarifies that if use of the CTM use does not extend beyond the territory of a single Member State, this does not exclude a finding of genuine use within the meaning of Article 15 CTMR. This latter interpretation appears to be the correct one. It is based on the "single market" theory where the frontiers between Member States are not a relevant criterion. As stated above, a majority, even among national offices with a basically critical attitude towards the Joint Statement, seems ready to accept that latter view. It also seems to be accepted by most that the solution cannot be found in the application of a schematic rule, but that it depends on the circumstances of individual cases. However, controversial views still persist on the issue as to whether genuine use of a CTM should be more substantial in volume and scope than that required for national marks.

- 3.12 In addition, views are diverging on the issue as to whether the right of the proprietor of a CTM to prevent others from acquiring a subsequent trade mark should be limited to some extent in the event that the CTM has remained unused for a prolonged period in the relevant part of the EU.

V. Analysis and conclusions

1. Criteria for assessment of genuine use

- 3.13 In accordance with the principle that CTMs are unitary intellectual property rights for the whole of the EU and thus for Europe's "single market", territorial boundaries made up of political frontiers should be accepted only if they are necessary to implement the principle of coexistence, notably in the context of earlier rights. In view of the "single market" concept, any approach for the protection of CTMs which is linked as a decisive criterion to the frontiers of Member States is inappropriate. Political frontiers are not necessary for the determination whether there has been "genuine" use "in the Community". Requiring use in more than one Member State would establish an arbitrary criterion, alien to the "single market" theory. For example, a barely perceptible use at the border between Germany and Luxembourg might then qualify as "more than one Member State", while widespread use throughout France would not. Also, use of the mark on exported goods would fall outside such an approach.
- 3.14 This position does not mean, however, that the conditions for "genuine use" of national marks and of CTMs are exactly the same. If these conditions are applied in the light of proportionality, a use which suffices to maintain the protection of a national trade mark is not necessarily sufficient for a genuine use within the meaning of Article 15 CTMR.
- 3.15 An expression of that approach is already part of the CTMR: Pursuant to Article 112 (2) (a) conversion into a national mark is available even though a CTM has been revoked for lack of genuine use if the use would suffice to maintain a national registration
- 3.16 It is a matter for the ECJ to develop criteria within the context of the genuine use issue which take into account the territorial dimensions of the EU.
- 3.17 This means that in view of the size of the EU and the significance of the rights conferred by a CTM it may well be that the courts apply stricter standards as to what constitutes "genuine" use when a CTM is involved than when a national mark is involved. On the other hand, the CTM system must remain open for small, medium and large enterprises alike, and the level of use required for maintaining a CTM should not make it unnecessarily difficult for enterprises to take advantage of the CTM system. Also, the time of the challenge for non-use must be taken into account. As there is a "grace period" of five years following registration it would be unrealistic to expect wide-spread use soon after the expiry of that period, while the requirements after a longer period, such as after a first renewal, may well be different.

2. Coexistence with subsequent marks

- 3.18 In the sections dealing with the requirement of use as a “common issue” (2. a) 1) (d)), proposals are made to limit the possible “blocking” effect of unused marks, such as an additional class fee for each class (as compared to the current fee system for OHIM which includes three classes in the basic fee), some adaptations as regards the use of class headings, and the general requirement that registration of a trade mark requires an intent of use, even though that intent must be realised only after the expiry of the grace period.
- 3.19 Under the genuine use concept analysed above a CTM, if genuinely used, can be maintained by being used in only a small part of the European Union. This has the consequence that the right to oppose or to invalidate a later trade mark filed or registered in a Member State extends to Member States where the CTM, even after a long time following the expiry of the grace period, has not been used and a conflict on the market would be “hypothetical”. It would seem disproportionate to permit a CTM proprietor to prevail in such a situation in any case. It is clear that during the five-year grace period no limits on the exercise of rights can apply. It would also seem appropriate to provide the CTM proprietor with sufficient time after the expiry of the grace period to extend the use across other parts of the European Union beyond those which are sufficient for a genuine use under Article 15 CTMR, without any restrictions on the exercise of his rights. However, when this has not occurred within a rather long period after the registration, it appears appropriate and reasonable to restrict under certain circumstances the right of the CTM proprietor to oppose or invalidate a later trade mark in a Member State located in a part of the European Union remote from the area where the mark has been used. The underlying rationale for this restriction is that, since the commercial activity under the CTM was limited to a part of the Union remote from that Member State there is no likelihood that a conflict will actually arise in that Member State in the future. A person adopting, in this situation, a national trade mark intended to be used only within that Member State will regularly have no reason to assume that the proprietor of an earlier CTM will actually be detrimentally affected. The concept is thus similar in its objectives to that underlying acquiescence and results in a coexistence.
- 3.20 Such a rule would have to be subject to substantial qualifications.
- 3.21 First, the time period that must have expired after registration must be sufficiently long to allow for the development of a market and the spreading of goods or services marketed under the CTM. A period of 15 years would seem to be reasonable.
- 3.22 Second, as regards the territory which has not been covered by any use of the earlier CTM, the rule should only apply if merely minimal use of the earlier CTM has been made in a part of the Community which is remote from the relevant Member State. This requirement would imply that whenever the CTM was used either in the relevant Member State or in neighbouring parts or other major parts of the European Union, the proprietor of the earlier CTM would prevail and the argument that the younger mark was acquired in good faith could not be raised.

- 3.23 Third, it should be set out expressly that registrations of younger national trade marks must fail unless they have been applied for in good faith. Such good faith would be lacking in cases where in view of the circumstances an actual conflict existed or was likely to occur at the time when the younger trade mark was filed for registration, and also in cases of misuse, for example when the person adopting the younger trade mark deliberately targeted the CTM.
- 3.24 The requirement of good faith corresponds to the exception applying with regard to acquiescence. According to Article 9 (1) last half sentence TMD acquiescence by the holder of an earlier CTM cannot be raised as a defence if the application for the younger national mark was made in bad faith. However, in contrast to that, good faith should form a *positive requirement* which must be established by the person claiming to be entitled to register the younger trade mark. Whereas the law usually avoids obligations to establish “negative facts”, i.e. the absence of bad faith, good faith as a positive requirement has already been adopted as the relevant criterion in the context of enlargement of the Community under Article 165 (5) CTMR for the right of proprietors of earlier national trade marks to prohibit the use of a CTM in a new Member State. Requiring good faith should, in principle, not mean that the younger trade mark cannot be validly registered if the applicant knew or could have known of the existence of the CTM. Proving good faith would not require the proof of a state of mind, but the presence (or absence) of factual circumstances. As a rule, the decisive aspect would be whether in view of the circumstances of the individual case, the applicant had no reason to expect that the registration would lead to a conflict on the market. The relevant factors to be taken into account for the assessment should comprise in particular the market activities of the CTM holder, the goods or services concerned, and the awareness of the relevant public. The more the territory of use of the CTM is limited in its geographical extent and is distant from the relevant Member State the more speaks in favour of good faith of the applicant. Good faith should, however, be excluded if the relevant market sector is small, so that even minor activities tend to have an impact on the entire Community market. Furthermore, in cases of abusive registrations, good faith would be excluded independently of any findings relating to a potential conflict on the market. Evidence suggesting that the CTM was the object of deliberate usurpation would bar any assumption of good faith. National registrations undertaken for speculative purposes and thus with abusive intent are typically characterized by their near identity with prior CTMs, and by the absence of any plausible explanation for choosing that particular trade mark. For instance, the registration of a figurative sign combined with word elements which is identical with an existing CTM would provide strong *prima facie* evidence of bad faith and would hinder the applicant or proprietor of that mark from invoking good faith.
- 3.25 Fourth, as a matter of procedure, the rule would become operative only when the applicant or registrant of the national mark, confronted with an opposition or invalidation application, or an infringement claim under Article 9 CTMR requests proof of use by the proprietor of the earlier CTM and invokes the new coexistence rule. If that proof does not satisfy the substantive requirements explained earlier, i.e. shows use only in an area remote from the Member State in question, it would then still be for the applicant or proprietor of the national mark to establish his good faith, as explained before.

- 3.26 It is crucial to emphasize that the right of the CTM proprietor to use the CTM everywhere in the European Union would not be subject to any restriction. It is therefore always possible for him to extend the use of the CTM to the Member State where the intervening right was registered, without the national trade mark proprietor being able to oppose or otherwise restrict the use of the CTM. Also in that respect the coexistence rule is similar in its structure to the acquiescence rule which provides in Article 9 (3) TMD that the proprietor of the later registered trade mark shall not be entitled to oppose the use of the earlier trade mark. It does not have to be feared, therefore, that the proposal would lead to fragmentation of the market. The unitary character of the CTM remains unaffected. The CTM can be used and enforced against other third parties, throughout the European Union.
- 3.27 In case of a national trade mark having been successfully registered on the basis of the proposed rule, the CTM would have to coexist with that trade mark in the same territory. However, this is not different from what results from acquiescence or other provisions leading to coexistence of signs, e.g., when the proprietor of a prior trade mark must tolerate intervening rights (see Chapter 2 I). It is generally acknowledged that in such situations, coexistence of signs must be reconciled with the overarching goal of protecting the public against the risk of confusion, for instance by adding indications clarifying the identity of goods or services, or by similar measures in order to avoid any confusion. This principle follows from the regulation under the Unfair Commercial Practices Directive (2005/29/EC), in particular Article 6 (2) (a) of that Directive. In contrast to the current coexistence provisions in European trade mark law, it should be explicitly set forth in the new provision that the responsibility for taking such measures is on the proprietor of the younger national trade mark, under the reservation that he cannot be forced to abandon any use of the mark.
- 3.28 It is true that by relying on the concept of good faith, the application of the proposed rule may require rather complex evaluations. However, although this presents a particular challenge, it is not entirely unusual – such complexities are a typical feature of legal provisions which, like the proposed rule, are based on notions of equity and fairness. It is also true that, depending on the stage of proceedings in which such provisions become relevant, the assessment will take a summary form rather than embarking on a full-depth analysis. For instance, if the proposed rule has to be applied in opposition proceedings which in some or most Member States are conceived as summary proceedings, the assessment will typically be restricted to a screening of the facts, and evidence procured by the parties will generally be limited to written documents. Since it should be for the applicant of the younger trade mark to establish good faith, doubts would regularly weigh in favour of the CTM proprietor. More thorough examination could be expected in proceedings before appeal bodies or the courts, for instance when decisions taken in the course of registration proceedings are appealed, or requests for cancellation are filed, or the issue is raised in infringement litigation. Also in that regard, the proposed limitation does not pose substantially different or more serious problems than other complex provisions which may likewise have to be assessed during the registration procedure or in cancellation or infringement cases, such as applications filed in bad faith, opposition against or cancellation of marks of “unfaithful agents” (Article 8 (3) CTMR), or extended protection for marks having a reputation. Legal uncertainty will result from the proposed rule no more and no less than from existing legal provisions dealing with such cases.

- 3.29 The main idea behind this proposal is to reduce the possible effects of Union-wide protection for CTMs that are used in only a small part of the European Union. Thus, the rule is intended to strengthen the coexistence between the CTM system and the national trade mark systems. The proposal does not have any adverse effect on the unitary character of the CTM, and it is in line with the principle to grant in CTM infringement cases, as a rule, Community-wide relief (see below Chapter 3 B V 7). Infringement claims under Article 9 CTMR against the use of a sign that is registered as a younger national trade mark are always subject to possible defenses limited to a Member State, such as acquiescence, the existence of an intervening national right, the absence of likelihood of confusion or the absence of taking unfair advantage of the repute of the CTM due to a lack of reputation in the relevant Member State. The proposed coexistence rule would have the same effect on Union-wide infringement claims.

VI. Proposals

- 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.

B. Further territorial issues of CTM protection

I. General remarks

- 3.32 Community trade mark law is governed by the principles of autonomy, unitary character and coexistence. The unitary character is related to coexistence because any earlier right existing in any of the Member States entitles their proprietors to oppose or request invalidation of a later CTM.

- 3.33 In many respects, the unitary character creates unique problems of substantive and procedural law. Among these is also the issue whether a CTM must be used in a specific territory in order to be maintained, which was addressed in the previous section.
- 3.34 Further principal territorial issues are:
- the refusal on absolute grounds when the ground is factually limited to a part of the EU,
 - the question of where distinctiveness through use must have been acquired,
 - the question of how to determine the territorial scope of protection when likelihood of confusion, or enhanced distinctiveness, or reputation, do not exist everywhere in the EU.
- 3.35 Those issues are treated in the following.
- 3.36 The problems that arise are often linked to the fact that there are many languages spoken in the Community, and a particular term or sign may be distinctive in one part, but descriptive in another language, or may cause confusion in one language but not in the other.
- 3.37 Different kinds of problems arise because of the large size of the EU. In spite of the EU constituting a “single” or “internal” market, factually there are several “sub-markets” into which the goods or services for which a CTM is used may never reach (see also above, Part III H).

II. Current law

- 3.38 Under current law, the unitary principle is expressed in Article 1 (2) CTMR, as follows:

Article 1

Community trade mark

1. A trade mark for goods or services which is registered in accordance with the conditions contained in this Regulation and in the manner herein provided is hereinafter referred to as a "Community trade mark".
2. **A Community trade mark shall have a unitary character. It shall have equal effect throughout the Community: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole Community. This principle shall apply unless otherwise provided in this Regulation.**

Territorial aspects are addressed in the following provisions:

Article 7

Absolute grounds for refusal

3. ...
4. Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.

Article 8

Relative grounds for refusal

5. Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered
 - (b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; ...
 4. Upon opposition by the proprietor of a non-registered trade mark or of another sign used in the course of trade of more than mere local significance, the trade mark applied for shall not be registered where and to the extent that, pursuant to the Community legislation or the law of the Member State governing that sign
 - (c) rights to that sign were acquired prior to the date of application for registration of the Community trade mark...;
 - (d) that sign confers on its proprietor the right to prohibit the use of a subsequent trade mark.

Article 9

Rights conferred by a Community trade mark

1. A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade
 - (e) any sign which is identical with, or similar to, the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community ...

III. Case law

1. Absolute grounds of refusal

- 3.39 Under current OHIM practice, so far followed by the Luxembourg courts, the notion of “part” under Article 7 (2) CTMR is not the same as “Member State”. However, according to the ECJ, the part of the Community referred to in Article 7 (2) CTMR may be comprised of a single Member State (ECJ Case C-25/05 P, para 83 – August Storck). OHIM, when examining for descriptiveness or absence of distinctive character, takes the official languages recognized at Community level into account, which do not necessarily coincide with the frontiers of countries. Some languages are official languages in more than one Member State (e.g., German, French and English). For example, the word “Companyline” for services in the field of insurance and financial affairs was held to be not distinctive in English-speaking areas of the Community and, consequently, devoid of any distinctive character within the meaning of Article 7 (1) (b) CTMR (ECJ C-104/00 P, para 21).
- 3.40 OHIM has so far not taken into account languages recognized at national level, such as the Basque or Catalan languages in Spain, but not part of the 23 languages making up the “official” languages.
- 3.41 OHIM also has not recognized languages spoken by minorities in the Member States, such as Turkish or Arabic, for example in France and Germany, or Russian, for example in the Baltic States. For example, the word mark “Gazoz”, the Turkish word for sparkling mineral water, has been registered as a CTM in class 32 for mineral water. An action for infringement of this CTM in Germany against the use of the sign “Gazoz” on mineral water bottles that were distributed in grocery shops specializing in Turkish food was dismissed because the use was held to be descriptive (German Supreme Court, Case I ZR 23/02).

2. Acquired distinctiveness

- 3.42 Article 7 (3) CTMR provides that the absence of distinctiveness or the presence of descriptiveness may be overcome through use rendering the sign distinctive.
- 3.43 OHIM practice requires distinctiveness through use being proved for those parts of the Community where the deficiency exists. This principle is the logical counterpart to the application of Article 7 (2) CTMR and has been confirmed by the ECJ (Case C-25/05 P, para 83 – August Storck).
- 3.44 As regards language-related word marks, OHIM requires evidence of acquired distinctiveness for those parts of the Community where that language is spoken or known. As regards signs consisting of shapes or colours, OHIM generally requires evidence of acquired distinctiveness for all parts of the Community. However, OHIM does not require evidence for each Member State separately, but takes the markets in the Community into account.
- 3.45 Case law of the General Court seems to suggest that acquired distinctiveness in the latter cases (shapes, colours) must be shown for all Member States (CFI Case T-399/02, para 47 – Eurocermex; CFI Case T-402/02, para 86 – August Storck). The ECJ has accepted this position of the General Court (ECJ Case C-25/05 P, para 86 – August Storck).

3. Relative grounds of refusal

- 3.46 Under Article 8 (1) (b) CTMR a CTM shall, upon opposition by the proprietor of an earlier trade mark, not be registered if because of the identity or similarity of the marks and the goods or services covered by the marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected.
- 3.47 By this reference to the territory of protection of the earlier trade mark the point of view of the public in the Member State in which the earlier trade mark is registered must be taken into consideration in order to assess likelihood of confusion in an opposition or cancellation proceeding based on an earlier national mark. For example, the likelihood of confusion between the earlier Spanish word mark “Matratzen” registered in class 20 for mattresses and the CTM application “Matratzen Concord” for the same goods was examined from the perspective of the Spanish public that was unaware of the descriptive nature of the word “Matratzen” in German (ECJ Case C-3/03 P, para 10 and 30 - Matratzen Concord).
- 3.48 The General Court, in an opposition case, has examined two earlier United Kingdom trade marks consisting of the word MOU, the contested CTM being KIAP MOU, with a recognized meaning in Indochinese languages as if they were arbitrary marks, even though the applicant claimed that the marks were both directed at an Indochinese public in the United Kingdom and that the word MOU meant “pork” and KIAP meant “crispy”. Based on these findings the General Court confirmed the finding of likelihood of confusion in the territory of the United

Kingdom (Judgment of 25 November 2003, Case T-286/02, Oriental Kitchen – Mou Dybfrost (MOU/KIAP MOU).

3.49 If the earlier trade mark is a CTM, the General Court applies Article 8 (1) (b) CTMR even where the relative ground for refusal applies only in a part of the Community (CFI Case T- 33/03, para 39 – Shark; CFI Case T-355/02, para 36 – Muelhens; CFI Case T-172/05, para 33 – Armacell). This interpretation has been accepted by the ECJ. (ECJ Case C-514/06 P, paras 56 and 57 – Armacell). The ECJ held in this case that the registration of the later CTM ARMAFOAM was properly refused because of the earlier CTM NOMAFOAM since the descriptive nature of “foam” for the products involved (insulating material) applied only in the English speaking parts of the Community, while in other parts the element “foam” was inherently distinctive. Due to the existing visual and phonetic similarity between the marks from the point of view of the relevant non-English speaking public the ECJ confirmed the finding of a likelihood of confusion in the non-English speaking parts of the Community.

3.50 Under Article 8 (4) CTMR the proprietor of a prior non-registered trade mark or of another prior sign used in the course of trade of more than mere local significance may oppose a CTM application if that sign confers the right to prohibit the use of a later trade mark. The requirements of Article 8 (4) CTMR are in the focus of a case currently pending before the ECJ (Case C-96/09 P – Anheuser-Busch/Budejovicky Budvar). In this matter, the General Court held that the significance of the sign concerned is closely bound up with the territory where that right is protected and that this protection must not be merely local (Joined Cases T-225/06, T-255/06, T-257/06 and T-309/06, para 180). Unlike the Board of Appeal the General Court stated that a sign (in the case at issue the sign “Bud”, which is protected under the Lisbon Agreement and under a bilateral treaty between Austria and the Czech Republic, originally concluded in 1976 by Austria and the Czechoslovak Socialist Republic) which is used in France has a significance which is not merely local in the meaning of Article 8 (4) CTMR. In his opinion delivered on 14 September 2010, the Advocate General favoured a different approach. According to the Advocate General the mere existence of a protection “throughout the territory of a Member State, or even in a number of them, does not ensure that the requirement of significance is met” (para 133). The Advocate General continues by stating: “Interpreting the requirement of significance as being synonymous with the territorial scope of legal protection would lead to the exclusion without prior analysis of the right to invoke under Article 8 (4) signs which are protected in the whole territory of a Member State but not beyond its borders, since such signs would never have more than local significance” (para 137).

4. Scope of protection

3.51 Territoriality issues can arise with regard to the scope of protection

- when likelihood of confusion under Article 9 (1) (b) CTMR is involved,
- when the issue of an enhanced scope of protection for widely used marks comes into play, and

- when protection of marks with a reputation pursuant to Article 9 (1) (c) CTMR is invoked.

a) Likelihood of confusion

3.52 According to Article 96 CTMR, Community trade mark courts have exclusive jurisdiction for infringement actions and, consequently, for examining likelihood of confusion under Article 9 (1)(b) CTMR in infringement proceedings. The ECJ can only be involved in these proceedings by way of a reference for a preliminary ruling. So far, there is no case law of the ECJ relating to the interpretation of the likelihood of confusion under Article 9 (1) (b) CTMR. However, there is a substantial number of cases where the ECJ has been called to interpret Article 4 (1) TMD and the notion of likelihood of confusion in registration proceedings, and the General Court and the ECJ have been called upon to decide the issue of likelihood of confusion arising under Article 8 (1)(b) CTMR in a large number of cases.

b) Enhanced distinctive character

3.53 There is no case law so far on the issue of an enhanced scope of protection for a CTM widely used in a part of the Community.

c) Territorial extent of reputation

3.54 As to the necessary territorial extent of “reputation” within the meaning of Article 9 (1) (c) CTMR, the ECJ held in the PAGO judgment that reputation in a substantial part of the EU was sufficient, and that, under the circumstances of that case (notably a well established earlier mark in all of Austria in a conflict with a similar sign used in Austria), this requirement was satisfied as the mark had a reputation in Austria (ECJ Case C-301/07, para 29 – PAGO).

5. Scope of injunctive relief

3.55 Article 102 (1) CTMR provides that a Community trade mark court, which finds an infringement, must issue an injunction prohibiting further infringements.

3.56 Under the territoriality aspect, two issues arise, namely whether the injunction should always be Community-wide, and whether the plaintiff has the right to limit the request for relief to a particular territory.

3.57 The ECJ is currently faced with a reference for a preliminary ruling made by the French Cour de Cassation (Case C-235/09 – Chronopost/DHL), where the mandatory nature of Community-wide relief, requested in that case by the claimant, is one of the questions presented to the Court. Advocate General Cruz

Villalón in his Opinion of 7 October 2010 proposed to answer that an injunction issued by a Community trade mark court with Community-wide competence extends as a matter of principle to the whole territory of the Union.

3.58 There is no case law on the second issue (right to limit request of relief).

IV. Opinions submitted

1. The unitary character

3.59 The opinions submitted generally recognize the merits of the principle of unitary character and the corresponding principle of coexistence, and notably the usefulness and the need to maintain national trade mark systems. There is no specific challenge to the principle of the unitary character and the exceptions to that principle.

3.60 However, some concern was voiced with regard to certain practical implications of the principle. This relates in particular to the PAGO decision, where a rather generous yardstick was endorsed for establishing reputation in the Community. While it was argued by some that the relevant provisions should be amended so as to require reputation “throughout”, or in a predominant part of, the Community, others emphasized that the finding in PAGO was correct in view of the unitary character of CTMs. It was also stressed in that context that even though it has been confirmed in that decision that the mark enjoyed reputation in the Community, this does not mean that its reputation or distinctive character would be abused or damaged if, unlike in the case at stake, a competitor would use a similar sign in a part of the Community where the mark does not enjoy the same degree of recognition as, in the actual case, in Austria. Others feared, however, that allowing or actively encouraging such differentiation on the basis of diverging factual circumstances in different parts of the Community, (possibly) leading to a “tailoring” of injunctions along national or other (linguistic, economic) boundaries might lead to a disruption of the principle of unitary rights.

2. Acquired distinctiveness

3.61 As far as acquired distinctiveness is concerned some statements stress that it would be important to have a clarification of the territorial scope in respect of which acquired distinctiveness of a CTM must be shown. However, opinions on the appropriate territorial scope vary: some comments consider that distinctiveness should be required for each and every Member State whereas others indicate that acquisition of distinctiveness in fewer countries could suffice, e.g. in case of non-word marks, and that this issue should be assessed on a case-by-case basis, ensuring also the compatibility with the issues of use and proof of reputation.

V. Analysis and proposals

1. The unitary character as a principle

- 3.62 There seems to be uniform support for maintaining the principle of the unitary character expressed in Article 1 (2) CTMR.
- 3.63 The principle should be maintained.
- 3.64 The unitary character of the CTM reflects the Community as a unitary territory. The territorial scope of protection for a CTM extends to the Community rather than to 27 Member States. Apart from the provision in Article 98 (2) CTMR that limits the extent of international jurisdiction of a Community trade mark court whose jurisdiction is based on the act of infringement to the territory of the Member State in which that court is situated, all substantive law provisions in the CTMR dealing with territorial aspects refer to the “*Community*” or a “*part of the Community*”.
- 3.65 In order to emphasize this idea as a guiding principle for the protection of CTMs the Preamble should contain an explanation about the territorial scope of protection of CTMs.

2. Absolute grounds of refusal

- 3.66 The rule under Article 7 (2) CTMR that absolute grounds existing in a “part” of the EU suffice to refuse or invalidate a CTM should be maintained.
- 3.67 It may seem arbitrary to distinguish between “official” languages and other languages even though the “other” languages may be more widely spoken than some of the “official” languages. But allowing even other than the official languages to prevent registration of a CTM if the mark is descriptive or non-distinctive in that other language would constitute an unwarranted extension of the unitary principle. Languages like Turkish or Arabic are not in fact spoken in a “part” of the Community within the meaning of Article 7 (2) CTMR. Thus, it appears appropriate to continue to apply the rules as they have been developed by OHIM and confirmed by the courts, and take the interest of users of languages other than “official” ones into account in the context of a “fair use” defense or the limitations of the right.
- 3.68 This should be left to case law to develop on a case-by-case basis. The German Supreme Court’s decision in the Gazoz case mentioned above is an example for applying the limitation of the effects of a CTM right on behalf of a descriptive use by the Turkish public in Germany.
- 3.69 Accordingly, there is no need to clarify or otherwise amend Article 7 (2) CTMR.

3. Acquired distinctiveness

- 3.70 The principle that distinctiveness through use must be acquired in those parts of the Community where it is lacking should be maintained. It corresponds clearly to the principle of the unitary character of CTMs.
- 3.71 For example, an application for a CTM consisting of a word which is descriptive in one of the languages of the EU, even if this applies only to a small Member State, should continue to be refused unless distinctiveness through use in that Member State has been established.
- 3.72 Still, the question needs to be addressed as to whether distinctiveness through use must have been acquired throughout the territory where it is missing, for example, in the case of a word mark descriptive in Italian from Bozen to Syracuse, or in the case of a shape mark in all Member States or in any event from Porto to Bucharest, and from Narwa to Messina.
- 3.73 The ECJ held in the *Europolis* case (Case C-108/05, para 23) that distinctiveness of *Europolis* (to be registered for European-wide insurance policies) must be established *throughout* the territory where Dutch/Flemish is spoken. That decision leaves room for the interpretation of what “throughout” means, except that both the Netherlands and Belgium must be included in the proof.
- 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.
- 3.75 In this context, it is important to note that a proposal is made in this Study to complement Article 6 (1) (b) TMD and Article 12 (b) CTMR by permitting the use of signs or indications which are not distinctive, where that complies with honest business practices. This would allow the continued use of product features such as shapes or colours which are not distinctive as such, even after they have become the object of a CTM registration, in particular where such use is made, or was already made before the registration, in a part of the EU where the registered trade mark has not been used to an extent which would be sufficient in itself to establish acquired distinctiveness.
- 3.76 It also appears that OHIM and the courts, in spite of the “mandate” of the Paris Convention (Article 6^{quinquies} C) and the recognition of this principle in the case law of the ECJ (Case C-363/99 - *Postkantoor*), do not always pay sufficient attention to the “length of use” as an often decisive criterion for examining distinctiveness through use.
- 3.77 It is therefore proposed to maintain the principles explained above but introduce the criterion contained in Article 6^{quinquies} C Paris Convention in order to avoid the situation that it is virtually impossible to demonstrate acquired distinctiveness. By applying this criterion it should, for example, be possible to claim *prima facie* distinctiveness where the applicant can show substantially exclusive use in all relevant parts of the Community without being forced to submit proof of market

shares held by the trade mark, or the amount of investment for promoting the trade mark in all these territories.

4. Relative grounds of refusal

- 3.78 The ability to oppose a later CTM or to obtain its cancellation on the basis of all earlier rights protected in a single Member State is a cornerstone of the current system. It reflects the principle of coexistence and should be maintained.
- 3.79 However, the right under Article 8 (4) CTMR to file an opposition based on unregistered earlier rights which are of a larger scope than “mere local significance” should be clarified. An approach that “more than mere local significance” requires a sign that is known and used in more than one Member State, as apparently considered in the Advocate General’s Opinion in the “BUD” case referred to above, does not seem appropriate and in line with the principle of coexistence. In order to avoid such interpretation it is proposed to give an opposition right to proprietors of non-registered trade marks and signs which grant the right to prohibit the use of a subsequent trade mark in the whole territory of the respective Member State. This amendment would make clear that any sign which confers on its proprietor legal protection throughout the territory of a Member State would qualify as a sign entitling to bring opposition or request invalidation. Opposition and invalidation rights would not be granted to proprietors of signs which are protected only within a limited territory of a Member State and which do not enable their proprietors to prohibit the use of a later trade mark in the whole territory of this Member State.
- 3.80 Proprietors of non-registered trade marks or other signs which enjoy less than nation-wide protection would maintain the right to prohibit the use of the CTM in their territory if that right is recognised in the law of the Member State, in accordance with Article 111 CTMR.

5. Scope of protection

a) Likelihood of confusion

- 3.81 There are two main issues where territoriality plays a role when examining likelihood of confusion under Article 9 (1) (b) CTMR.
- 3.82 The first issue arises when likelihood of confusion exists because of phonetic or conceptual similarity between marks in one part of the Community, for example, in an area where a particular language is spoken, but not in other parts, where the language is different. The question is whether, in an infringement action, the proprietor of a CTM should be entitled to relief not only in those parts of the Community where the use by the defendant causes likelihood of confusion, but also in those parts where this is not the case. A similar issue arises when the proprietor of a CTM brings an opposition against or requests cancellation of a later national trade mark in a Member State where there is no likelihood of confusion, even though likelihood of confusion would exist elsewhere in the EU.

- 3.83 The second situation arises when a CTM is composed of several elements, and one or several of those elements would not be separately registrable as a CTM because they are descriptive or not distinctive in a part of the Community, e.g. in a particular region where a language is spoken in which the mark is considered to be descriptive. In this situation, if the CTM comprises additional elements which render the mark as a whole distinctive the registration cannot be refused. When the proprietor of that CTM now brings an infringement action (or an opposition or cancellation action) against the use (or registration) of a sign corresponding to the element of the CTM which is descriptive in the part of the Community where the sign is used but not in other parts of the Community, the question of the relevant territory for finding likelihood confusion arises.
- 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.

b) Protection of trade marks with reputation

- 3.87 CTMs with a reputation may be protected even in the absence of likelihood of confusion. Under Article 9 (1) (c) CTMR the CTM must have a reputation, and the use of the sign or the later mark must be likely to take unfair advantage of or be detrimental to the reputation or the distinctiveness of the earlier mark.
- 3.88 Under the aspect of territoriality the issues arise as to where the registered CTM must have obtained “reputation”, and where the conflict between the earlier CTM and the sign or the later mark must exist.

aa) Territorial extent of reputation

- 3.89 In view of the difficulty of distinguishing between Member States under a “substantial part” analysis, the consequence of the PAGO judgment would seem to

be that where a mark has a well-established reputation in one Member State, the requirement of reputation “in the Community” is fulfilled.

3.90 It is not proposed to change that result by amending Article 9 (1) (c) CTMR, for instance by prescribing that the trade mark must have a reputation “throughout” or “in a major part” of the Community. Such wording would not be consistent with the scheme of the existing CTMR provisions as the substantive law provisions in the CTMR addressing territorial aspects usually refer to “the Community” rather than to particular parts of it. On the other hand, it is true that such considerations do not justify an extension of the effects of CTM protection based on reputation to parts of the Community where such reputation does not exist. However, it is not necessary to re-define the territorial aspects of reputation for that purpose. Fairly balanced results ensue already from a conscious approach towards the notion of conflict (see below).

bb) Conflicts involving marks with a reputation

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.

6. Fair use

- 3.97 Pursuant to Article 12 (b) CTMR a defendant can claim a “fair use” exception from infringement when he uses a term that is descriptive for the goods or services. Where the term or designation is descriptive in a particular territory only, the question arises as to whether the relief sought by the claimant would be to the exception of that territory only, or go beyond and extend to the whole of the Community.
- 3.98 The correct answer would seem to be that the exception applies only in the territory where the descriptive nature of the term is recognised by the relevant (part of) the public.
- 3.99 No changes in the legislation seem necessary.

7. Scope of injunctive relief

- 3.100 Issues relating to the scope of injunctive relief arise not only in cases where there are differences in public perception, dealt with before, but also more generally in cases where the court seized has Community-wide competence, pursuant to Article 98 (1) to (4) CTMR.
- 3.101 Article 102 (1) CTMR provides that a Community trade mark court which finds that the defendant has infringed or threatened to infringe a CTM shall issue an order prohibiting the defendant from proceeding with the infringing acts unless there are special reasons for not doing so.

a) The right of the claimant to limit relief

- 3.102 It is a general principle of civil procedure that the claimant has the right to determine the scope of the action and the relief requested. In accordance with this principle, the claimant should be entitled to limit the relief requested, for example for injunctive relief, or for damages, or for any of the other measures that the court has the competence to adopt, to a particular territory, for example to one or a few Member States. The claimant may have a legitimate interest in such a limitation, for example in order to reduce the risk of litigation, or in cases where the defendant is not using the infringing sign in any other parts of the Community.
- 3.103 This may lead in such cases to the result that the use of the infringing sign is not prohibited everywhere in the Community. This is however no “breach” of the unitary character of CTMs, because the CTM retains its Community-wide scope and effect and may be enforced in subsequent actions if needed.

b) Community-wide relief

- 3.104 Where the claimant requests Community-wide relief and the defendant is actually using or threatening to use the infringing sign everywhere in Europe, injunctive relief has to be granted for the whole territory. This interpretation is in line with the Nokia judgment where the ECJ has stated that the protection of CTMs must be uniform throughout the entire area of the Community (Case C-316/05, paras 25 and 33).
- 3.105 Where the defendant is not using or threatening to use the infringing sign everywhere in the Community but the use is limited, for example to a particular locality or region, and the likelihood of that use spreading elsewhere does not exist, the question arises as to whether in these situations as well relief should be Community-wide, or rather limited to the territory where the infringing use is made or is likely to be made.
- 3.106 As the Community must be taken as a whole, as a single market, it would seem logical to issue Community-wide injunctive relief in all cases where the claimant makes such a request. The defendant has no countervailing interests which would be an argument against such an approach; use in territories where the claimant is currently inactive would similarly constitute an infringement.
- 3.107 Some may argue that Article 98 CTMR, dealing with the territorial extent of the jurisdiction of CTM courts, by using the terms “in the territory of any of the Member States where acts of infringement are committed or threatened” actually provides for a limitation of the right of relief for those Member States where such acts are actually committed or threatened. The rules for jurisdiction of national courts within the Community still proceed from the concept that jurisdiction extends to Member States rather than to the territory of the Community. Article 98 CTMR should however be seen as providing for Community-wide competence of the courts with jurisdiction pursuant to Article 97 (1) to (4) CTMR.
- 3.108 The Opinion of the Advocate General in the DHL/Chronopost case, referred to above, adopts the same line of arguments.
- 3.109 In order also to make the scope of competence evident from the text of Article 98 (1) CTMR, it is proposed to change the wording “...within the territory of any of the Member States ...” to “...within the territory of the European Union”.

8. Prohibition of use

- 3.110 The right of proprietors of earlier rights to prohibit the use of a sign protected as a CTM in the Member State or the territory where the earlier right is protected is guaranteed by Article 110 and 111 CTMR.
- 3.111 No objections or proposals were made with regard to these provisions.
- 3.112 If the suggestion is followed to limit the opposition and cancellation right for unregistered marks and signs to those with nationwide scope of protection, Article 111 CTMR would have to be revised to take that change into account.

9. Conversion

- 3.113 Pursuant to Article 112 CTMR a CTM may be converted into a national trade mark application when it is finally refused, cancelled, withdrawn, abandoned, surrendered, not renewed, or otherwise loses its effect.
- 3.114 Territoriality issues arise in this context because conversion may not be requested in Member States where according to a final decision by OHIM or a CTM court grounds for refusal or invalidation exist. Where a CTM is refused or cancelled on the basis of an earlier CTM no conversion may be requested, even in cases where there may not be likelihood of confusion or a conflict in the particular Member State in question.
- 3.115 It is proposed to maintain the current law without change.

C. Bad faith as absolute ground for refusal

I. Current law

- 3.116 Bad faith does not form part of the absolute grounds for refusal listed in Article 7 (1) CTMR. Instead, it is listed in Article 52 (1) (b) CTMR as an additional ground for invalidation of a CTM.

II. Case law

- 3.117 Article 52 (1) (b) CTMR was addressed in Case C-529/07 – Lindt & Sprüngli/Franz Hauswirth (“Goldhase”). It was held in that judgment that for assessing bad faith, all circumstances of the case must be taken into account. Knowledge of use of the same or of a similar mark by a third party in the Community prior to the filing of the contested mark is among the relevant circumstances but is, in itself, not sufficient to permit the conclusion that an applicant for a CTM was acting in bad faith.

III. Opinions

- 3.118 User organisations did not attribute much importance to the issue, and most of them do not see any need for including registration in bad faith into the list of absolute grounds for refusal. It is repeatedly stressed in that context that it will hardly ever be possible for an office like OHIM to detect applications made in bad faith, without receiving prior notice by another party. Before that background, the proposal is made by some that, if bad faith should become part of the registration process, it should rather be regulated as a relative ground for refusal which may be raised in opposition proceedings.

3.119 The same suggestion was made in talks with members of the OHIM Boards of Appeal.

IV. Issues

3.120 The question has been posed to this Study whether bad faith should become part of the absolute grounds for refusal, which are examined ex-officio by the Office. Such a change in procedure would be warranted if the present situation is unsatisfactory, for instance because it makes registration of trade marks mandatory even when they are obviously filed in bad faith, such as names of celebrities where the celebrity has not consented to the registration. It would indeed be an unfortunate situation if, because of the legal status quo, examiners at OHIM were forced to lend their hands to manifestly mischievous acts which threaten to damage the interests of others. On the other hand, there is little or no evidence showing that such risks have actually materialised in a sizeable number of cases. More often than not, assessment of bad faith must include rather complex background information in order to arrive at a full evaluation in the light of all circumstances, as is required in ECJ jurisprudence. It is hardly possible for an office to engage in such an evaluation ex-officio, apart from very rare cases when bad faith is obvious. The issue is therefore better placed in inter partes proceedings, before or after registration.

3.121 Before this background, the proposal must be evaluated that bad faith should be regulated as a relative ground for refusal rather than a ground for invalidation. It is true that typically, application in bad faith will be argued when the applicant knew at the time of application that a competitor was using the same or a similar sign in commerce, without (yet) having acquired protection, or when the same or a similar trade mark was protected abroad, and the applicant was aware when filing the application that the proprietor of that mark was about to extend his business to the country for which the application shall become valid. These situations are very close to those addressed by Article 6^{septies} Paris Convention (unauthorized registration by an agent or representative), or to conflicts with prior unregistered rights. Expanding the possibility for opposition to cases when (a) the trade mark to be registered is either used in the relevant territory by a competitor, or is protected abroad, and (b) the application was filed in bad faith, might therefore be an appropriate and feasible way to resolve such issues already before the trade mark is registered.

3.122 However, this does not mean that bad faith should (only) be considered as a relative ground for refusal. In addition to the typical conflicts just mentioned, application in bad faith may also be of relevance in cases when commercial interests of third parties are not, or at least not directly, involved. For instance, this may concern cases when the names of famous historic persons are registered as trade marks in order to extract money from others engaging in merchandising connected with cultural or memorial activities, etc. Whereas bad faith should therefore retain its place in the catalogue of absolute ground for refusal, the

possibility to file an opposition based on bad faith in case that the interests of the opposing party are directly concerned could be added to Article 41 CTMR.

V. Conclusions

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.

D. Civil litigation and jurisdiction

I. Current law

3.125 Civil litigation relating to CTMs is governed by Articles 94 et seq. CTMR (Title X).

- Article 94 CTMR provides for the application, with variations, of Regulation 44/2001 (the Brussels I Regulation).

- Article 95 CTMR obliges the Member States to designate as few as possible of their national courts dealing with trade marks as Community trade mark courts (CTM courts) of first instance and second instance (Article 105).

- Article 96 CTMR defines the kinds of actions for which CTM courts are exclusively competent: actions for infringement, declaratory actions for non-infringement, counterclaims for invalidity, and actions for compensation for acts committed in the period between publication and registration of a CTM.

- Article 97 CTMR defines the international jurisdiction of CTM courts, and Article 98 CTMR defines the territorial competence of CTM courts, distinguishing between courts with Community-wide jurisdiction, and those with jurisdiction limited to the Member State in which they are located.

- Article 99 CTMR provides that the courts must accept the CTM as valid, unless a counterclaim is brought or one of the limited defenses (earlier right, non-use) is raised.

- Article 100 CTMR governs counterclaims.

- Article 101 CTMR determines the applicable law.

- Article 102 CTMR provides for the sanction of injunctive relief, with other sanctions to be taken from the laws of the Member States.
- Article 103 CTMR CTMR deals with provisional remedies.
- Article 104 CTMR deals with related actions.
- Article 106 CTMR deals with jurisdiction in cases not falling into the competence of CTM courts, and the obligation to treat CTMs as valid (Article 107),
- Article 108 CTMR is a transitional provision relating to the application of the Brussels I Regulation.

II. Case law

- 3.126 The ECJ interpreted Article 102 CTMR (then Article 98) in Case C-316/05 – Nokia/Joachim Wårdell-. That case is addressed below (para 3.147). There are as yet no other ECJ decisions interpreting provisions in Title X. The DHL/Chronopost case still pending was referred to in Chapter “Further territorial issues of CTM protection.

III. Issues

- 3.127 Title X has given rise to only a limited number of problems, aside from the absence of uniform sanctions and questions related to the territoriality issues. The issue of sanctions is dealt with in the Chapter on Remedies (para 3.145 et seq.). Territoriality issues were dealt with in Chapter 3 B.

1. Community trade mark courts

- 3.128 The transitional rule in Article 95 (2) CTMR is no longer relevant. It also seems unsatisfactory that the number of CTM courts in the Member States varies widely.

2. Threatened infringement

- 3.129 According to Article 96 CTMR, actions seeking to prevent threatened infringements are subject to their being available under national law. Without the provision specifying this, it is assumed that the law of the country where the action is brought is decisive. While the legal situation in all of the Member States is currently not known, it would appear useful to have a uniform rule apply, which would benefit potential claimants, but also potential defendants in infringement actions, because they could then foresee the likely development of litigation better than at present. Also, the Enforcement Directive (48/ 2004/ EC) would appear to oblige Member States to provide for injunctive relief in cases of “threatened” infringement.

3. Declaratory actions

- 3.130 A number of questions could be raised with regard to declaratory actions for non-infringement, provided for in Article 96 (b) CTMR.
- 3.131 Firstly, according to Article 96 (b) CTMR such declaratory actions are admitted only if provided for in the national law. Without specifying this, it is assumed that the law of the country where the action is brought is decisive. While the legal situation in all of the Member States is currently not known, it would appear useful to have a uniform rule apply, for the reasons set out above with regard to threatened infringement.
- 3.132 Secondly, the question arises as to where a declaratory action for non-infringement should be brought. Under the general rules (Article 97 CTMR), the domicile of the defendant (and then the “cascade” in Article 97 CTMR) should prevail. This would mean that the declaratory judgment action would have to be brought at the domicile of the trade mark proprietor, the proprietor being the defendant in the action for a declaratory judgment. The proprietor is however the potential plaintiff in an infringement action, which would have to be brought at the domicile of the infringer. There is as yet no case law of the ECJ on this issue, which may also arise in other types of litigation. Consideration should be given to providing a clear rule in the context of the Brussels I Regulation.
- 3.133 Thirdly, the relationship between a declaratory action for non-infringement and an infringement action should be clarified. According to the case law of the ECJ, Article 27 of the Brussels I Regulation (or the predecessor Brussels Convention) precludes a later infringement action when previously a declaratory action for non-infringement was brought in another Member State. This rule is criticized because it allows a potential infringer to “pre-empt” the jurisdiction of the court that the proprietor of the IP right would choose for an infringement action.

4. Scope of relief

- 3.134 Regarding the scope of jurisdiction of CTM courts with “general” jurisdiction in the sense of Article 98 CTMR, that provision speaks of competence with regard to acts of infringement or threatened acts of infringement “in any of the Member States”. It would be appropriate to provide for the competence to grant relief for the whole of the European Union, rather than for each Member State.

5. Presumption of validity

- 3.135 Regarding the so-called “presumption of validity” provided for in the title of Article 99 CTMR, it should be clarified that the provision does not establish a presumption, but rather obliges the CTM courts to treat a CTM as valid unless an available defense is raised or a counterclaim is filed.

IV. Proposals

1. Amendment of Article 95 CTMR

- 3.136 There is no need to maintain Article 95 (2) CTMR, a transitory provision.
- 3.137 The current situation in some Member States with many CTM courts (example: Germany has 18 CTM courts of first and 18 of second instance) is not satisfactory. However, it seems unrealistic to propose that numerical limits for the number of national CTM courts become part of the CTMR.

2. Threatened infringement

- 3.138 As regards actions to prohibit threatened infringements, these should no longer depend on the availability under national law. Article 96 (b) CTMR should be amended accordingly.

3. Declaratory actions

- 3.139 As regards declaratory actions for non-infringement, while clarification regarding the availability of such actions may be useful, the issue would be better addressed in the context of the review of the Enforcement Directive and the question of introducing uniform remedies into the CTMR, in line with the provisions of the Enforcement Directive (“Remedies”). Issues concerning the proper venue for filing such actions and whether they may pre-empt subsequent claims for substantive remedies should be considered in the context of the Brussels I Regulation.

4. Scope of relief

- 3.140 Regarding Article 98 CTMR, the reference to the territories of the Member States should be replaced by a reference to the territory of the European Union.

5. Presumption of validity

- 3.141 The title of Article 99 CTMR should be amended.

E. Remedies

I. Current law

- 3.142 Remedies for infringement of CTMs are governed by Articles 101 to 103 CTMR, which provide as follows:

Article 101
Applicable law

1. The Community trade mark courts shall apply the provisions of this Regulation.
2. On all matters not covered by this Regulation a Community trade mark court shall apply its national law, including its private international law.
3. Unless otherwise provided in this Regulation, a Community trade mark court shall apply the rules of procedure governing the same type of action relating to a national trade mark in the Member State in which the court is located.

Article 102

Sanctions

1. Where a Community trade mark court finds that the defendant has infringed or threatened to infringe a Community trade mark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the Community trade mark. It shall also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with.
2. In all other respects the Community trade mark court shall apply the law of the Member State in which the acts of infringement or threatened infringement were committed, including the private international law.

Article 103

Provisional and protective measures

1. Application may be made to the courts of a Member State, including Community trade mark courts, for such provisional, including protective, measures in respect of a Community trade mark or Community trade mark application as may be available under the law of that State in respect of a national trade mark, even if, under this Regulation, a Community trade mark court of another Member State has jurisdiction as to the substance of the matter.
2. A Community trade mark court whose jurisdiction is based on Article 97(1), (2), (3) or (4) shall have jurisdiction to grant provisional and protective measures which, subject to any necessary procedure for recognition and enforcement pursuant to Title III of Regulation (EC) No 44/2001, are applicable in the territory of any Member State. No other court shall have such jurisdiction.

- 3.143 Article 8 of Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) provides as follows:

Article 8

Infringement of intellectual property rights

1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.
2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.
3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

II. Case law

- 3.144 In Case C-316/05 – Nokia/Joacim Wärdell, the ECJ had been asked inter alia whether it constitutes a special reason for not issuing a prohibitive injunction against a defendant having been found infringing a CTM that the risk of further infringement appears not obvious or is otherwise limited. The Court denied the question, making it clear that injunctions prohibiting further infringements are the regular sanction to be imposed.
- 3.145 There are no further ECJ decisions concerning remedies.

III. Issues

- 3.146 The CTMR currently only provides for injunctive relief in cases of infringement of Community trade marks (Article 102 (1) CTMR). All other remedies are to be taken from the law of the Member State where the infringement occurred, subject to the application of that Member State's international private law (Article 102 (2) CTMR). As regards international private law, under the Rome II Regulation, to the extent that EU legislation does not provide otherwise, in cases of infringement of European-wide intellectual property rights, the laws of the Member State where the infringement was committed applies (Article 8 (2) Rome II Regulation).
- 3.147 The need to apply remedies, other than for injunctive relief, provided for in the laws of the Member States creates substantial problems for the enforcement of trade mark rights in cases of multi-state infringements.
- 3.148 The difficulties are not overcome by the Enforcement Directive, because the manner in which this Directive has been implemented in the Member States differs greatly, and the Community trade mark court would still be required to determine and apply the law of the respective Member State.

IV. Solution proposed

- 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.
- 3.152 The reference currently found in Article 102 (2) CTMR to Member States' law includes the private international law of those States. However, after enactment of the Rome II Regulation, such a reference appears no longer as appropriate. The law applying in all Member States with regard to infringements threatening or having been committed in their territory is determined by the Rome II Regulation, which has replaced Member States' own rules on private international law in the relevant aspects. The last half-sentence in Article 102 (2) should therefore be deleted. This appears important not least because the current formulation could be (mis)understood as meaning that it gives prevalence to Member States' private international law under the special reservation in Article 8 (2) Rome II for questions which are governed separately by the relevant Community instrument.

Chapter 4 - Functioning of the CTM system - Issues of procedural law

A. Filing

I. Current law

- 4.1 Filing of CTM applications and filing date requirements are governed by Articles 25 to 28 CTMR, and Rules 1 to 5 CTMIR.
- 4.2 Applications may be filed at OHIM and at national offices (Article 25 CTMR). When the application is filed at a national office, that office should make every effort to ensure that the application reaches the OHIM within two weeks. National offices may charge a fee for the filing, which must not exceed the administrative costs. Under Article 25 (3) CTMR the filing date of the application is deemed to be the date when it was received by OHIM, if the application reaches OHIM more than two months after the date of filing at the national office. According to Article 25 (4) CTMR, the Commission is required to submit a report about the functioning of the dual filing system ten years after the entry into force of the CTMR.
- 4.3 Article 26 CTMR provides the filing requirements, which are detailed in Rules 1 to 3. Article 27 CTMR establishes the filing date requirements. Article 28 CTMR deals with classification.

II. Case law

- 4.4 There is no case law of the ECJ or of the General Court dealing with filing or filing date requirements.

III. Opinions

- 4.5 According to the Allensbach survey a significant share of users – 32 percent of the CTM proprietors and 27 percent of agents – is in favour of retaining the possibility to file CTMs at the national offices. The support is particularly strong among agents and proprietors with a low level of trade mark activities (agents: 47 percent; proprietors: 37 percent), whereas it is much lower in the groups with a high activity level, where only 11 percent of the proprietors and 19 percent of the agents are in favour of maintaining this opportunity.

IV. Issues

1. National filing

- 4.6 In accordance with the reporting requirement in Article 25 (4) CTMR, the question arises as to whether the national filing alternative should be maintained. It has been suggested that the time limit within which the national office must forward the application to OHIM be reduced from the current two weeks to one week.
- 4.7 The two-months rule in Article 25 (3) CTMR appears outdated in view of current communication facilities.

2. Filing requirements

- 4.8 There are no suggestions regarding other issues with the filing requirements established in Articles 26 et seq. CTMR and Rules 1 et seq CTMIR.
- 4.9 The issue of registering non-traditional marks and whether the graphic representation requirement is justified is dealt with in the context of substantive law. Indication of the goods or services and classification is addressed in para 4.16 et seq. (“Classification”).

3. Payment of fees

- 4.10 It has been suggested that the filing fee should be paid at the time of filing and thereby become, in essence, a filing date requirement. The level of fees is addressed below (para 4.137 et seq).

V. Proposals

1. National filing

- 4.11 The benefits of having quick access to a national office, rather than submitting an application directly to OHIM, especially when time is of the essence, as in the case of priority-based applications, justify maintaining the current situation. It meets the needs of users. The period of uncertainty connected with such national applications is comparable to the (much longer) uncertainty when priority

applications are filed. Therefore, the dual filing system should be maintained. The Preamble should contain appropriate explanations.

- 4.12 The two weeks “all efforts” obligation also appears appropriate and should be maintained.
- 4.13 The Study does not take a position on the idea of requiring the national offices to forward CTM applications electronically. The Commission should analyze whether the existing infrastructures of the offices allow such amendment of Article 25 (2) CTMR.
- 4.14 The time limit of two months in Article 25 (3) CTMR, changed from one month when the CTMR was amended in 2004, appears unreasonably long. Ideally, the period should be the same period as the period within which the national office must forward the application to OHIM. This would also contribute to better coherence between filing and the payment of the basic fee within one month, this one month being calculated from the date when the application is filed at the national office.

2. Payment of fees

- 4.15 The issue of when filing fees must be paid is linked to the question of the minimum requirements for obtaining a filing date. The appropriate approach was subject to dispute at the time the CTMR was adopted, and was resolved in favour of the current rule which allows applicants to obtain a filing date without paying the fee and to maintain the filing date if the fee is paid within one month from the date of receipt of the application. The same debate continues at the international level. Thus, Article 5 (2) of the Singapore Treaty allows parties to the treaty to require payment of a fee as a requirement for obtaining a filing date, but only if they did so at the time when it became a party to the Singapore Treaty. Thus, payment of fees as a requirement for obtaining a filing date is clearly not favoured. In view of these considerations, and in the absence of any support from users of the system for a change, the current situation with a time limit of one month between filing and payment of fees should be maintained. To the extent that this causes administrative inconveniences these have been handled by OHIM up to now. If necessary, OHIM should be able to separate applications for which the fee has been paid from those for which the fee is outstanding, and thus be in a position to avoid investment in the examination of marks which ultimately are abandoned through non-payment of fees.

It has been observed in this context that the CTMR is different in this regard from the Community Design Regulation, where it is stipulated in Article 6 of the Implementing Regulation that the fee must be paid together with the application. However, the situation is not fully comparable, as the registration procedure in case of Community designs does not involve any substantive examination, and is usually concluded within a very short time. Given the differences between industrial design and trade mark law in this aspect, no conclusive argument can be derived from the procedures under the Community Design Regulation to switch to the same practices also with regard to the CTMR.

B. Classification

I. Current law and practices

- 4.16 In the CTMR, Article 26 provides that an application for registration of a CTM must contain an indication of the goods or services for which the mark is sought to be registered. Article 28 CTMR provides that the goods and services must be classified in accordance with a classification system established in the Implementing Regulation
- 4.17 According to Rule 1 CTMIR, which provides for the content of a CTM application, the application must contain a list, classified in accordance with Rule 2 CTMIR. Rule 2 CTMIR establishes that OHIM applies the classification system instituted by the Nice Agreement. The examination procedure is provided for in Article 36 CTMR and Rule 9 CTMIR.
- 4.18 The TMD does not deal with classification.
- 4.19 Goods and services are classified by OHIM, as provided for in Rule 2 CTMIR, in accordance with the Nice Agreement (1957). All national offices apply the same international classification. The Nice Agreement is administered by WIPO. The European Union as such does not belong to the Nice Agreement. Of the 27 EU Member States, all except Cyprus and Malta belong to the Agreement. The classification divides the universe of goods and services into (currently) 45 classes, 34 classes for goods, and 11 classes for services. The classification consists of the so-called class headings, which generally indicate the goods or services falling into a particular class, with accompanying explanations and remarks, and of the Alphabetical List of Goods and Services, indicating for each entry the class into which it falls. The international classification system is continually updated. The CTM system as well as all national systems allow multi-class applications (which is in accordance with the Trademark Law Treaty and the Singapore Treaty).
- 4.20 National classification practices differ from each other, and also from practices of OHIM. On the issue of broad claims, Communication No 4/03 of the President of the Office of 16 June 2003 concerning the use of class headings in lists of goods and services for Community trade mark applications and registrations describes OHIM's approach which favours broad claims, admits all class headings, and explains OHIM's approach to scope of protection and requirement of use questions following from the admittance of class headings.
- 4.21 According to Article 2 of the CTM Fees Regulation, the basic application fee for a CTM, provided for in Article 26 (2) CTMR, covers three classes. The renewal fee also covers three classes. The amount of the application fee (which currently includes the registration fee) is € 1050 for three classes (€ 900 if filed electronically). The class fee for the fourth and the additional classes amounts to € 150. The renewal fee amounts to € 1500 (€ 1350 if requested electronically), and the class fee for renewals (beyond the third class) amounts to € 400. For collective marks the amounts are € 1800 for the application and registration and € 300 for additional classes, € 3000 for renewal and € 800 for additional classes.

- 4.22 The TMD does not deal with fees.
- 4.23 National systems differ as regards class fees – some countries require an additional class fee from the second class, others follow the CTM system (for details, see below para 4.29).
- 4.24 It is noteworthy that the Madrid system applies a fee, as far as the fees payable to WIPO are concerned, which adds class fees only for the fourth and subsequent classes.

II. Case law

- 4.25 The ECJ was called upon to decide on a classification issue in the PRAKTIKER case (Judgment of 7 July 2005, Case C-418/02, Praktiker Bau- und Heimwerkermärkte AG), which presented the issue of registering service marks for retail services, referred to the ECJ from Germany. The ECJ held that registration for retail services should be available, but that the kind or nature of the goods sold at retail must be indicated.
- 4.26 In a case referred to the ECJ in June 2010 (Case C-307/10), the Appointed Person, reviewing a UK office decision dealing with issues of classification of the services sought to be registered for IP TRANSLATOR, referred a series of questions to the ECJ dealing with classification issues, raising a number of questions of basic significance for classification law and practice. The questions are as follows:
- Is it
- (1) necessary for the various goods or services covered by a trade mark application to be identified with any and if so what particular degree of clarity and precision;
 - (2) permissible to use the general words of the Class Headings of the International Classification of Goods and Services established under the Nice Agreement ... for the purpose of identifying the various goods or services covered by a trade mark application;
 - (3) necessary or permissible for such use of the general words of the Class Headings of the said International Classification of Goods and Services to be interpreted in accordance with Communication No. 4103 of the President of the Office for Harmonization in the Internal Market of 16 June 2003 (OJ OHIM 2003 p.1647)?
- 4.27 Numerous General Court judgments have dealt with classification issues directly or indirectly, but they are not specifically referred to here.

III. Situation in Member States

- 4.28 Regarding the number of classes covered by the basic application or registration fee, the practice of national offices is nearly evenly split. In thirteen countries – Cyprus, Estonia, Greece, Ireland, Italy, Latvia, Lithuania, Malta, Portugal, Romania, Spain, Sweden and the UK – the basic fee covers one class only, whereas in the Benelux system as well as in eleven Member States – Austria, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Poland, Slovakia and Slovenia – three classes are covered.
- 4.29 Concerning class headings, national offices' replies to the question whether they accept the filing of class headings listed in the Nice classification system reveal considerable differences (for details, see Part II Chapter 1 D). In particular, some offices which accept class headings as a matter of principle do not follow OHIM's practice insofar as the registrations are not automatically considered as covering all goods or services contained in the class.

IV. Opinions of user organizations

- 4.30 Most user organizations (ECTA, INTA, MARQUES, COAPI, EFPIA, FICPI, ITMA, LESI, GRUR, AIPPI Belgium) do not support the OHIM's practice of encouraging a list of goods and services corresponding to the Nice class headings, indicating that it leads to unnecessarily broad specifications of goods and services for which the applicant has no intention to use the mark, or at least claim further conditions to ensure precise and unique use of the classification system (AIPPI Belgium).
- 4.31 On the other hand, AIM is of the opinion that the current practice should not be changed as it meets business needs; IP-Federation supports the translation of the terms of the Nice Classification to all community languages; what is required is the consistency of office practice and interpretation across the Community on this issue.

V. User survey Allensbach

- 4.32 According to the Allensbach survey, the broad majority of proprietors (64 percent) and agents (72 percent) approves of OHIM's current practice regarding class headings. It is notable, however, that the portion of those who disapprove of that practice is significantly higher for proprietors and agents with a high level of OHIM activities (31 percent and 27 percent vs. 13 percent and 11 percent disapproval in the group with a low level of activities). Nevertheless, the share of supporters remains to be very strong also among proprietors and agents with a high activity level (68 percent and 70 percent). The Allensbach survey did not cover the additional issue raised by current OHIM practice, namely that the use of all class headings is taken to cover all goods or services that fall into that class.
- 4.33 Further to be mentioned in this context is the fact that the consistency of decisions by trade mark offices regarding classification and formalities is perceived by users as fairly high. This result pertains to OHIM and national offices alike, with OHIM's

performance receiving a better ranking. 88 percent of trade mark proprietors consider OHIM's practice as very/fairly consistent, whereas the approval rate for national offices amounts to 79 percent. For agents, the respective figures are 89 percent (OHIM) and 76 percent (national offices).

VI. Issues

- 4.34 Classification raises a series of interrelated issues of law and practice, of importance for every-day practice, and also issues of principle for the operation of the trade mark systems at the European and national levels.

1. Principles

- 4.35 Trade marks are protected as intellectual property rights not in the abstract, but always in relation to the goods or services for which they are registered. European trade mark law allows the claiming of protection for goods or services without requiring use at the time of filing or registration. Rather, a use requirement becomes operative only five years after registration, with a bundle of sanctions from unenforceability to revocation. Both in the CTM system and in all national systems (even in the absence of a specific provision in the TMD), the applicant is required to indicate the goods or services for which protection is sought. In spite of common general principles applicable pursuant to the Nice Agreement, practices vary from office to office. OHIM allows broad claims by using the class headings; other offices consider at least some of the class headings as too imprecise. Practices also differ in the comparison of goods or services and in the judgment of the extent to which a particular mark is considered to be used when it is used for a specific product only, while being registered broadly.
- 4.36 Depending on the focus or position, the relevance of the issues discussed hereafter may vary.

2. Consistency

- 4.37 In view of the fact that national and Community trade marks coexist and protection is applied by national and Community authorities, that the legal rules on protection and its limitations are the same under the CTMR and the TMD, that marks are protected for goods or services, and that all offices apply the Nice classification, it appears imperative that the rules and practices on the specification and classification of the goods or services are the same, regardless of the office which applies the rules.
- 4.38 Creating consistency is a matter for legislation, because legislation appears necessary to create a structure which obliges the various offices to cooperate in classification matters. Consistency is in addition a matter of daily practice of the offices. A system should be created which facilitates applying and developing

common approaches. OHIM is actually operating and expanding such a system, called EUROACE.

- 4.39 Some of the solutions are discussed here; others fall into the topic “Cooperation of OHIM and national offices”.

3. Definiteness

- 4.40 The IP TRANSLATOR case raises the important question as to whether the list of the goods and services must be specific or can be broad and generic. There are some terms used in the class headings which are obviously “vague”, such as “machines” in class 7, while other terms, broad on the face of it, are actually well circumscribed, such as “footwear” in class 25. Little may be gained in “definiteness” if all possible kinds of footwear are specifically listed in the list of goods.

- 4.41 The question of definiteness arises primarily under the aspect of scope of protection. It is obvious that the more specific the indications of the goods or services are, the easier it will be to determine the scope of protection. The question is whether that consideration outweighs the benefits of broad claims prior to the use requirement becoming operative.

- 4.42 There is an unrelated issue arising under OHIM practice, expressed in Communication No 4/03 referred to earlier, which considers that a mark registered for all the class headings of a particular class is deemed to be equivalent to a claim of “all goods in class X”. As the list, therefore, includes goods not specifically listed, the examination by the office for absolute grounds would have to include goods which do not even appear in the list. The issue is not much different from presenting a broad claim which includes all possible goods falling within a broad generic term.

4. Congestion

- 4.43 Allowing multi-class applications with broad claims without any requirement or instrument to be limitative and specific contributes to a congestion of trade mark registers, making searching for available marks more difficult, and may create enforceable rights beyond the legitimate interests of trade mark proprietors.

- 4.44 Opinions differ as to whether congestion actually is a real problem in Europe. Possible instruments to reduce congestion are found in the requirement of use and in the introduction of fees which will make claiming additional classes more expensive than today.

- 4.45 Congestion issues are dealt with in more detail elsewhere (Part III para. 1.32 et seq.)

5. Changes over time

- 4.46 Classification of marks changes over time. The current 9th edition of the Nice classification is different from previous editions. The addition of further classes, such as classes 43 to 45, is another prominent example. The issue that presents itself to all trade mark proprietors and to all offices is whether in view of such changes the specification (classification) of goods and services should be updated, or whether it is “fixed” at the time of registration. Different views exist in this regard.

6. Class fees

- 4.47 Practice differs regarding class fees. Although it was not possible in the framework of the Study to conduct a comprehensive investigation on the issue, it appears plausible to assume that broader trade mark applications tend to be filed if three classes can be covered by the initial fee, instead of only one class. This assumption is confirmed by the experience reported by the Spanish office (Part II, Chapter 1, para 1.24), that the introduction of a one-class-per-fee system has led to substantial drop in the average number of classes covered by new trade mark applications. Under the aspect of congestion and scope of protection, it appears therefore appropriate to have a separate class fee from the beginning, and not merely starting with the fourth class. Under the aspect of a balanced and harmonious system, it appears appropriate to have all offices apply the same principle.

7. Classification and scope of protection

- 4.48 As Rule 2 (4) CTMIR provides, classification is supposed to exist for administrative purposes only. Nevertheless, classification has an important impact on the scope of protection.
- 4.49 The entry of a product or service in a particular class defines and limits the claim substantively. For example, “tea” may be appropriate for class 5 as medicinal tea, and for class 30 as non-medicinal tea. By applying for or registering a mark for tea in class 30 it is clear that no protection is claimed for tea in class 5.
- 4.50 When lists of goods and services are required to be specific, determining whether or not products are the same becomes a reasonably simple exercise. When broad claims, such as the use of class headings or other broad category claims are allowed, comparing goods or services in order to determine whether or not they are the same becomes a more complicated exercise. Views differ on whether or not that is a problem. Determining whether goods or services are similar would become a more differentiated exercise if specific claims were mandatory. Again, views differ on whether that would be desirable.
- 4.51 The issue may be demonstrated by using an example: assuming that a mark is registered for “clothing” in class 25, when a second mark is sought to be registered, or is used, for an item of clothing, such as children’s socks, the goods, for purposes of conflict analysis, would be identical. If a specific claim were to be

mandatory, “clothing” would not be permissible, and a registration or use for “men’s undershirts” would raise the issue as to whether these goods are “similar”.

- 4.52 OHIM practice, as expressed in Communication No 4/03, referred to earlier, raises another important issue under the “scope of protection” aspect. Where a mark is registered for all class headings of a particular class, OHIM considers that any product properly classified in that class is deemed to be claimed. This has as consequence that any product in that class, whether or not properly grouped under a particular class heading, is considered to be identical with the products for which the mark is registered.

8. Classification and use requirement

- 4.53 Broad specifications, including the use of class headings, raise issues under the use requirement.
- 4.54 First of all, if an intent of use requirement were imposed, initial broad claims beyond the legitimate interest of the proprietor would have to be reduced to what actually is covered by the intent.
- 4.55 Secondly, once the grace period has expired and the obligation to use applies, problems of determining the consequences of the use for a specific product arise. For example, when a mark is registered broadly, e.g. for “clothing” in class 25, but is used only for a specific item of clothing, e.g. long-sleeved men’s shirts, the question to be answered is for which goods the mark is deemed to be used and can be maintained as registered – the specific item, a generic category to which the item belongs (men’s shirts), or an even broader category (men’s clothing), or for the whole category (clothing)? Office practices vary from country to country. OHIM’s class headings approach has the further effect that where all class heading are employed in a particular class, the use for any product properly classified in that class is deemed to constitute use for the goods or services for which the mark is registered, and the list of goods or services may then be appropriately reduced to an adequate “sub-genus”. That issue would simply disappear if broad specifications would not be allowed. Again opinions differ as to whether or not this is a genuine problem.

9. Procedure (CTM)

- 4.56 Under Rule 2 (3) CTMIR, there is only a requirement that the applicant shall “in principle” group the goods and services in classes. It is unclear whether the Office must object or must propose a proper grouping.

10. Procedure (TMD)

- 4.57 The TMD currently does not contain any provisions on classification or any other procedural issue, even though harmonised approaches of classification practice are necessary.

VII. Proposals

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.

4.69 The TMD should contain the same rules.

6. Classification and scope of protection

4.70 The issue has been dealt with under the “Definiteness” heading.

7. Classification and use requirement

4.71 The issue has been dealt with under the heading of “Definiteness” and is further treated in the Chapter “Use requirement” in Part III para 2.62.

C. Seniority

I. Current law

4.72 Current law provides, in Articles 34 and 35 CTMR, for the possibility to claim “seniority” (the relevant date; filing date or priority date), when filing a CTM or after registration of an identical registered national mark, provided that the marks are the same, the proprietor is the same, and the goods or services for which the national mark is registered are the same or are included in the CTM application or registration (“triple identity”). Seniority has the effect that in case the national mark is not renewed or surrendered or otherwise loses its effect the proprietor of the CTM will have the same rights as regards the national mark as if that mark had continued to be registered. Implementing rules are found in Rules 8 CTMIR for claiming seniority prior to registration and in Rule 28 CTMIR for claiming seniority after registration.

4.73 Article 14 TMD provides that national laws must allow challenges to no longer registered marks the effect of which persists because they form the basis for a seniority claim for identical CTMs.

II. Practices of national offices and opinions

1. National offices

4.74 Time limits for keeping the files of trade marks which form the basis of seniority claims under Articles 34 and 35 CTMR are different in various national offices:

- Until the lapse of validity of the national trade mark (Cyprus);

- two years from the lapse of validity of the national trade mark – at the office; permanently – at the State archive (Lithuania);

- three years from the lapse of validity of the national trade mark (Benelux);
- five years from the lapse of validity of the national trade mark (paper files), permanently (electronic files) (Slovakia);
- 50 years from the lapse of validity of the national trade mark (Czech Republic);
- until the lapse of validity of the CTM (Hungary, Spain);
- permanently: Austria, Denmark, Greece, Ireland, Italy, Latvia, Malta (in the archives), Poland, Portugal, Slovenia, Sweden.
- Replies by Benelux, Bulgarian, Estonia, Finnish, French and Romanian offices indicate that currently no legal provisions concerning the time limit for keeping seniority files are established.

2. User organizations

- 4.75 According to user organizations seniority claims of a national trademark should continue to exist, but some (e.g. ECTA) see the necessity of revision and development of the system and its modalities in order to avoid legal uncertainties.

3. User survey Allensbach

- 4.76 The option for claiming seniority is used by a majority of agents (64 percent), but only by 39 percent of CTM proprietors. One quarter of the proprietors were not aware of this possibility before. Familiarity with, and use of seniority claims is strongly impacted by activity levels; 72 percent of highly active proprietors respond that they do claim seniority.
- 4.77 The Allensbach survey also included the question as to whether seniority claims should be fully checked in the future. Of the CTM proprietors, 32 percent were in favour of a full verification while 32 percent were in favour of leaving the current practice unchanged. Among the agents 37 percent supported a change to a full verification whereas 44 percent were in favour of the current approach.

III. Issues

- 4.78 For marks first applied for in a Member Country of the Paris Convention or the World Trade Organization and thereafter as a CTM the priority claim in accordance with Article 29 CTMR is available when seeking protection for an identical CTM. The priority claim is however severely limited as it must be made within six months of the first filing.
- 4.79 CTM proprietors or applicants often hold identical national marks in the EU Member States. Their effect is however limited to the country where they are

protected. Seniority was supposed to provide an expedient vehicle for assembling identical national marks under the umbrella of a CTM, without the need to maintain national registrations.

- 4.80 The expectations connected with seniority have only partially been fulfilled. The number of seniority claims remains modest. The effect of a seniority claim is dependent on a surrender or non-renewal of the national mark, something many proprietors are unwilling to do.
- 4.81 OHIM has been inconsistent in its approach to examining seniority claims.
- 4.82 National laws implementing Article 14 TMD have chosen differing solutions. There is practically no experience with challenges of no longer registered national marks which provide the basis for a seniority claim. Also, there is still uncertainty about how national offices will preserve information about previously registered national marks which are no longer kept alive by their proprietors.

IV. Proposals

1. Substantive law

a) Approximation of priority and seniority

- 4.83 A person claiming “seniority” – i.e. the filing date or priority date, if any – of a 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.
- 4.84 Under current law the seniority effect becomes operative only upon surrender or non-renewal. This forces CTM proprietors to surrender their national marks or abstain from renewing them, even if that may not be in their interest. It is proposed to provide that the effect should apply regardless of whether or not the national mark is maintained or surrendered. This effect would, because of the nature of the earlier registration invoked, naturally be limited to the Member State where the earlier national mark exists or existed.
- 4.85 Under current law, the seniority effect is lost if the national mark is declared to be revoked or to be invalid, or if it is surrendered prior to the registration date. This should be maintained as far as invalidation is concerned, as the effect of invalidation is that the national mark is deemed not to have existed *ab initio*. As regards revocation, the effect should only be lost if the revocation is effective from a date prior to the filing or priority date of the CTM. There is no reason to provide for the loss of the effect if the national mark is surrendered or not renewed after the CTM filing or priority date but before registration.

4.86 The consequence for the CTM system would be that oppositions or cancellation requests from proprietors of national marks or other earlier national rights existing in the Member State in respect of which seniority was claimed, and who have acquired rights later than the relevant date of the national mark the seniority of which was claimed, even though earlier than the subsequent CTM application, would not be considered as “earlier” and thus would not prevail over the CTM.

4.87 The consequence for the national systems would be that the CTM having claimed the seniority of an identical national mark would be treated in the country (system) where the earlier mark exists or existed as an earlier right from the date of the national mark, and not from the actual filing (or priority) date of the CTM. In all other Member States, the CTM would be an earlier right as of its filing or priority date.

b) “Triple identity”

4.88 The “triple identity” requirement (same mark, same goods/services, same proprietor) should continue to apply.

c) Consequential amendments

4.89 Amendments would be necessary for Articles 8 (2), (4), and 53 CTMR as regards the definition of “earlier” rights, and of Article 34 CTMR as regards the effects of a seniority claim. Article 35 CTMR would not have to be amended, as it refers to Article 34 (2) and (3) CTMR for the effects of the seniority claim.

4.90 The TMD contains a definition of “earlier rights” in Article 4 (2) which includes CTMs claiming seniority, whether or not the earlier national mark is still registered. An amendment of the Directive is therefore not necessary in this regard.

d) Challenging marks providing the basis for a seniority claim

4.91 It is proposed to amend Article 14 TMD to provide that after surrender or non-renewal a national mark providing the basis for a seniority claim shall not be subject to “ex post” invalidation or revocation unless it could have been invalidated or revoked at the time of cancellation from the register and at the time of the decision on invalidation or revocation. The primary effect of this proposal would be that a national mark that provides the basis for a seniority claim and that is no longer registered cannot be challenged on grounds of non-use unless it could have been so challenged at the time of removal from the national register. Even if it could have been challenged then, the challenge is no longer available if the mark is thereafter used in the Member State in question.

e) Preambles of Regulation and Directive

4.92 The Preambles of the Regulation and the Directive should also be amended.

2. Procedure

a) Rules 1, 8 and 28 CTMIR

- 4.93 The details relating to seniority claims are provided for in Rules 1, 8, and 28 CTMIR. Rule 1 CTMIR provides what the applicant has to indicate and supply. It is proposed that the period after the filing of the application provided for in Rule 8 (2) CTMIR for claiming seniority should not be maintained. In view of the ability to claim seniority after registration (Article 35 CTMR) there is no need to maintain this additional period. A consequential amendment should be made in Rule 9 CTMIR.
- 4.94 As regards other procedural requirements, no changes are proposed. Notably, the Office should include a proper document originating from the office of origin showing the details of the mark the seniority of which was claimed. That document should be accessible through file inspection. This obligation should apply until such time as a common seniority documents data base is established.
- 4.95 The current rules (Rules 8 (4) and 28 (4) CTMIR) allow the President of OHIM to determine that the applicant or registrant does not have to provide the Office with certified copies of the earlier registration. The President has made use of this possibility because the Office has access to national databases and can therefore copy the appropriate information into the OHIM file. No change is proposed.

b) Examination of seniority claims

- 4.96 OHIM should be required to examine seniority claims with regard to formalities and the identity of marks as well as to the identity of the proprietor. An examination of the identity of goods or services does not appear necessary. It will be for the proprietor of a CTM with an identical national mark to establish the extent to which the goods or services are identical at the time when the earlier national mark becomes subject matter of an opposition, cancellation or infringement procedure. A change in the applicable rules is not necessary. Where the seniority claim is partial in the sense that the CTM contains more goods or services than those in the earlier national mark, this should be indicated in the register. Rule 84 (2) (j) and (3) (f) CTMIR provide a sufficient basis for this.
- 4.97 In addition or as an alternative to the examination of seniority claims, OHIM should be authorized to submit seniority claims to the national office of origin for examination.

c) Documents, database

- 4.98 OHIM should be required to maintain as part of the CTM file the documents filed by the CTM proprietor, or obtained by OHIM on its own initiative, showing the national mark and all relevant details. Once the national mark is surrendered or otherwise loses its effect, e.g. through non-renewal, the relevant documents showing this should also become part of the CTM file kept by OHIM, provided either by the CTM proprietor or by the national office.

- 4.99 OHIM should agree with all national offices to create a database containing all the necessary information about national marks which form the basis of a seniority claim, at least with regard to those national marks which are no longer registered.

3. Fees

- 4.100 In view of the substantial benefits resulting from a seniority claim and the work to be done, on the parts of both OHIM and the national offices, it is proposed that claiming seniority should be subject to a separate fee, to be paid for each national mark forming the basis of a seniority claim.
- 4.101 It is proposed that the fee should be set at a level sufficient to cover the work of OHIM. It is further proposed that the fee should also cover the work of national offices and the potential loss of fee income in case the national mark is not maintained but continues its effects. For this purpose, OHIM should pay a share of the fee to the national office.
- 4.102 The basis for the fee should be provided for in Articles 34 and 35 CTMR, the amount should be set in the Fees Regulation. An alternative would be to provide for the fee in Article 162 CTMR. Rule 4 CTMIR, providing for the fees to be paid with the application, would have to be amended as well.

D. Priority

I. Current law

- 4.103 Rather than referring to the Paris Convention (and the WTO Agreement), Articles 29 to 31 CTMR contain a complete set of provisions on priority.
- 4.104 Article 29 CTMR mirrors Article 4 of the Paris Convention and extends the right to claim priority to applications originating in WTO Members. Articles 30 and 31 CTMR deal with procedure.
- 4.105 According to Article 32 CTMR a CTM application is deemed equivalent to a national trade mark application in all Member States. This provision has no direct link with priority claims but rather constitutes a further building block connecting the CTM system and national trade mark systems of the Member States.
- 4.106 Article 33 CTMR provides for so-called “exhibition” priority, implementing Article 11 of the Paris Convention.
- 4.107 The indications required when claiming priority are provided for in Rule 1 (1) (f) and (g) CTMIR. Specific implementing rules are found in Rules 6 and 7 CTMIR (Convention and exhibition priority). Examination of priority claims is carried out as part of the examination of formalities pursuant to Rule 9 CTMIR.

II. Case law

- 4.108 There is one notable decision of the General Court, dealing with the question whether the mark applied for as CTM was the same as the mark first filed. In that case the marks TELEEYE and TELEYE were held to be the “same” mark for purposes of claiming priority (Judgment of 15 November 2001, Case T-128/99, Signal Communications Ltd.).

III. Opinions

- 4.109 1. User organizations

Different views prevail among user organizations as to the question whether OHIM should embark on a full verification of priority claims. While some (COAPI, ECTA, GRUR) were in favour of verification, based on the argument that it is important for third parties to obtain clear and reliable information on the goods and services for which priority claims were correctly made, others (APRAM, AIM, MARQUES) do not perceive an urgent business need and therefore support OHIM’s current practice of recording claims without full verification.

- 4.110 2. User survey Allensbach

The question as to whether OHIM should carry out a full verification of priority claims at the time of registration formed part of the Allensbach survey. In contrast to all other questions addressing the possibility of changes in the current system, this was the only one which received a positive reply not only from a majority of proprietors (46 percent vs. 24 percent favouring the current system), but was also favoured by a majority of agents (52 percent vs. 38 percent). The answers from proprietors with a high level of OHIM activity, as well as those from large scale enterprises, were even more positive than the entire sample.

IV. Issues

1. Time limits

- 4.111 The time limit for claiming priority is six months (Article 29 (1) CTMR), in accordance with Article 4C (1) Paris Convention. Pursuant to Rules 6 and 7 CTMIR, where a priority claim has not been made at the time of filing, the CTM applicant may still claim priority, within a period of three months from filing. This additional period is rarely if ever utilized. When examination is carried out quickly, the application may already be published prior to the expiry of the additional three months, a situation not foreseen in the Rules.

- 4.112 Pursuant to Rules 6 and 7 CTMIR the applicant may file supporting documents within three months from the date of filing. This period also seems unnecessarily long.

2. Supporting documentation

- 4.113 The minimum formalities established in the Paris Convention are the so-called priority declaration (the claim) and information about the first filing (country, number of application). The Paris Convention allows its Member Countries to ask for subsequent compliance with additional formalities.
- 4.114 The CTMR and the CTMIR go beyond the minimum requirements and require the submission of a copy of the first application. That copy, if not in one of the five Office languages, must be translated into one of them.
- 4.115 It appears doubtful that these formal requirements are still appropriate today where much of the relevant information is easily available from the websites of the offices where the first application was filed. In any event, under Rule 6 (4) CTMIR the President of the Office may decide that less information than that required under Rule 6 (1) CTMIR suffices, but the filing of the copy of the first filing, established in Article 30 CTMR, is a requirement which the President of OHIM is hardly authorized to dispense with.

3. Degree of examination

- 4.116 Questions have been raised as to the examination of priority claims. Some advocate a full examination, whereas others advocate an examination limited to the formalities, especially for the presence of the necessary documentation.

V. Proposals

1. Time limits

- 4.117 It is proposed that the additional time limits in Rules 6 (2) and 7 (2) CTMIR, which lead to an undesired extension of the examination and may actually be an obstacle to quick examination and publication, should not be maintained.
- 4.118 It is further proposed that the time limit of three months provided for in Rules 6 (1) and 7 (1) CTMIR for submitting documentation for the priority claim should be reduced to two months.

2. Supporting documentation

- 4.119 It is proposed that the CTMR itself should not impose any formalities beyond the declaration of priority. Rather, the requirements as regards formalities and supporting documentation should be regulated by the Implementing Regulation.
- 4.120 The Rules should only impose easy to fulfil formal and documentation obligations. As is currently the case, the President of the Office should have the power to reduce these requirements generally or with regard to specific countries.
- 4.121 The requirement that priority documents must always be in one of the languages of the Office does not appear necessary. Documents in any of the official European Union languages should be accepted. If the document is in a different

language, a translation into the language of the registration proceedings or into one of the Office languages should be filed.

3. Degree of examination

- 4.122 It appears appropriate that the Office limits its examination to the presence of the necessary documentation, which should become part of the file, and the necessary congruency between what is claimed and what is documented. Just recording certain information in the file does not, however, appear sufficient. A detailed examination, for example as to the identity of the goods or services, is not required.
- 4.123 The fact that preferences of users are clearly in favour of a more comprehensive examination, which is also endorsed by some user organizations, does not change this result. It is submitted that the high level of support is at least partly due to a general trend which can be seen throughout the Allensbach survey, namely that changes are welcomed which appear to provide more service. It is an open question whether the positive answers were given in full awareness of the consequences such changes would imply, in particular regarding time delays.
- 4.124 It should therefore be left to the President of the Office to determine the degree of examination. The current Rules would appear to leave sufficient room for such determination.

E. Searches

I. Current law

- 4.125 Until March 2008, both Community searches and searches in the national registers of Member States wishing to participate in the national search pursuant to what was then Article 39 (now Article 38) CTMR were provided for. Since that time, the search in national registers has become an option which CTM applicants may choose, while the CTM search remains mandatory. CTM applicants may however not choose individual Member States but must choose all that participate in the search system.
- 4.126 The frame for the content of national searches is established in Rule 5a CTMIR. Rule 10 CTMIR establishes time limits for requesting the search and paying the search fee.
- 4.127 The optional search for potentially conflicting trade marks in national registers is currently available in 11 of the 27 Member States.

II. Positions

1. National offices

National offices in Austria, Bulgaria, Czech Republic, Croatia, Poland, Hungary, Romania, Slovakia and Slovenia have introduced a common Central European Trade Mark Observation Service (CETMOS) which enables to provide common search reports covering national and international trade mark registries in these 9 countries and the OHIM register.

2. User survey Allensbach

The Allensbach survey addressed users' opinions about the usefulness of both the optional search of national registers and the mandatory search at OHIM. The optional search system is considered as useful by about a fifth of proprietors (19 percent) , whereas 11 percent consider it as not useful at all. Opinions are more evenly divided among agents: 21 percent say that the search is useless, and 23 percent consider it as useful. The large majority in both groups (46 and 48 percent) agree with the statement that the search would only be useful if it included many more countries. In contrast to that, the mandatory search of the OHIM register is strongly supported by both proprietors and agents: 64 percent of proprietors and 57 percent of agents are in favour of the current system, compared to 18 percent of proprietors and 26 percent of agents being in favour of an optional search. Even if these figures are aggregated with those who do not consider searches as useful at all (6percent of proprietors and 12 percent of agents), the result remains clear.

III. Issues and proposals

- 4.128 The usefulness of searching after filing has been questioned from the beginning. Searching requests in national registers after the introduction of optional national searches have amounted to no more than 3 percent of all CTM applications. Also the mandatory searches at OHIM have consistently been criticised by a number of user organizations as being of little usefulness.
- 4.129 The user survey carried out by Allensbach has however demonstrated a surprising support for searches and notifications carried by OHIM.
- 4.130 Less support has been shown for national searches. As the national searches are optional, however, the question of their value to individual applicants does not arise. It is their choice whether they wish to make use of the option, and pay the required fees.
- 4.131 No changes in the current system with regard to optional and mandatory searches are therefore proposed. This does not exclude an improvement of the present searching techniques employed by OHIM, so as to offer high-quality reports comprising an assessment on the relevance of the hits.
- 4.132 Quite apart from the current regulatory scheme, it seems appropriate to grant OHIM the power to conduct searches prior to filing (indeed, at any time), and to provide a "watching service" for proprietors of marks having an earlier CTM filing date, against a payment of fees The basis for such activity and for such services

should be provided for in the context of the tasks which the Office must or should be entitled to undertake (see “OHIM tasks”).

F. Fees and fee structure

I. Current law and facts

1. Legislation

4.133 The fees to be paid for trade mark and design procedures are established in separate Fees Regulations, for trade marks and for designs. The legal basis for the Fees Regulation for trade marks is Article 144 (3) CTMR, the legal basis for the Fees Regulation for designs is Article 107 (3) CDR. The Fees Regulations were adopted by the Commission pursuant to Article 163 (2) CTMR and Article 109 CDR in the so-called Comitology procedure. For trade marks: Commission Regulation No 2869/95 of 13 December 1995, OJ EU No L 303 of 15.12.1995, p. 33, last amended by Commission Regulation (EC) No 355/2009 of 31 March 2009, OJ EU No L 109 of 30.4.2009, p. 3; for designs: Commission Regulation (EC) No 2246/2002 of 16 December 2002, OJ EU No L 341 of 17.12.2002, p. 54, amended by Commission Regulation (EC) No 877/2007 of 24 July 2007, OJ EU No L 193 of 25.7.2007, p. 16.

4.134 As regards the relationship between the budget and the fees, Article 144 (2) CTMR provides:

“The amounts of the fees shall be fixed at such a level as to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Office to be balanced.”

4.135 The principal trade mark fees are as follows (since 1 May 2009):

Fee	Amount
Application	1050
Electronic application	900
Additional fee for each class after the third	150
Application for international registration	300
Madrid Protocol EU designation	870
Madrid Protocol additional fee for each class after the third	150
Registration	0
Renewal	1500
Electronic renewal	1350
Additional fee for each class after the third	400
Madrid Protocol renewal	1200
Madrid Protocol renewal additional fee for each class after the third	400
Opposition	350
Cancellation	700
Appeal	800

2. Fee income and expenditure; surplus

4.136 The following (rounded) figures are taken from OHIM's Annual Accounts 2009, published in June 2010 and from the 2010 budget.

4.137 The fees paid to OHIM for trade marks and designs amounted to € 178,5 Mio in 2009 (€ 197,5 Mio 2008). The amount received for trade mark procedures was € 161,1 Mio in 2009 (€ 179,7 Mio in 2008). The income was higher in 2008 in spite of comparable activity because the amendments of the Fees Regulation with the abolition of the registration fee and the new application fee came into force on 1 May 2009.

4.138 The revenue from CTM fees as at 31 December 2009 and 2008 is detailed below:

Fee	Number	2009	Number	2008
Basic fees	82,954	68,663,891.00	83,354	63,247,247.00
Fees for additional classes	51,553	7,751,180.00	54,973	8,222,844.00
Opposition fees	8,372	2,930,025.00	10,414	3,645,075.00
Registration fees	49,947	46,780,620.00	81,420	75,738,508.00
Renewal fees	18,837	29,710,618.00	15,023	23,436,888.00
Appeal fees	1,524	1,219,200.00	1,737	1,389,600.00
Cancellation fees	718	502,600.00	698	488,600.00
Inspection fees	8,111	600,380.00	9,712	778,759.00
Recordal fees	2,165	433,200.00	1,811	362,200.00
International applications fees	3,701	1,110,300.00	3,598	1,078,200.00
Search fees	2,678	430,777.00	2,549	325,041.00
Total		161,119,671.05		179,741,286.30

4.139 The heading "Basic fees" in 2009 also includes € 8,404,716 representing incoming revenue from WIPO in the framework of the Madrid Protocol. The heading "Registration fees" includes € 12,300,420 coming from WIPO. The total revenue coming from WIPO represents around 12 percent of the total fee revenue.

4.140 The heading "International applications" corresponds to the fees paid for handling applications for registration of a Madrid Protocol mark on the basis of a CTM application or registration.

4.141 The following table presents an overview of income and expenditure.

ECONOMIC OUTTURN ACCOUNT in euro

	2009	2008	Note
OWN REVENUE			
Revenue from fees	178,642,905.05	197,398,312.25	(16)
Revenue from the sale of publications	140,898.00	160,000.00	(16)
Other operating revenue	7,367,934.17	401,216.87	(16)
OPERATING REVENUE	186,151,737.22	197,959,529.12	(16)
Staff expenditure	61,808,603.60	59,154,372.92	(17)
Operating expenditure	44,314,578.05	35,219,390.47	(18)
Publication, promotion and cooperation	926,417.62	2,303,116.19	(19)
Trade mark and design related expenditure	27,420,459.13	35,034,959.36	(20)
Fixed assets expenses	4,141,012.90	3,699,515.30	(1)
Provision for procedural expenditure	-4,556,000.00	-534,000.00	(9)
Provision for risks and liabilities	2,482,324.57	492,792.00	(10)
Other current operating expenditure	82,248.19	182,040.33	(21)
OPERATING EXPENDITURE	136,619,644.06	135,552,186.57	
OPERATING RESULT	49,532,093.16	62,407,342.55	
Financial revenue	6,996,168.02	18,549,307.77	(22)
Financial expenditure	79,863.47	42,493.36	(23)
FINANCIAL RESULT	6,916,304.55	18,506,814.41	
RESULT FROM ORDINARY ACTIVITIES	56,448,397.71	80,914,156.96	
Extraordinary revenue			
Extraordinary expenditure			
EXTRAORDINARY RESULT			
ECONOMIC OUTTURN FOR THE YEAR	56,448,397.71	80,914,156.96	

4.142 The surplus in 2009 amounted to € 56,4 Mio (€ 80,9 Mio in 2008). As a result of accumulated surplus over the years OHIM has a capital reserve of € 442,4 Mio, of which € 201,2 Mio (the cumulated surplus of the financial years until 2006) is placed in a reserve fund.

3. Trade mark activity

4.143 The following tables, taken from OHIM's website, show trade mark activity in 2009, and prior years, as well as in the first half of 2010.



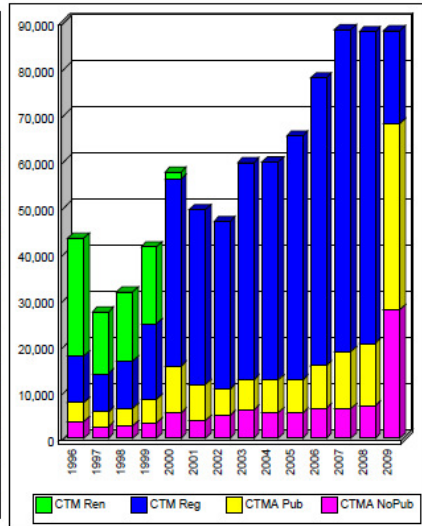
SSC009 - Statistics of Community Trade Marks 2009

31/12/2009

RESUMEN - ÜBERSICHT - OVERVIEW - RESUMÉ - RIASSUNTO

Executed at 12/01/2010 by morocco

	Solicitudes Anmeldungen Applications Demandes Domande (1)	Publicadas Veröffentlichte Published Publiée Pubblicate (2)	% (2)/(1)	Registradas Eingetragene Registered Enregistrées Registrati (3)	% (3)/(2)	Renovadas Verlängerte Renewals Renouvelées Rinovate (4)	% (4)/(3)
1996	43,284	39,734	92 %	35,530	89 %	25,492	72 %
1997	27,319	24,851	91 %	21,620	87 %	13,409	62 %
1998	31,656	29,009	92 %	25,211	87 %	14,931	59 %
1999	41,397	38,063	92 %	32,905	86 %	16,650	51 %
2000	57,601	52,105	90 %	41,969	81 %	1,574	4 %
2001	49,494	45,645	92 %	37,895	83 %		
2002	46,906	42,033	90 %	36,246	86 %		
2003	59,649	53,629	90 %	47,004	88 %		
2004	59,791	54,288	91 %	47,215	87 %		
2005	65,385	59,963	92 %	52,750	88 %		
2006	77,993	71,565	92 %	62,293	87 %		
2007	88,444	82,064	93 %	69,727	85 %		
2008	87,984	80,983	92 %	67,468	83 %		
2009	88,191	60,364	68 %	20,051	33 %		



SSC009 - Statistics of Community Trade Marks 2009.rep

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Date: 12/01/2010



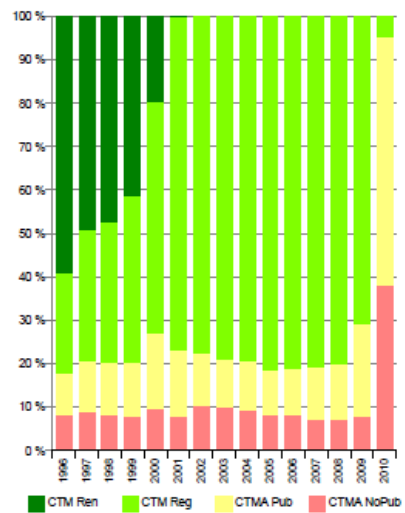
SSC009 - Statistics of Community Trade Marks 2010

Hasta / Bis / Until / Jusqu'à / Fino : 30/06/2010

RESUMEN - ÜBERSICHT - OVERVIEW - RESUMÉ - RIASSUNTO

Executed at 04/07/2010 by enl_RICHTWA

	Solicitudes Anmeldungen Applications Demandes Domande (1)	Publicadas Veröffentlichte Published Publiée Pubblicate (2)	% (2)/(1)	Registradas Eingetragene Registered Enregistrées Registrati (3)	% (3)/(2)	Renovadas Verlängerte Renewals Renouvelées Rinovate (4)	% (4)/(3)
1996	43,290	39,735	92 %	35,536	89 %	25,498	72 %
1997	27,323	24,853	91 %	21,625	87 %	13,413	62 %
1998	31,658	29,011	92 %	25,220	87 %	14,945	59 %
1999	41,399	38,065	92 %	32,917	86 %	17,037	52 %
2000	57,603	52,109	90 %	41,998	81 %	11,308	27 %
2001	49,497	45,649	92 %	37,928	83 %	1	0 %
2002	46,911	42,042	90 %	36,305	86 %		
2003	59,659	53,636	90 %	47,123	88 %		
2004	59,794	54,298	91 %	47,482	87 %		
2005	65,387	59,971	92 %	53,239	89 %		
2006	78,005	71,593	92 %	63,304	88 %		
2007	88,452	82,144	93 %	71,503	87 %		
2008	87,998	81,504	93 %	70,561	87 %		
2009	88,283	81,340	92 %	62,411	77 %		
2010	48,762	30,107	62 %	2,324	8 %		
+	874,021	786,057		649,476		82,202	



SSC009 - Statistics of Community Trade Marks 2010.rep

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Date: 04/07/2010

II. Positions

1. User organizations

- 4.144 User organizations addressed the issue of fees primarily in connection with the plans to redistribute part of OHIM's renewal fees to the national offices, or more generally as an aspect of coexistence between the systems. Some user organizations state that lower fees will always be favourable (ECTA and GRUR), whereas others take into account that setting application fees too low would lead to increased numbers of registrations and consequently to more opposition or revocation procedures (AIPPI Belgium). Furthermore, the opinion is expressed by some that OHIM fees should not jeopardize the existence and the *raison d'être* of national offices, as they are an important factor when deciding between national and EU filing (ECTA, COAPI, APRAM and IP Federation).
- 4.145 An argument brought forward by user organizations holds that other OHIM fees (in particular fees for renewal, opposition and revocation) should be aligned with the reduction of application fees (AIM, FICPI, COAPI and IP Federation). However, this should not mean an automatic reduction of such other fees: all relevant factors should be taken into account.
- 4.146 The latter view was also endorsed by representatives of national offices.

2. Allensbach survey

- 4.147 The level of fees at OHIM, as well as their impact on the decisions to file or renew CTMs was addressed in the Allensbach survey. 34 percent of proprietors and 50 percent of agents considered the basic fee as "just about right", whereas 59 percent of proprietors and 42 percent of agents claimed that the fees were "a bit" or even "far too high". Regarding the renewal fee, the aggregated shares of proprietors who claim that the fees are "a bit" or "far too high" amount even to 78 percent; for agents, the corresponding figure is 71 percent.
- 4.148 Both groups addressed by the survey stated that fees have a strong influence on their decisions to apply for or renew a CTM: Only a small minority – 18 percent of proprietors and 13 percent of agents – replied that fees had practically no influence on their own or their clients' decisions, whereas 74 percent of proprietors and 83 percent of agents stated that the application fees had at least some, or even the greatest influence (the latter category "greatest influence" was chosen by 21 percent of proprietors and 26 percent of agents). As can be expected, the results vary between the different subgroups in each category of users; not surprisingly, SMEs as well as proprietors with a low or medium level of OHIM activities prove to be more sensitive towards fee issues than large scale companies.

III. Issues

1. Level of fees

- 4.149 In view of the substantial surplus generated for many years the principal question is whether the overall level of fees as currently set is justified.
- 4.150 This question is closely linked to the question as to whether the fees must be set at a level sufficient to cover the actual operations of the Office, or whether the overall level of fees, and in particular the level of application, registration and renewal fees, can continue to be set at a level above operating costs while the opposition, cancellation and appeal fees are set at a level substantially below the operating costs.
- 4.151 When analysing the overall level of fees, it is of course necessary to take into account not only the individual tasks for which the fees are paid, but also the expenditure related to the operations as a whole and for each of these activities. The current surplus generated by the Office would therefore be lower if the Office were to assume additional tasks for which no equivalent additional fee income would be available, or if the Office would expend more resources on the core activities (administering trade marks and designs) for which fees are paid, such as employing more or better qualified staff, improving or adding to the premises, increasing cooperation activities (for which the current Cooperation Fund is an excellent example).
- 4.152 The issue of the level of fees also requires to take into account the current and the potential future mandate of the Office. If the Office has or is given tasks other than the administration of Community trade marks and designs, and if these tasks are not financed differently, the fees will have to be set at a level to take into account these additional tasks as well. An important element is the decision taken by the Council that an amount equivalent to 50 percent of the renewal fees should be paid to the national trade mark offices of the Member States. The issue of the distribution of these amounts is dealt with elsewhere (“Distribution of fee income to national offices”), but for the present purposes the amount to be distributed must be included in the income, i.e. in the fees paid to the Office.
- 4.153 The basic issue can also be put somewhat differently: must the overall level of fees paid for the protection of CTMs (and Community designs) only reflect the costs of the Office for executing its tasks whatever they are, or may (or must) they also take into account other considerations, such as the overall functioning of the CTM system, the function of facilitating the choice between national protection and Community-wide protection, or the value of the right conferred on the proprietors of these rights? This value of the right is reflected by the fact that CTM protection covers a territory comprising 27 Member States. Establishing trade mark protection via the Madrid system, even in only some Member States, would amount to considerably higher costs. Furthermore, it is a common feature in trade mark practise that fees are normally set in proportion to the size of the territory or country to which the protection extends. It is therefore our view that a “fee policy” that takes into account additional considerations, such as a “selection function” or the “value” of the right is indeed possible and legitimate, and perhaps even necessary, not least in view of the situation where national trade mark protection continues to exist alongside the Community trade mark system. The principle laid down in Article 139 (2) CTMR whereby the budget of OHIM must be balanced does not preclude taking account such additional factors. This answer brings with it the further question of who should be entitled to the surplus generated from

trade mark and design operations, after all expenses and contributions are paid and appropriate reserve funds are established. An answer to this question is not part of this Study.

- 4.154 One should also not forget that the granting of Community-wide IP rights brings with it costs which are not accounted for in the office's budget. For example, each year more than 200 new cases are brought to the General Court and the Court of Justice on appeal from office decisions. These courts are financed by the European Union's general budget; the parties do not pay any court costs. Also, Community trade marks and designs are exclusive rights enforceable and effective in the legal systems of the Member States and can be asserted in administrative and judicial proceedings in the same manner as national rights, but the costs of these proceedings are not reflected in the budget of the office, or in the fees paid for these rights.

2. Level of individual fees

- 4.155 The fees for the operations of the Office as established in the Fees Regulation are supposed to cover, overall, the costs of the Office. There is no claim made, and no argument supporting the view, that each individual fee must reflect the actual cost of carrying out the respective operation. Were it otherwise, the renewal fee would have to be set very much lower, and probably the opposition, cancellation, and appeal fees would have to be set much higher. Instead, the fees are set at such a level that the fees as a whole are sufficient to balance the budget. A look at the fees set by the national Offices of the Member States reveals that there is no uniform fee structure. The current fee structure at OHIM, with a renewal fee substantially higher than the application fee is also practised by some national Offices. However, it is different from the structure set by the majority of national Offices of the Member States, in particular those which operate on a financially autonomous basis. Almost all Offices with financial autonomy have set the fees for an application and a renewal at nearly the same level, with an exception for Portugal where the application fee is twice as high as the renewal fee. Among the national Offices which run on state budget the situation varies. Some (Cyprus, Estonia, Greece, Ireland, Italy, Latvia, Malta, Slovakia) follow the model of an application and renewal fee at the nearly same level, some (Bulgaria, Czech Republic, Lithuania, Slovenia) follow the Portuguese model, and some (Austria, Germany, Poland) practise the OHIM model at different stages.
- 4.156 When the Fees Regulation for trade marks was adopted in 1995, i.e. before the actual operations began (1 April 1996), the conception was that the primary fees (application, registration, renewal) would be sufficient to cover almost all of the costs of the Office, with the idea being that about one-third each of the costs would be covered by application, registration and renewal. It is for this reason that the renewal fees were set originally at a level substantially above the fees for application and registration. These proportions have been changed somewhat with the most recent amendment of the Fees Regulation and the abolition of the registration fee. The fees for the principal proceedings other than registration, namely opposition, cancellation, and appeal, were set, and continue to be set, at levels seen at the time as proportionate and reasonable, also taking into account the ability of all proprietors of rights, including SMEs, to take advantage of the

Office proceedings, in particular as regards the defense of their rights against later CTM applications or registrations.

- 4.157 From the information presented above it appears that the considerations underlying the setting of the fees in 1995 proved globally justified. From the total of about € 179,7 Mio trade mark fees in 2008, more than 95 percent (170,6 Mio) came from application (71,5 Mio), registration (75,7 Mio), and renewal (23,4 Mio) fees. The figures for 2009 are similar, except that the share of the registration fee is lower (and will disappear for 2010) because the most recent change led to the abolishment of a separate registration fee: total income € 161,1 Mio, fees from application (76,4 Mio), registration (46,8 Mio), renewal (29,7 Mio): 152,9 Mio. Differing from the original estimates, the far larger than anticipated number of CTM applications has contributed to a situation where the fee income from applications and registrations has been more than sufficient to cover the expenses of the operations of the Office.
- 4.158 For 2010, the Office is projecting trade mark fees below € 150 Mio. In future years the share of renewal fees in absolute terms and as part of total income is likely to be higher and continue to grow because of the higher number of applications filed in 2000 and beyond as compared to the early years of the operations of the Office.
- 4.159 For the overall fee income of the Office, unless the application and renewal fees are lowered substantially, the other fees for the various proceedings carried out by the Office are of relatively little relevance. As regards the other principal procedural fees (opposition, cancellation, appeal), they have remained unchanged since the beginning of Office operations and are thereby, in real terms, lower than when they were introduced.

3. Class fees

- 4.160 Currently, separate class fees must be paid only when registration is requested or renewed for more than three classes. The amount paid for class fees for applications (and registrations) amounted to € 8,2 Mio in 2008 and 7,8 Mio in 2009. There is no breakdown for renewals.
- 4.161 It has been explained and proposed elsewhere (Chapter 2 E “Use requirement”) that it would be appropriate to require class fees to be paid for each class. This can be done by including the fee for the first class in the basic fee, and requiring an additional fee for each additional class.

IV. Conclusions

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.

2. Level of individual fees

- 4.165 As long as the overall level of fees is sufficient to cover the operations of the Office the level of each individual fee is a matter in which the legislature (the Commission) has substantial discretion and may take into account various interests. These include the interests of CTM applicants and proprietors, the interests of those likely to be affected by CTM applications and registrations, such as owners of earlier rights, and of course also the interests of the European Union as a whole and of its Member States in maintaining an adequate balance between their trade mark systems and the CTM system.
- 4.166 The current situation where more than 90 percent of the fees come from application (and registration) and renewal appears justified.
- 4.167 As regards the proportion between application (and registration) on the one side and renewal on the other, a renewal fee substantially higher than the application (and registration) fee appears entirely justified in view of the value of an existing and continuing registration valid and enforceable in the whole territory of the European Union. A renewal fee at twice the level of the application (and registration) fee appears appropriate. A renewal fee at such a level may also contribute to preventing trade marks from being renewed which are not used at all or only of marginal value to their proprietors.
- 4.168 As regards fees for opposition, cancellation, and appeal, they have remained unchanged. They still appear appropriate today taking into account that opposition proceedings are available to protect earlier rights, as are cancellation proceedings, and that access to these procedures should remain available to all at reasonable cost. Cancellation proceedings, to the extent that absolute obstacles to protection or absence of genuine use are at issue, also serve an important public interest. Appeal proceedings are necessary to protect the interest of parties to Office proceedings. They also provide an efficient and effective first-instance in-house judicial review prior to access to the Community courts.

G. Costs

I. Current legislation

- 4.169 This section of the Study deals with costs, the rules for their award, and the means of enforcing cost awards.
- 4.170 Article 85 CTMR establishes the principles for the award of costs in proceedings before the Office. In ex parte proceedings no costs are awarded, whereas in inter partes proceedings the losing party pays the costs of the winning party, unless for reasons of equity a different apportionment is decided by the Office. Special rules apply when proceedings do not reach a final decision. For example, according to Rule 18 CTMIR, where an opposition case is settled within the “cooling-off” period no costs are awarded, and the opposition fee is reimbursed if the contested application is withdrawn or limited to less than the original goods or services.
- 4.171 Rule 94 CTMIR establishes the maximum amounts that may be recovered under the aspect of professional representation. These amounts were originally fixed at € 250 for opposition cases, € 400 for cancellation cases, and € 500 for appeal proceedings. These amounts were increased somewhat in 2005 by Commission Regulation No 1041/2005 and are fixed since then at € 300 for opposition cases, € 450 for cancellation cases, and € 550 for appeals.
- 4.172 According to Article 86 CTMR, costs awards are enforceable titles, subject to following the procedures for enforcing such decisions, which include obtaining an order for enforcement in the Member State where the cost award is to be enforced.

II. Case law

- 4.173 There is case law of the General Court which reviews cost awards made by the Boards of Appeal. There is no need to refer to these judgments in the current context.

III. Opinions

- 4.174 User organizations consider the current regime on costs as problematic insofar as it is often difficult and expensive to recollect the costs from the losing party (ECTA). However, it is not expected that the situation would be substantially improved by raising the level of claimable amounts (ECTA, AIM). It is also stated that whereas the possibility to claim higher amounts in specific cases, such as pointless or vexatious claims, could have a certain deterring effect, it would be very difficult in practice to differentiate between “normal” and “vexatious” claims (AIM).

IV. Issues and proposed solutions

1. Costs and cost awards

- 4.175 Questions have been raised regarding the amounts awarded, as they are substantially below the fees that parties to proceedings before the Office generally have to pay for professional representation.
- 4.176 The current rules of cost awards are the result of a compromise reached at the time the CTMR and the CTMIR were adopted. At the time some were in favour of a rule that, in principle, each party should bear its own costs, subject to a cost award in cases where this would be equitable. Other advocated a full recovery by the winning party. The current system with a low ceiling to awarded costs was the outcome. This outcome was defended in particular in the interest of SMEs which might otherwise have been confronted with incalculable risks when filing CTMs, in view of the potential for oppositions, and also as potential opposing parties. Other elements of this compromise were that the opposition fee was set at a relatively low level, and has remained so at € 350, and that oppositions could be based on any number of earlier rights held by the opponent, without the addition of additional rights increasing the costs (fees or cost awards).
- 4.177 Overall, the current rules appear appropriate, and no proposals are made in this Study to change the current balance.
- 4.178 Questions have been raised regarding whether the award criteria should be altered, or whether different amounts should be awarded in cases of obviously unfounded or “abusive” oppositions.
- 4.179 As regards the first issue – award criteria – as explained earlier the basic principles appear sound and should be maintained. The Office and its various departments and divisions have sufficient margins to adopt decisions departing from the principle that the losing party must pay.
- 4.180 As regards the second issue – different amounts in unfounded or “abusive” cases – no specific proposals have been made in this regard. It would appear difficult to establish criteria for determining which cases would fall into the category of “abusive” or similar cases meriting a higher cost award. There are also no data available which would show that a significant number of opposition or invalidation proceedings are brought “abusively”.

2. Enforcing cost awards

- 4.181 There are frequent complaints about the difficulties of enforcing cost awards against parties not voluntarily paying any costs imposed against them. Even though cost decisions constitute enforceable titles, the efforts necessary for recovering money awards from uncooperative debtors are rarely warranted in view of the expense involved and the low amount of costs actually awarded.
- 4.182 No reliable statistics exist showing the number of cases where debtors do not pay the costs awarded against them. Without such evidence it would appear difficult to

propose solutions which would unsettle the current system. For example, it would not appear appropriate to raise the amount of costs that can be awarded merely to make an eventual enforcement procedure more realistic.

- 4.183 It seems possible nevertheless to improve the current situation without changing the amounts.
- 4.184 For example, not all Member States appear to have designated the competent authority for making the enforcement order, as provided for in Article 86 (2) CTMR. According to the information available from the Office's website, the following Member States have designated the competent authority: Austria, Belgium, Denmark, Estonia, France, Germany, Ireland, The Netherlands, Slovakia and the UK, i.e. less than half of all Member States. Also, some of these Member States have designated several competent authorities (for example, all courts of first instance in Belgium and The Netherlands). Most of the designations are of the national industrial property office. According to Article 86 (2) CTMR, the designated authority must be communicated to the Court of Justice and to the Office. It would be appropriate to provide also for communication to the Commission so that the Commission can control whether Member States have fulfilled their obligation. The Commission should insist that all Member States designate the responsible authority. Also, it would seem appropriate that the Member States must designate a single authority. Furthermore, all the details of communicating with this authority should be made available.
- 4.185 Obtaining an enforcement order in a Member State will normally require a translation of the decision fixing the costs into the language of the respective Member State. Matters could be facilitated if the Office would issue on request a document, in any of the languages required, evidencing the amount of the fixed costs. The Office could have a standard document in all languages which would be completed by adding the fixed amount. The situation would improve if obtaining the order of enforcement were uncomplicated and unbureaucratic, and could actually be done directly by the creditor or his representative.
- 4.186 Outside of the legislation, OHIM should discuss with the NGOs represented before it, and national authorities should discuss with organizations in their respective countries, measures to facilitate the recovery of cost awards.

V. Proposals

- 4.187 It is proposed to leave Article 85 CTMR and Rule 94 CTMIR unchanged.
- 4.188 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.
- 4.189 The Office should develop a standard form in all languages to be issued on demand showing the amount to be enforced.

H. Opposition and cancellation

I. Current law

1. Overview

4.190 Once it is established that no formal or substantive obstacles exist, CTM applications are published. Thereafter third parties may present observations regarding the registrability of the mark as concerns absolute grounds of refusal. The Office may thereafter reopen the examination.

4.191 As regards earlier rights as obstacles to registration, the CTMR distinguishes between pre-registration opposition proceedings and post-registration revocation or invalidation (jointly referred to here as cancellation) proceedings. Opposition may be based only on trade mark rights, while cancellation proceedings may be initiated on the basis of any earlier right in conflict with a later trade mark as well as on all “absolute” grounds that prevent registration of a trade mark. Furthermore, in cancellation proceedings events occurring after registration, such as non-use or development of a mark to a generic or deceptive indication may be invoked. Competence for opposition is limited to OHIM, while cancellation proceedings may be initiated either before OHIM or as a counterclaim to an infringement action brought by the CTM proprietor.

2. Opposition

4.192 Opposition grounds are provided for in Article 8 CTMR. Opposition proceedings are the subject of Articles 41 and 42 CTMR and Rules 15 to 22 CTMIR.

3. Cancellation

4.193 The grounds for revocation and invalidation are provided for in Articles 51, 52 and 53 CTMR. Article 54 CTMR deals with acquiescence. Article 55 CTMR deals with the effect of revocation and invalidation decisions. Articles 56 and 57 CTMR and Rules 37 to 41 deal with cancellation procedures. Article 100 CTMR deals with counterclaims for a declaration of revocation and invalidity.

II. Case law

4.194 There is a multitude of cases of the General Court and the Court of Justice dealing with opposition and cancellation cases and the procedural rules applicable in these cases. No useful purpose would be served if an analysis of these cases would be undertaken.

III. Positions

1. User organizations

4.195 Most user organizations stating an opinion on this point are in favour of a system when oppositions are filed before registration, instead of a post-registration system (FICPI, AIM and APRAM).

4.196 Regarding the period for filing a notice of opposition, the majority of user organizations endorses the three-month period.

2. Allensbach survey

4.197 Opposition proceedings were addressed in the Allensbach survey under the following aspects:

- the time allowed for filing a notice of opposition;

- whether the current system should be changed from pre-registration to post-registration opposition;

- whether accelerated registration procedures should be available, i.e. registration for a higher fee and with opposition only after registration;

- whether non-registered trade marks and other signs used in the course of trade should be examined upon opposition, or only in invalidation proceedings.

4.198 The reactions to all these questions show that there is only little support for changes of the current system. 47 percent of proprietors and 61 percent of agents answer that the time for filing a notice of opposition should remain at three months instead of being curtailed to two months; only 26 percent in both groups would welcome the proposed change. Regarding post-registration opposition, 55 percent of proprietors and 68 percent of agents favour the current approach, whereas 14 percent of proprietors and 19 percent of agents answer that a change would be a “good idea”. Also the proposal to introduce accelerated registration proceedings is rejected by a majority in both groups: 50 percent of proprietors and 51 percent of agents want to retain the current practice, whereas 32 percent of proprietors and 40 percent of agents would opt for a change. Concerning examination of non-registered marks and other signs, the result is clearest: 52 percent of proprietors and 75 percent of agents are against a change which would only be endorsed by 9 percent of proprietors and 11 percent of agents.

IV. Issues

1. Opposition

a) Pre- or post-registration opposition

4.199 Currently, opposition is available after publication and before registration of a CTM application. If an opposition is brought, registration may be postponed for many years. This delays the enforceability of trade mark rights often for long periods. Also, oppositions are brought only against less than 20 percent of all applications.

Nevertheless, all, even unopposed, CTM applications do not mature to registration for at least the opposition period of three months, even though no obstacles exist.

- 4.200 Therefore, suggestions have been made to introduce instead of a pre-registration opposition, as currently provided, a post-registration opposition, as it exists, for example, in Austria (since 1 July 2010) and in Germany.
- 4.201 It has also been suggested to introduce, at the option of the applicant, an accelerated registration procedure, available for an additional fee, which would result in early registration and a post-registration opposition.
- 4.202 It should be recognized that introducing a post-registration opposition system, either as a general rule or for “accelerated” cases, amounts in essence to moving away from opposition altogether to a (post-registration) cancellation system.
- 4.203 Opposition proceedings were conceived and are actually handled by the Office as essentially paper-based proceedings for a quick resolution of trade mark conflicts, with strict time limits and with a full examination always possible in a cancellation proceeding.

b) Grounds of opposition

- 4.204 The grounds of opposition are limited to earlier rights belonging to the category of earlier registered trade marks or other earlier unregistered trade marks or similar rights, all provided for in Article 8 CTMR. Other earlier rights, in accordance with Article 53 CTMR, are available only in invalidation actions.
- 4.205 The question has been raised whether this limitation continues to make sense or whether additional grounds should be included in the catalogue of grounds available in opposition proceedings..
- 4.206 At the one side of the debate are those advocating a complete identity between opposition and cancellation grounds. On the other side are those advocating maintaining the current system, and perhaps even reducing the possibility to invoke unregistered rights. In between there are those advocating enlarging the opposition grounds only somewhat, notably by including the ground that the application has been filed in bad faith.
- 4.207 For those advocating identity of grounds, thus primarily making all absolute grounds of refusal also a ground for opposition, the distinctions between pre-grant opposition and post-grant cancellation should appear of little if any relevance.
- 4.208 A specific issue arises with regard to unregistered rights, within the meaning of Article 8 (4) CTMR, which are of larger than merely local but less than Member State-wide significance.
- 4.209 As regards opposition based on earlier marks in the absence of likelihood of confusion but instead of reputation and detriment to distinctiveness or reputation, Article 8 (5) CTMR limits this to earlier registered marks. Unregistered well-known marks are not included. However, extended protection for non-registered marks or

other signs used in trade may be claimed on the basis of article 8 (4) CTMR, depending on the availability of such protection under national law.

c) Consent

- 4.210 Whereas for cancellation consent to registration constitutes a bar (Article 53 (3) CTMR), no such bar is provided for opposition cases, even though the situation and the “equities” of the case are comparable.

d) Time limits

- 4.211 It has been suggested that the current time limit of three months for filing oppositions is too long and should be reduced to two months.

- 4.212 It has also been pointed out that the current time limit for opposing Madrid marks extended to the Community, which is three months beginning six months after the publication of the particulars of such marks in the CTM Bulletin, is too long, particularly in view of the abolition of mandatory searches and the resulting acceleration of registration proceedings in most cases. These issues are discussed below, Chapter 5.

e) Separation of admissibility and substance

- 4.213 Current law requires OHIM to examine admissibility first and determine whether the opposition is admissible before the commencement of the adversarial phase of the opposition which begins when Office sets into motion the time schedule for the cooling-off period and the submissions by the parties. The current separation between admissibility examination and examination of oppositions as to substance prolongs opposition proceedings primarily in those cases where opposition notices contain defects which may be remedied (“relative” inadmissibility grounds) pursuant to Rule 17 (4) CTMIR. Many of these “relative” defects should be considered as elements of an opposition that fall under the substantiation requirement in Rule 19 CTMIR. It has been suggested that the current provisions complicate opposition proceedings unnecessarily, the more so as admissibility issues may still arise and be judged in the final decision anyway.

f) Identification of evidence

- 4.214 A common problem in opposition (and cancellation) cases is that parties submitting evidence often do not identify the evidence and do not link it to the specific claim which the evidence is supposed to support. Particularly notable are such deficiencies when proof of the well-known character of a mark, or its degree of distinctiveness, or its reputation are at issue, or when evidence is presented to

support a claim of use. Such unsorted or not properly identified evidence presents problems not only for OHIM, but also for the other party to the proceedings.

2. Cancellation

a) Grounds for revocation – generic indications

4.215 According to Article 51 (1) (b) CTMR a registered CTM may be revoked if it has “become the *common name* in the trade *for a product or service* in respect of which it is registered”. The terminology used in Article 51 (1) (b) CTMR differs from the terminology in Article 7 (1) (d) CTMR, according to which a trade mark may not be registered if it consists exclusively of signs or indications “which have become *customary in the current language or in the bona fide and established practices of the trade*”. It would appear appropriate to align the wording of both provisions, since both concern a situation where the mark is or has become a generic indication.

b) Separation of admissibility and substance

4.216 The need to maintain a separate admissibility examination and substantive examination by OHIM has been questioned. The issue is similar to that raised with regard to oppositions. However, where an opposition is inadmissible it may not be repeated, unless, which is rarely if ever the case, the opposition period is still running. Inadmissible cancellation actions may be repeated without time limit.

c) Res iudicata

4.217 It has been pointed out that Articles 57 (3) and 100 (2) CTMR, dealing with res iudicata of earlier decisions, apply, in OHIM cancellation cases, only to earlier final court decisions, and in court decisions, only to earlier OHIM decisions. The respective res iudicata effect should be mutual.

4.218 It is well-established in the case law of the General Court that opposition decisions do not constitute res iudicata for later cancellation (or infringement) proceedings.

d) Identification of evidence

4.219 A common problem in cancellation (and opposition) cases is that parties submitting evidence often do not identify the evidence and do not link it to the specific claim which the evidence is supposed to support. Particularly notable are such deficiencies when proof of the well-known character of a mark, or its degree of distinctiveness, or its reputation is at issue, or when evidence is presented to support a claim of use. Such unsorted or not properly identified evidence presents problems not only for OHIM, but also for the other party to the proceedings.

e) Alignment with rules in opposition cases

- 4.220 The rules applicable in revocation and invalidation proceedings to some degree parallel those applicable in opposition cases. However, some rules applicable in opposition proceedings have no parallel in cancellation proceedings. This applies, for example, for suspension (Rule 20 (7) CTMIR) and the specifics of proof of use (Rule 22 CTMIR on the one hand and Rule 40 (5) and (6) CTMIR on the other).

V. Proposals

1. Opposition

a) Pre-registration or post-registration opposition

- 4.221 Given the opposition statistics it would seem to make sense to opt for a post-registration opposition (i.e. cancellation) system. This would accelerate registration, and would obviate any need to differentiate between the grounds on which an opposition and the grounds on which a cancellation may be based.

- 4.222 However, as the Allenbach survey has shown, there is very little support for converting pre-registration opposition to post-registration opposition. Similarly, there is very little support for an accelerated registration procedure, similar to that existing in some Member States.

- 4.223 Therefore, no proposals are made to change the current procedural situation, which distinguishes between opposition and cancellation proceedings.

b) Grounds

- 4.224 It appears appropriate to limit the grounds for oppositions to trade marks and similar rights, such as those currently provided for in Article 8 CTMR. As regards earlier trade marks, it is proposed under "Seniority" to preclude opposition based on national marks (or other earlier rights) which have been acquired, in the same Member State, later than the national mark providing the basis is for a seniority claim. As regards reputation marks, it is proposed to accord protection beyond likelihood of confusion not only to registered national or Community marks, but also to unregistered well-known marks. This can be achieved easily by replacing "registered" in what is currently Article 8 (5) CTMR with "protected" (now proposed new Article 8 (5)(1)(c) CTMR). This is in line with the proposal made above that trade marks which are well-known in the Member States are also protected against unfair use made of, and detriment done to, their reputation or distinctive character, irrespective of registration. As regards unregistered trade marks and other signs used in the course of trade, it is proposed in the Chapter 3 B "Further territorial issues of CTM protection" that the right to bring an opposition and request for cancellation should be limited to rights with a Member State-wide scope of protection.

c) Consent

4.225 It is appropriate to allow the CTM applicant to defend himself against an opposition by arguing (and proving) that the opponent has consented to the application and registration.

d) Time limits

4.226 The Study is well aware of OHIM's interest to speed up the procedures before the office as the time these procedures take is, from the user's perspective, an important feature of OHIM's performance. However, the current three months period complies with the legal situation in a majority of national systems (14 out of 25). Even longer periods for filing an opposition in the form of an appeal apply in Greece and in Poland (4 and 6 months respectively; for Malta, no clear information is available). A time limit of 2 months currently applies in the three Nordic countries, France, Spain, Portugal, Bulgaria (which does not have a genuine inter-partes opposition procedure; see Part II Chapter 1 D VII), and in the Benelux system (with the two months period being counted from the beginning of the month following publication of the approved application). That the time limit set for filing an opposition on the Community level corresponds to the three months period applying in the majority of Member States appears plausible in view of the fact that the decision to file an opposition against a CTM often requires rather complex investigations regarding the status of prior rights in different Member States, etc. The user's reactions in the Allensbach survey also show quite clearly that the current time limit of three months has their support. That clear vote should only be set aside if it could be established that a reduction of the current time limit by one month would have substantial advantages, either for OHIM or for the system as a whole. However, such advantages can hardly be found. For OHIM, reduction of the time limit would not help to speed up the internal proceedings, which are only commenced anyhow after the opposition has been filed. It is also not to be assumed that a one month reduction of the opposition procedures will have significant impact on the user's perception of OHIM's performance. If users tend to be dissatisfied with the duration of opposition proceedings, which was indeed one of the results of the Allensbach survey, this rather concerns the length of time which it takes for OHIM to pass decisions, and not those features of the system which are for the users' own benefit – like the current time limits – and for which they have expressed their approval. Based on those considerations, the Study comes to the conclusion that the opposition period of three months and the subsequent procedural rules for substantiation and defence should be maintained.

e) Admissibility and substance

4.227 It is proposed to limit admissibility grounds 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. Rule 17 CTMIR should be amended so as to reflect these changes.

f) Identification of evidence

4.228 In order to facilitate the handling of oppositions, 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 in support of proof of use – must be specifically identified and linked to specific submissions or arguments. Such amendments should be implemented in Rules 19 and 22 CTMIR.

2. Cancellation

a) Grounds for revocation – generic indications

4.229 It is proposed to align the wording of Article 51(1) (b) CTMR with that of Article 7 (1) (d) CTMR.

b) Admissibility and substance

4.230 It is proposed to maintain the current situation as regards the distinction between admissibility and substance. The concerns applying to opposition proceedings are not relevant for cancellation proceedings.

c) Identification of evidence

4.231 In order to facilitate the handling of cancellation cases, both for the Office and for the parties to the proceedings, it is proposed that the Rules specify that evidence submitted in support of the cancellation request – or in support of proof of use – must be specifically identified and linked to specific submissions or arguments.

I. Appeals

I. Current law

4.232 Appeals are governed by Articles 58 et seq. CTMR and Rules 48 et seq. CTMIR. Furthermore, procedural details are provided for in the Rules of Procedure of the Boards of Appeal.

II. Case law

4.233 The principal “institutional” issue addressed in the case law of the General Court and the ECJ concerns the question of the relationship between the Boards of Appeal and the instances whose decisions the Boards are called upon to review.

4.234 It was decided very early and is now well-established that the Boards must review the decisions of the first instance – examiners, opposition divisions, cancellation divisions, legal and administrative department – de novo, i.e. by taking into account all facts and evidence, except to the extent that facts and evidence not

brought forward within time limits applicable in first instance may not be presented to the Boards if these time limits are “peremptory”, i.e. of such a nature that missing them leads to a loss of rights. As regards other time limits, the Boards may or may not take new facts and evidence into account, under the general rule established in Article 76 (2) CTMR that the Office may disregard facts and evidence presented “late”.

III. User survey Allensbach; user organizations

- 4.235 The Allensbach survey has addressed the current time limits for filing a notice of opposition. A clear majority of both proprietors and agents reject the proposal of shortening the current period of three months. It can be expected that proposals for curtailing the periods for filing or substantiating appeals would be met by similar reactions. This is confirmed by the statements received from user organizations: none of those statements was in favour of changing the current system.
- 4.236 Further questions in the Allensbach survey concerned the quality and consistency of decisions by the OHIM Appeal Boards. In particular among agents, the quality of appeal decision is rated more favourably than other OHIM activities – about 30 percent of the entire group consider that appeal decisions are of “high quality”, and only about 7 percent consider the quality of appeal decisions as “low”. The quality assessment by proprietors, and also the assessment of consistency and, in particular, the time it takes for obtaining a decision, are somewhat less positive, but are still ranking rather high within the overall picture.

IV. Issues and proposed solutions

1. Time limits

- 4.237 Under the current law appeals must be filed within two months from the notification of the appealed decision, and the grounds must be submitted within four months from the notification. The question has been raised whether the time limits, notably a separate time limit for submitting the grounds of appeals, are justified. Comparable time limits exist for oppositions (three months, no need to substantiate until after the end of the cooling-off period) and for appeals to the General Court (two months, no additional period for the grounds).
- 4.238 As mentioned, opinions expressed are generally in favour of maintaining current time limits. In view of users’ clear preference for the current system, changes would only be warranted if good arguments could be presented for the appropriateness of such amendments.

2. New facts and evidence

- 4.239 The provisions precluding new facts and evidence in opposition proceedings are well-established. The provisions in ex parte cases are more “liberal” – there are practically no peremptory time limits. Similarly in cancellation proceedings, while

partially paralleling the opposition cases, there are no strict and peremptory time limits for the submission of facts and evidence. According to the general rule described earlier, new facts and evidence should be admitted, as a matter of principle, before the Boards.

4.240 No change in the applicable rules is proposed.

3. Scope of review

4.241 The obligation established in the case law of the General Court that the Boards must examine appeals fully, and are not limited to the arguments or grounds invoked by the appellant, is seen to conflict with the obligation to provide the grounds of appeal (in the absence of which the appeal is not admissible) and the general principle that it is for the parties to define the scope of review.

4.242 The following are examples of the types of cases that arise.

4.243 In ex parte cases, where an application has been refused on several grounds, e.g. Article 7 (1) (b) CTMR and Article 7 (1) (c) CTMR, an appeal necessarily relates to all grounds; thus, the Board will have to review all grounds. However, if the examiner refused the mark on the basis of Article 7 (1) (c) CTMR, but considered Article 7 (1) (j) CTMR not to be applicable, on appeal the Board should be limited to review the descriptiveness rejection, unless it raises of its own motion a new ground.

4.244 In an opposition case where an opposition was dismissed because of the absence of likelihood of confusion and because of lack of use, an appeal by the losing party necessarily requires review of both issues. However, if an opposition was successful because proof of use was made and likelihood of confusion was found, and the CTM applicant appeals, arguing that the marks are not similar, but is not contesting the proof of use finding, the Board should be limited to the similarity and likelihood of confusion analysis. In such a situation the Board may not raise the proof of use issue on its own motion (Article 76 (1) CTMR). If in such a situation the appellant does not challenge the similarity of goods determination by the first instance, but only the similarity of the marks, the Board would similarly be limited in examining the contested decision to the similarity of marks and the likelihood of confusion issue. Issues not raised because decided in favour of the appellant may be brought before the Board by way of an ancillary appeal.

4.245 The proper results should be obtained without the need for legislative change.

4. Relation between first instance and second instance

4.246 When cases reach the Boards which concern decisions which have not dealt with all issues, a reversal by the Board will result in a (first) examination of the other issues, which may either be carried out by the Board itself or on remand by the first instance. This occurs both in ex parte and in inter partes cases. The potential

delay is increased when the Board decision is appealed to the General Court pursuant to Article 65 CTMR.

- 4.247 A solution might be that the first instance examines all grounds raised. However, in opposition cases this would result in often unnecessary work. If a later mark must be refused on the basis of an earlier right, there is no need to go further and examine whether a refusal would also be justified on another earlier right invoked by the opponent. In absolute grounds cases, the situation is similar – presence of one “obstacle” suffices. Obliging the first instance to raise all possible grounds and examine them all, merely because this may facilitate the handling of appeals, does not appear to be justified.

Chapter 5 - Madrid Agreement and Madrid Protocol implementation

A. Current law

- 5.1 The accession of the European Union to the Madrid Protocol required implementing legislation. Title XIII was added to the CTMR, and Title XIII was added to the CTMIR, each dealing respectively with international registrations based on a CTM, and international registrations extended to the European Union.

B. Case law

- 5.2 Madrid marks extended to the European Union are treated essentially in the same way as CTMs. There is as yet no case law where the differences that exist were subject to interpretation.
- 5.3 There is as yet no case law interpreting the provisions governing CTMs as basic marks for obtaining international registrations.

C. Issues

- 5.4 Madrid marks designating the European Union make up about 15 percent of all new applications. Very few issues have arisen with regard to Madrid marks.

I. Opposition period

- 5.5 Under current law, the opposition period of three months begins six months after the publication of the extension of protection to the European Union (Articles 156 (2) and 152 (1) CTMR). This period was chosen at a time when CTMs were still subject to mandatory national searches and thus on average publication of directly

filed CTM applications would not normally take place before six months after filing. There is no need any longer to maintain this six months period.

II. Reimbursement of part of the fee

- 5.6 In accordance with Articles 154 (4) and 156 (4) CTMR, where an extension of protection to the European Union is refused, the proprietor of the international registration is entitled to a reimbursement of a part of the fee paid for the extension. This rule was adopted at a time when there was a separate registration fee to be paid for a CTM. Since that fee was abolished, there is no reason for maintaining a reimbursement of a part of the fee for international registrations in such situations. Article 13 of the Fees Regulation, which governed the reimbursement, has been deleted with effect from 1 May 2009.

III. Requirement of use

- 5.7 The calculation of the grace period of five years for CTMs begins with the date of registration, whereas for Madrid marks the period begins with the date of publication that protection is granted (Articles 160 and 152 (2) CTMR). In a different context (Chapter 2 E “Use requirement”) it is proposed that the five years should begin, when protection is granted for some but not all of the goods or services, for those goods or services for which protection is granted from that date, while for the other goods or services the termination of examination or opposition should be decisive.

IV. Relationship between Madrid Agreement and Madrid Protocol

- 5.8 In November 2007, with effect from 1 September 2008, Article 9^{sexies} of the Madrid Protocol was amended to provide that in relations between members belonging to the Madrid Agreement and the Protocol, the Protocol applies, subject to certain limitations. Prior to that date, in relations between countries belonging to both the Agreement and the Protocol, the Agreement applied. This change should be reflected in the CTMR. There are currently no Member States which belong to the Agreement only.

D. Proposals

I. Opposition period

- 5.9 In order to align the period of examination for absolute grounds of refusal with the opposition period, it is proposed to have the opposition period starting three months after the publication of the Madrid mark by OHIM. The opposition period would then expire six months after the publication date and coincide with the end of the six months period for the examination as to absolute grounds for refusal

under Rule 112 (5) CTMIR. At this stage the Office is in the position either to issue a statement of grant of protection under Rule 116 CTMIR or to notify the International Bureau a provisional refusal of protection pursuant to Rules 113 and/or 115 CTMIR.

II. Reimbursement of part of the fee

- 5.10 The provisions for the reimbursement of a part of the fees corresponding to the registration fee in Articles 154 (4) and 156 (4) CTMR should be deleted.

III. Requirement of use

- 5.11 The “grace period” should run from the date from which the Madrid mark is no longer subject to challenge. This should also apply when the challenge is no longer available for some of the goods or services. This would require a publication by the Office indicating those goods or services for which a partial statement of grant of protection applies. If that should be done, no amendments to Article 160 CTMR would be necessary.

IV. Relationship between Madrid Agreement and Madrid Protocol

- 5.12 Since the Madrid Agreement is no longer of relevance, references in the CTMR and the CTMIR to the Madrid Agreement should be deleted.

Part IV - OHIM – Fees, tasks and mandate

A. Current law

- 1 The Office for Harmonisation in the Internal Market (Trade Marks and Designs), commonly abbreviated as OHIM or, in Spanish, OAMI, was established by the 1993 Community Trade Mark Regulation (Regulation (EC) No 40/94 on the Community trade mark, now replaced by Regulation (EC) No. 207/2009). Its Article 2 is worded as follows:

“An Office for Harmonisation in the Internal Market (trade marks and designs), hereinafter referred to as `the Office`, is hereby established.”

- 2 OHIM is an agency of the European Union with a substantial degree of autonomy. Control of legality is exercised by the Commission under the rules of Article 122 CTMR. OHIM is headed by its President, assisted by one or more Vice-Presidents, all appointed by the Council of Ministers on the basis of a list of not more than three candidates established by OHIM’s Administrative Board. That Board is composed of representatives of the Member States and the Commission. The Commission representatives have however no right to vote. The Office has a separate Budget Committee, with the same composition as the Administrative Board, which is the only budgetary authority as long as OHIM does not receive any subsidies from the general budget.
- 3 There are no specific rules in the CTMR concerning the mandate of OHIM. At the time of the adoption of the CTMR it was understood that OHIM would administer the CTM system, and eventually also, as indicated in its name, the Community design system. The responsibility for the Community design system was realised in 2002 when the Regulation on the Community design was adopted (Regulation (EC) No 6/2002). Since the establishment of OHIM in 1994 it was common understanding of OHIM and its Administrative Board that OHIM should and would undertake activities related to its central tasks, and many corresponding initiatives were taken. Liaison meetings with representatives of national offices, conferences with judges, trilateral meetings with the United States and Japanese Patent Offices, employing national experts, are just some prominent examples.

B. Issues

- 4 Creating a solid legislative basis for OHIM’s mandate, and especially for activities which are not directly or indirectly related to trade marks and designs, has been addressed explicitly in the conclusions of the Council of 25 May 2010. The Council called upon the Commission to present proposals for revising the CTMR and the TMD:

14. CALLS ON the Commission to present proposals for the revision of Council Regulation (EC) No 207/2009 on the Community trade mark and Directive 2008/95/EC approximating the laws of the Member States relating to trade marks.

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,

— 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,

5 Thus, a proper legal basis must be created at least for the following fields of activity:

- Framework for cooperation between OHIM and national offices
- Harmonisation of practice and tools supported and facilitated by OHIM
- Legal basis for OHIM's involvement with enforcement activities
- Legal basis for the distribution of funds to national offices.

C. Proposals

6 OHIM's tasks and mandate should be defined in the CTMR, in Title XII dealing with the Office. An appropriate solution would be to add a new Section 2 in Title XII for that purpose. Appropriate language should be added to the Preamble. Specific provisions should cover both the central activity of the Office, namely the administration of the Community trade mark and design systems, and – at least – also each of the four areas mentioned in the Council conclusions.

I. Administration of the Community trade mark and design systems

7 In establishing the mandate and the tasks of OHIM, the administration of the Community trade mark and design systems should be mentioned in first place. It is true that the Council conclusions, adopted against the background of OHIM's trade mark activities, do not mention design protection at all. But it should be obvious that the Office's tasks should relate to both areas of IP law for which the Office is responsible, trade marks and designs. The proper place to provide for the

mandate and tasks is the CTMR as the CDR itself merely contains a reference to the CTMR as regards administrative issues.

II. Cooperation with national offices

- 8 OHIM and national offices have cooperated in trade mark and design matters from the beginning. As far as establishing a legislative basis for this activity is concerned, the mandate of OHIM in the establishment and operation of a framework for cooperation with national offices should be defined in general terms allowing sufficient latitude for individual activities. The implementation of cooperation should be the responsibility of the President of OHIM in conjunction with OHIM's Administrative Board. Cooperation activities with national offices can be all-encompassing with all national offices, but also with individual offices.

III. Harmonisation of practices and tools

- 9 Harmonisation of practices is necessary to assure high quality, coherence and consistency in trade mark and design operations in Europe. The scope of this activity is addressed in more detail separately. OHIM's role in these activities should be broadly defined.
- 10 In addition, the obligation of national offices to engage in harmonisation activity must become part of the Harmonisation Directive.

IV. Enforcement

- 11 Enforcement refers to prevention or prosecution of infringements of IP rights (see also hereafter under Part VI Chapter 2 B). Including enforcement activities in the broadest sense in the mandate of OHIM is not entirely novel because OHIM, inter alia, has organised meetings and conference with judges of the Member States where issues of trade mark and design infringement were dealt with. Nevertheless, a more general mandate to become involved in enforcement activities would indeed be something new.
- 12 OHIM's expertise resides in the examination and administration of trade marks and designs. That expertise does not extend naturally to enforcement activities, even though some of the applicable legal principles (likelihood of confusion, for example) may be the same in administrative and in court proceedings. Overall, the type of activity necessary to prevent infringements and to proceed against them has no direct relation with the examination of trade marks and designs or inter partes cases such as opposition or invalidation proceedings. In addition, an important part of enforcement activities relates to piracy, i.e. to infringement of copyright and related rights, which until now does not fall within OHIM's field of competence.

- 13 OHIM's mandate to be involved in enforcement activities should be broadly defined at the legislative level so as potentially encompassing all kinds of activities except direct involvement in investigation, prosecution, and adjudication of infringements other than in opposition or invalidation proceedings. The emphasis of OHIM's involvement should lie on supporting activities, such as information, coordination, training, etc.
- 14 The legislative mandate should be broad enough to allow for the transfer of the Enforcement Observatory created by the Commission, referred to subsequently (see Part VI Chapter 2 B), to OHIM.
- 15 It must be realised that OHIM is unlikely to be able to carry out these new activities without enhancing or creating expertise and manpower at OHIM specific to enforcement activities.

V. Other activities

- 16 A general clause should be added permitting the attribution of additional competences to OHIM, by legislative act or administrative agreement. The involvement of the Administrative Board should be assured.
- 17 The general clause should be sufficiently broad to allow for activities which have no immediate relation to trade marks or designs.
- 18 For example, the administration of the Community system for the protection of designations of origin and geographical indications, currently a task carried out by the Commission in cooperation with the Member States, in accordance with the rules and regulations applicable to wines, spirits, agricultural products and foodstuffs, could be allocated to OHIM, with regard to its experience in handling registration issues and carrying out ex-officio examinations as well as dealing with inter partes cases. This new competence would be in line with the close relationship between trade marks and geographical indications. Geographical indications are industrial property rights as are trade marks. They are protected against any use by third parties for products not meeting the registered product specifications. A further effect resulting from assigning their administration to OHIM would be that the relevant decisions would be taken as administrative rather than legislative acts – in the form of Commission Regulations - and that the control of legality could be exercised in a manner comparable to trade mark and design proceedings by appeals to OHIM's Boards of Appeal and the EU Court of Justice (General Court and ECJ).
- 19 Such transfer would however require substantial changes in the applicable legislation. For example, some features of the EU scheme on geographical indications are completely different as compared to the CTM system, such as the application procedure at the Member States' level followed by a procedure at the EU level, or the requirement of product specifications as a condition for registration. The current proposal of the Commission for a new scheme on agricultural product quality protection including the protection of designations of origin and geographical indications for agricultural products and foodstuffs

essentially maintains the structure of the system for protection of geographical indications. Assigning the registers for protected geographical indications to OHIM would thus require a major effort on the part of the Commission as well as the Member States. The new idea to establish a registration system for a Communitywide protection of geographical indications for non-agricultural products, and to assign the competence for this system to OHIM would not face such structural complications. Its administration could easily be attributed to OHIM.

- 20 The CTM system currently provides for the registration and protection of individual marks and collective marks. Compared to that, some national systems provide protection also for certification marks, and these are also covered by the Directive. Certification marks differ from collective marks primarily in their structure – collective marks require a holder whose members use the mark, whereas certification marks allow a certifying organisation or person to permit adherents to the certification system to use the mark as a sign for goods or services complying with the certification requirements. Thus, certification marks are signs of supervised quality, whereas collective marks do not imply a quality claim. The imbalance between some national systems and the CTM system as regards certification marks could be remedied by providing in the CTMR for the registration of certification marks alongside collective marks. Current practise shows that there is a need for some public and private bodies which do not meet the conditions as an association eligible to create collective mark protection to offer them a system for protection of guarantee and certification signs on the Community level. It should therefore be considered to establish a Community system for certification marks which could be administered by OHIM. Details cannot be presented within the framework of this Study.

VI. Statutory basis for the distribution of OHIM funds to national offices

- 21 The CTMR must have a specific provision permitting OHIM to distribute funds to national offices for the purposes listed in the Council conclusions. It is proposed to provide for these funds in the annual budget as an element of the expenditure. Adding this item of expenditure to Article 139 CTMR would appear to be an appropriate legislative solution.
- 22 It is further proposed that the criteria for distribution of the funds should be established by legislation, and a possible location for that appears to be the Fees Regulation. The criteria for the distribution – 50 percent in equal shares, 50 percent in proportion to trade mark activity – are discussed elsewhere (Part VI Chapter 1 D).

Part V - Harmonisation of national laws and practices

Chapter 1 - Harmonisation within the scope of the TMD

- 1.1 The 1988 Trade Mark Directive (TMD), initially entitled “First” Directive but codified without the “First” and without any substantive changes in 2008, is limited basically to rules of substantive trade mark law. Central provisions are those dealing with registrability (absolute and relative grounds of refusal or invalidation), exclusive rights and limits of exclusive rights.

A. Article 3 (2) TMD – Absolute grounds for refusal

I. Current law

1. TMD

- 1.2 Article 3 (2) TMD gives Member States the option to include, in addition to the absolute grounds for refusal listed in Article 3 (1), further grounds for refusal into their national law. This concerns
- trade marks whose use may be prohibited pursuant to other provisions of law (Article 3 (2) (a) TMD);
 - trade marks covering a sign of high symbolic value, in particular a religious symbol (Article 3 (2) (b) TMD);
 - trade marks which include badges, emblems and escutcheons other than those mentioned in Article 6^{ter} of the Paris Convention which are of public interest (Article 3 (2) (c) TMD);
 - applications made in bad faith or trade marks resulting from such applications (Article 3 (2) (d) TMD).

2. CTMR

- 1.3 Article 7 CTMR does not contain any of those grounds which are optional under Article 3 (2) TMD. However, where an application has been made in bad faith, the mark is liable to invalidation (Article 52 (1) (b) CTMR).

II. Implementation into national law

1. Article 3 (2) (a)

- 1.4 Article 3 (2) (a) TMD has been implemented by 10 Member States, either in a specific provision or in the context of implementing Article 3 (1) (f) TMD (trade marks which are contrary to public policy or accepted principle of morality). One

example of such a combined approach is Article 14 (3) of the Swedish Trade Marks Act, according to which a trade mark shall not be registered if it violates *other laws or regulations* or public order, or is likely to cause offence (emphasis added.)

2. Article 3 (2) (b)

- 1.5 Article 3 (2) (b) TMD has also been implemented by 10 Member States. A special rule applies in Italy, where the patent and trade mark office communicates applications consisting of images or signs with political significance, or signs with high symbolic value, to the public authorities which are competent or have an interest in the field concerned. If the authorities object to the registration, the application is refused (Article 10 (2), (4) D.L. 10.5.2005 no. 30).

3. Article 3 (2) (c)

- 1.6 Article 3 (2) (c) TMD has been implemented by 18 Member States. Most of those provisions are closely similar to the wording of the TMD. Slightly different from that, Sec. 4 (4) of the UK TMA 1994 stipulates that a trade mark will not be registered if it consists of or contains arms to which a person is entitled by virtue of a grant of arms by the Crown, or insignia so nearly resembling such arms as to be likely to be mistaken for them. Sec. 4 (5) UK TMA 1994 further excludes from registration signs and representations falling under the Olympic Symbol Protection Act (1995). Another example for a special regulation is found in Article 11 (1) (xi) of the Bulgarian Trade Marks Act which excludes from registration signs which consist of or contain the names or representations of historical or cultural monuments of the Republic of Bulgaria, as specified with the ministry of culture. In Italy, trade mark applications containing heraldic elements must be submitted to competent or interested authorities for approval.

4. Article 3 (2) (d)

- 1.7 Article 3 (2) (d) TMD has been implemented in the Benelux Trade Marks Act as well as in 21 Member States. In the majority of countries application in bad faith forms part of the absolute grounds for refusal which are examined ex-officio; in six countries, bad faith is only available as a ground for invalidation. In the Czech and Latvian trade mark acts, it is stipulated that bad faith must be “obvious” or “clear”. Some Member States specify the conditions under which bad faith will be found. In Finland and Sweden, bad faith (only) relates to the situation that the applicant was aware of another person using a confusingly similar sign at the time when the application was filed. Detailed regulations are also found in the Benelux Trade Marks Act, where bad faith is both an absolute and a relative ground for refusal.

III. Case law

- 1.8 The case law of Member States (regarding bad faith as well as the other absolute grounds) has not been fully investigated. However, from the evidence gathered it appears that the grounds mentioned above were not frequently addressed by the courts in any of the Member States.

IV. Issues and proposals

- 1.9 As a matter of national sovereignty, Member States must retain the freedom, but cannot be forced, to introduce the obstacles mentioned in Article 3 (2) (a) to (c) TMD. No changes are therefore proposed in that regard.
- 1.10 Regarding applications in bad faith (Article 3 (2) (d) TMD), implementation should be mandatory. The large majority of Member States has already implemented this provision, and for the other Member States it would appear plausible to assume that trade mark applications filed in bad faith are contestable under rules of civil or administrative law of general application.
- 1.11 The additional question whether bad faith must be examined ex-officio prior to registration is linked with the current structure of the TMD: while the grounds listed are either mandatory or optional, it is currently left to each Member State to decide whether these grounds are examined ex-officio or only after registration. For the CTMR, bad faith currently is only an invalidation ground, and no changes are proposed in that regard. It should be recognised that the identification of applications made in bad faith in ex parte proceedings is typically very difficult. Offices will usually lack the insight and the factual background to evaluate ex-officio that an application is objectionable on bad faith grounds. Therefore, it seems appropriate to leave it to the Member States whether they examine for bad faith only in opposition or cancellation proceedings or also ex parte. The obligation to provide for cancellation proceedings and the option to provide for opposition proceedings is addressed under a separate topic (Chapter 2 C).
- 1.12 In addition to the grounds for refusal currently listed in Article 3 (1) TMD, the TMD should also contain mandatory provisions addressing conflicts with protected geographical indications, as in Article 7 (1) (j) and (k) CTMR.

B. Article 4 (4) TMD – Relative grounds for refusal

I. Current law

1. TMD

- 1.13 The relative grounds for refusal which are optional under Article 4 (4) TMD relate to
- trade marks having a reputation in the Member State which are applied or registered for dissimilar goods and services (Article 4 (4) (a) TMD);

- rights to an unregistered mark or sign which confer on the proprietor a right to prohibit the use of the subsequent mark (Article 4 (4) (b) TMD);
- other earlier rights, such as rights in names or portrayals, copyright or industrial property rights (Article 4 (4) (c) TMD);
- prior rights which have expired within certain periods before the application of the mark was filed, and which concern
 - a collective mark (Article 4 (4) (d) TMD);
 - a certification or guarantee mark (Article 4 (4) (e) TMD);
 - an individual mark which was not renewed and which may be confused with the mark forming the object of the application (Article 4 (4) (f) TMD); a trade mark which is used abroad at the time of filing the application, where the application is made in bad faith (Article 4 (4) (g) TMD).

1.14 Article 4 (5) TMD permits to stipulate that under appropriate circumstances, registration need not be refused or the trade mark need not be invalidated where the proprietor of the conflicting right consents to the registration.

1.15 Article 4 (6) TMD concerns rights which were in force prior to enactment of Directive 89/104/EEC.

2. CTMR

1.16 Of the relative grounds for refusal set forth in Article 4 (4) TMD, Article 8 CTMR lists only prior unregistered signs, which must be of more than local significance, and which confer on the holder the right to prohibit the use of a subsequent trade mark (Article 8 (4) CTMR). As addressed in Part III Chapter 3 B V. 4 it is proposed that the provision should be amended so as to require that the right must entitle the proprietor to prohibit use of a subsequent mark in the entire territory of the Member State where it exists. The other rights addressed in Article 4 (4) (c) TMD constitute grounds for invalidation of a CTM (Article 53 (2) CTMR). No provisions corresponding to Article 4 (4) (d) – (g) TMD are found in the CTMR. Regarding Article 4 (5) TMD, a similar provision is contained in Article 53 (3) CTMR, according to which a CTM may not be declared invalid for relative grounds if the proprietor of the earlier right has previously consented to the registration.

II. Implementation in national laws

1. Article 4 (4) (a) TMD

1.17 Article 4 (4) (a) TMD has been implemented in the Benelux trade mark system and in 22 national trade mark laws. In the Lithuanian Trade Marks Act, extended protection for earlier trade marks is only accorded to CTMs (which is mandatory under the TMD), and does not apply to national trade marks. No implementation was made in the Cypriote Trade Marks Act.

2. Article 4 (4) (b) TMD

- 1.18 Article 4 (4) (b) TMD has been implemented by 19 Member States. In Hungary, where the provision has not been implemented explicitly, earlier trade names are nevertheless protected on the basis of Article 5 (1) of the Hungarian Trade Marks Act which refers to “names” in a broad sense. The kind of signs forming relative grounds for refusal as well as the prerequisites for their protection vary widely between Member States. In Denmark, non-registered trade marks are protected on the basis of mere use in trade, while other Member States restrict protection for non-registered trade marks to marks which are well-known in the meaning of Article 6^{bis} Paris Convention. Similar divergences apply with regard to the conditions for protection of other signs used in the course of trade, like trade names. Differences also concern the geographical area in which the earlier sign must be able to claim protection. According to Article 7 (1) (g) of the Czech Trade Marks Act, oppositions can only be based on earlier signs of more than local significance. Similarly, according to Sec. 12 of the German Trade Marks Act, earlier signs used in the course of trade can only be invoked as relative grounds for refusal or cancellation if their proprietor is entitled to prohibit the use of the later trade mark in the entire German territory.
- 1.19 Instead of implementing Article 4 (4) (b) TMD, some Member States protect the interests of “prior users” of unregistered trade marks or trade names in an indirect manner, in particular by applying the provision on applications made in bad faith, if the applicant had been aware of the prior use at the time of filing (e.g. in the Benelux, Finnish and, Swedish trade marks acts). Prior users’ interests are also protected by Article 227 (1) of the Portuguese Intellectual Property Act, which allows the first user of a non-registered trade mark to oppose the registration of the same or a similar trade mark, if the application for the later mark was filed within six months after the use had been commenced.

3. Article 4 (4) (c) TMD

- 1.20 Article 4 (4) (c) TMD has been implemented by 22 Member States. Some trade mark laws have adopted the provision nearly literally (e.g. Denmark, Estonia), while other trade mark acts have added references to specific industrial property rights, e.g. to plant varieties. Quite frequently, protected geographical indications are mentioned as one particular type of prior right on which an opposition or request for cancellation may be based. Some trade mark acts only refer in a general manner to earlier rights protected by intellectual and industrial property law (e.g. in Greece).

4. Article 4 (4) (d), (e) and (f) TMD

- 1.21 The provisions on the protection of collective, guarantee or such trade marks after the lapse of protection have been implemented by six, three and seven Member States respectively. The time span during which individual marks are barred from registration by a third party range between (max.) two years (Cyprus, Latvia, Poland, Hungary) and one year (UK, Ireland, Malta). Post-expiration protection of

an individual mark is excluded according to Sec. 22 (4) of the Cypriote Trade Marks Act if the expired trade mark was not used in trade during a period of two years preceding the lapse of protection, or if no confusion or deception would be likely to arise from the use of the trade mark.

5. Article 4 (4) (g) TMD

1.22 Article 4 (4) (g) TMD has been implemented in Benelux trade mark law as well as in three Member States (Estonia, Greece and Denmark). Denmark has not implemented Article 3 (2) (d) TMD (bad faith as an absolute ground for refusal), whereas in the other three systems, bad faith is regulated both as an absolute and a relative ground for refusal. The provisions in the Benelux Trade Marks Act are particularly detailed. Bad faith as an absolute ground will be found *inter alia* if the applicant knows or should have known that the same or a similar mark has been used in the preceding three years on the Benelux territory (Article 4 (6) (a)); in addition, a relative ground for refusal exists if the applicant knew, at the time of application and as a result of direct relations with a third party, that during the preceding three years the third party has used “a like mark for similar goods or services outside the Benelux territory” (Article 4 (6) (b)).

1.23 Instead of a literal transposition of Article 4 (4) (g) TMD, a number of Member States, *inter alia* the Czech Republic, Poland and Slovenia, have chosen to implement Article 6^{septies} of the Paris Convention, by providing for the proprietor of a (foreign) trade mark to oppose the registration of that mark by an unfaithful agent or representative.

6. Article 4 (5) TMD

1.24 Article 4 (5) TMD has been implemented fully or to some extent in 18 Member States. This includes 10 of the 12 Member States where relative grounds for refusal are examined *ex-officio*, with the exception of Cyprus and Poland. In the Slovakian Trade Marks Act, the earlier trade mark owner’s consent is only relevant for applications concerning identical signs, in accordance with the fact that *ex-officio* examination in Slovakia only relates to identical trade marks. In Latvia, where prior rights are not examined *ex-officio*, registration with the proprietor’s consent appears to be restricted to well-known marks (Article 8 (5)); Slovenia and Lithuania – which likewise do not carry out *ex-officio* examinations – appear to apply the principle only with regard to conflicts between trade marks and other prior rights such as industrial property rights, personal names, portrayals etc.

III. Issues and proposals

1.25 Changes in Article 4 (4) (a) TMD are called for in consequence of the proposal to turn extended protection for national trade marks having a reputation into a mandatory provision. Those changes were presented in Part III Chapter 2 G.

- 1.26 Articles 4 (4) (b) and (c) TMD should become mandatory. It should always be possible for the owner of a prior right which is violated by the trade mark to oppose registration or request cancellation. With regard to the CTMR it is proposed that the right to oppose or invalidate a later CTM should be available only for proprietors of earlier rights with a nation-wide scope of protection. An express parallel provision for conflicts between later national trade mark applications or registrations and earlier unregistered trade marks or similar rights does not appear necessary. It should be sufficient to “convert” the current optional provision into a mandatory provision. Making this provision mandatory does not imply that Member States must make such protection for unregistered marks or signs available. Rather, the right to oppose or request cancellation is dependent on the proprietor having the right to prohibit the use of a later trade mark under the national law. Member States remain free, under this provision, to limit protection for unregistered marks to marks satisfying the requirements of Article 6^{bis} Paris Convention. In addition, it should be clarified that Member States remain free to determine whether the provision applies irrespective of the geographical scope of protection, or whether prior rights only qualify as relative grounds for refusal if their proprietor is entitled to prohibit the use of the younger trade mark within the entire territory of the Member State. In Article 4 (4) (c) TMD, it should be clarified that the provision relates to rights which are protected under national and Community law.
- 1.27 As regards the grounds for refusal listed in Article 4 (4) (d) to (f) TMD, the objective of those provisions is to ensure that the public is not deceived by another proprietor using a mark which in the same or a similar form has been protected before as a designation for goods or services of completely different origin. Such risks may occur in particular with regard to certification marks, and, to a somewhat lesser degree, regarding collective marks. Nevertheless, that objective does not justify automatic post-expiration protection for such signs, or for expired individual marks. The interests of the public could arguably be served just as well, or even better, if post-expiration protection would only be granted in case of an actual risk of deception, which might lead to a prohibition to use the sign on the market. Such a prohibition would regularly ensue from national regulations implementing the UCP Directive, in particular its Article 6 (2) (a). If the Member State has made use of the option in Article 3 (2) (a) TMD, this would also lead to an obstacle for registration. The options to be considered are therefore either deletion of these provisions, which have no parallel in the CTMR and seem to play a minor role in practice, or to amend them by providing expressly that a refusal on the basis of these grounds requires a finding of likelihood of deception of the public.
- 1.28 The ground of refusal of a mark in use abroad combined with bad faith – Article 4 (4) (g) TMD – should be deleted. It appears redundant in view of the fact that it is proposed in this Study to make Article 3 (2) (d) TMD mandatory (see above, A). However, this does not exclude the possibility for Member States to regulate that bad faith may be raised as a ground for refusal in opposition proceedings (for the CTM see above, Chapter 3 C V).
- 1.29 Furthermore, the catalogue of mandatory relative grounds for refusal should also include the possibility for the proprietor of a trade mark to raise an opposition, or request cancellation, of a mark which has been registered by an agent or representative without authorisation (Article 6^{septies} Paris Convention). The wording should be modelled on Article 8 (3) CTMR.

- 1.30 Article 4 (5) TMD should become mandatory. As a rule, registration should not be refused or cancelled if the holder of a conflicting right consents to the registration. If the proprietor of the earlier mark agrees to the registration of a later identical or similar mark it is likely to be because there is no real risk of confusion on the market. However, if in exceptional cases it is found that a serious risk for confusion of the public will ensue from the registration, this could form a ground for refusal under Article 3 (2) (a) TMD, provided that the provision has been implemented by the Member State.

C. Article 5 (2) and (5) TMD

- 1.31 Currently, Member States may provide for protection of marks with reputation in cases where there is no likelihood of confusion. Protection for trade marks having a reputation should be made mandatory. The issue is addressed in Part III Chapter 2 G IV 2.
- 1.32 The current provision in Article 5 (5) TMD which allows Member States to provide for protection in cases where the allegedly infringing sign is used not for purposes of distinguishing goods or services should become mandatory. The issue is addressed in Part III Chapter 2 G IV 3.

D. Article 9 TMD - Limitation of rights by acquiescence

I. Current law

1. TMD

- 1.33 Article 9 (1) TMD stipulates that a trade mark can no longer be enforced vis-à-vis a third party who is the proprietor of a later trade mark registration if the proprietor of the earlier mark has acquiesced in the use of the later mark for a successive period of five years, unless the later mark was applied for in bad faith. According to Article 9 (2) TMD, Member States may apply the rule *mutatis mutandis* to the proprietor of other rights such as unregistered trade marks or other distinctive signs, as well as to names, portrayals, copyright or industrial property rights.

2. CTMR

- 1.34 Pursuant to Article 54 CTMR acquiescence applies in favour of later CTMs vis-à-vis proprietors of earlier trade marks and other earlier rights within the meaning of Article 8 CTMR, but does not include earlier rights within the meaning of Article 53 (2) CTMR .

II. Implementation in national law

- 1.35 Art 9 (2) TMD has been implemented by 14 Member States. Five of those states provide that Article 9 (1) TMD (limitation in consequence of acquiescence) shall apply *mutatis mutandis* to the proprietor of an earlier trade mark referred to in Article 4 (4)(a) TMD (reputation mark). In seven Member States, the law further provides that acquiescence applies to other earlier rights referred to in Article 4 (4) (b) TMD (non-registered trade marks or other signs used in the course of trade). Finally, seven Member States also provide that acquiescence applies to other earlier rights referred to in Article 4 (4) (c) TMD.

III. Case law

- 1.36 There is no relevant case law to be analysed in the present context.

IV. Proposal

- 1.37 Due to the principle that distinctive signs belong to the same branch of law and should therefore be treated equally wherever that is appropriate, Article 9 (2) TMD should be made mandatory for the rights listed in Article 4 (4) (b) TMD of the present text. For other rights than distinctive signs, the provision should remain optional.
- 1.38 In parallel to the proposals for the CTMR, acquiescence as a defense to invalidation should be separated from acquiescence as a defense to an infringement action. The first should be provided for in conjunction with Article 4 TMD, the second in conjunction with Article 5 TMD, following the current limitations in Article 6 TMD (fair use) and Article 7 TMD (exhaustion). That issue is dealt with in Part III Chapter 2 I IV 5.

E. Articles 10, 11 TMD – Start of grace period, sanctions for non-use/non-use defense in administrative proceedings and infringement proceedings

- 1.39 Article 10 TMD is the basic provision on the requirement of use. Article 11 TMD obliges Member States to provide for the refusal of an action for invalidation on the basis of an earlier mark that has not been used in accordance with Article 10 TMD. Articles 10 and 11 TMD should be aligned with the CTMR in the relevant aspects, i.e. start of the grace period for national and IR marks; non-use defenses in administrative and infringement proceedings. The issue is dealt with in Part III Chapter 2 E.

F. Article 15 TMD

I. Current law

1. TMD

- 1.40 Article 15 TMD deals with collective, guarantee and certification marks. Without making the establishment of such schemes mandatory, Article 15 TMD allows to provide for additional grounds for refusal or cancellation, or to derogate from Article 3 (1) (c) TMD, in order to meet the specific functions of those marks, and without compromising the possibility of third parties to use the sign in accordance with honest practices in industrial or commercial matters, in particular to indicate geographical origin.

2. CTMR

- 1.41 Articles 66 – 74 CTMR contain detailed provisions on registration, use and revocation of Community collective marks.

II. Implementation in national law

- 1.42 Article 15 (1) TMD has been implemented by 24 Member States (not Malta) and Article 15 (2) TMD has been implemented by 13 Member States. Examples of additional grounds (Article 15 (1) TMD) that are stipulated in the different trade mark acts are

- a collective certification mark may be registered only by a legal person who is neither the manufacturer nor the importer nor the seller of the goods or services (France);
- the Patent Office shall revoke the collective trade mark if the members or the shareholders of the legal person or the members of the association seriously breach the agreement of use and they do not agree on the change of the agreement on use (Czech Republic);
- the registration of a collective mark may be revoked if the proprietor has not communicated amendments of the conditions laid down for the use of the mark (Denmark).

III. Proposals

- 1.43 Collective marks (whether or not with elements of guarantee or certification) have proven a useful instrument for promoting goods or services with specific common properties, or satisfying particular quality standards. It is important that a uniform legal basis is provided for such schemes throughout the EU, on the Community as well as on the national level.
- 1.44 Member States should therefore be obliged to provide, and establish common rules, for the registration of collective marks. The relevant provisions should be aligned with those of the CTMR.
- 1.45 The introduction of guarantee and certification marks should remain optional.

Chapter 2 - Harmonisation beyond the scope of the TMD

- 2.1 The TMD is so far limited to provisions of substantive law – access to protection, registrable signs, absolute and relative grounds for refusal or invalidation, rights conferred, limitations, and a selection of special provisions (collective marks, seniority).
- 2.2 The CTMR, on the other hand, provides a fully autonomous and complete system where all issues of substantive and procedural law are provided for.
- 2.3 It has been emphasised by many observers and has been underlined in this Study that national trade mark laws should be aligned with the CTMR so as to create a harmonious system of trade mark protection in Europe with substantially similar substantive and procedural rules. However, a complete harmonisation of all aspects does not appear necessary; rather Member States should be able to establish trade mark registration procedures that take into account the historical development of their laws and the expectations of the users of the respective national system.
- 2.4 A prime example is the question of whether all national offices should no longer carry out an examination for earlier rights ex-officio, instead referring proprietors of earlier rights to opposition or cancellation actions. This Study takes the view that Member States should be entitled to continue ex-officio examination, even though good arguments speak in favour of abandoning such examination. However, the Study also proposes that Member States must in any event provide an office procedure for opposing or seeking invalidation of marks, or both of these procedures, and that the grounds that may be raised in such proceedings should be harmonised, at least as to the basic provisions.
- 2.5 In this section, the Study analyses substantive law provision, the question of protection granted to unregistered trade marks, and trade mark procedures.

A. Assignment, rights in rem, levy of execution, insolvency, licensing

I. Current law

1. TMD

- 2.6 Licenses are addressed in Article 8 TMD. They can be exclusive or non-exclusive, and can be granted for all or part of the goods for which a mark is registered, and for the whole or part of the territory for which it is protected Article 8 (1) TM. Trade mark rights may be invoked against a licensee who violates certain fundamental elements of the license contract, such as duration, form of use, territory, or quality of the goods or services (Article 8 (2) TMD). No provisions are contained in the TMD regarding other aspects of marks as objects of property, such as transfer or rights in rem.

2. CTMR

- 2.7 In the CTMR, the pertinent provisions are contained in Section 4 (Articles 16 to 24 CTMR). In addition to rules addressing, in congruence with the TMD, the potential scope and contents of licenses, and the entitlement of the licensor to bring an action for infringement in certain cases of breach of contract, it is also stipulated that without prejudice to the provisions of the licensing contract, the licensee needs the consent of the proprietor to bring infringement proceedings, but that the holder of an exclusive license may bring proceedings himself if the proprietor does not react within an appropriate period to a formal notice given. Furthermore, a licensee may intervene in infringement proceedings brought by the proprietor so as to claim his own damages.
- 2.8 Further provisions deal with transfer, rights in rem, and levy of execution.
- 2.9 Transfer of a CTM is possible with or without the undertaking accompanying it, and for all or part of the goods or services for which it is registered. If the undertaking is assigned in its entirety, this includes transfer of the CTM(s), unless clearly indicated otherwise. Transfer of marks may be claimed in case that a CTM was registered, without authorisation, by an agent or representative of the proprietor (cf. Article 6^{septies} Paris Convention). Assignment contracts must be made in writing. On request of one of the parties, the transfer is entered into the register. OHIM shall deny registration if it is obvious from the documents that the transfer leads to deception of the public. Before registration of the transfer, the new holder cannot invoke his right in the CTMR.
- 2.10 The CTMR further provides that CTMs may be the subject of rights in rem, that the levy of execution and consequent seizure is available, and that CTMs are subject to insolvency proceedings.
- 2.11 Finally, as a common rule for transfer, rights in rem, and licensing, it is stipulated that the respective legal acts are not effective vis-à-vis third parties before an entry has been made in the registry, unless the party has knowledge of the transaction.

II. Case law

- 2.12 There is only little case law by the ECJ dealing with transfer and licenses. In Case C-59/08 – Copad/Dior, the ECJ found that a selective distribution network set up for luxury goods such as clothing, which, according to the terms of the licence agreement between the parties involved, seeks to ensure that the goods are displayed in sales outlets in a manner that enhances their value, contributes to the reputation of the goods at issue and therefore to sustaining the aura of luxury surrounding them. Accordingly, the sale of luxury goods by the licensee to third parties that are not part of the selective distribution network might affect the quality itself of those goods, so that a contractual provision prohibiting sales to outsiders must be considered to be falling within the scope of Article 8 (2) TMD.
- 2.13 Another case sheds some light on the way in which trade marks might mislead the public in consequence of a transfer, and how this could impact the validity of the mark. In Case 259/04 – Emanuel/Continental Shelf, the ECJ dealt with the

question whether a trade mark has become deceptive (in the meaning of Article 3 (g) TMD) if it contains the name of a natural person who has no relations with the enterprise to which the trade mark was transferred. The Court agreed that this may engender a risk of confusion in the mind of the average consumer, especially where the person to whose name the mark corresponds – a famous designer of wedding dresses – originally personified the goods bearing that mark (para 46). However, the circumstances for refusing registration referred to in Article 3 (1) (g) TMD presuppose the existence of actual deceit or a sufficiently serious risk that the consumer will be deceived, whereas in the case at hand, even if the average consumer might be influenced in her purchasing decision by imagining that the person associated with the name was still involved in the design of garments bearing the contested mark, the characteristics and the qualities of that garment remain guaranteed by the undertaking which owns the trade mark (para 47). It is then for the national court to determine whether the (new) proprietor of the mark was acting fraudulently by making consumers believe that the well-known designer was still involved in the production; however, even in that case, the practices could not be analysed as deception for the purposes of Article 3 TMD and would not affect the trade mark itself and, consequently, its prospects of being registered (para 50).

III. Opinions

- 2.14 Certain user associations mentioned transfer and licensing of trade marks as one example within trade mark law where harmonisation should be taken forward. Inter alia, this concerns the questions whether trade marks are regularly included in transfer of businesses, and/or whether licensees need the consent of the proprietor to instigate infringement proceedings, etc.
- 2.15 In the Allensbach survey, questions were posed as to the frequency of use being made of the possibility to register CTM licenses in the OHIM registry. It was found that a clear majority of proprietors (58 percent) never make use of that option, and only 6 percent always use it. Reasons for that reluctant attitude were found in the lack of awareness among proprietors of the possibility to register licenses, and also in a certain scepticism among agents regarding the usefulness of that instrument.
- 2.16 Other questions concerning transfer and licenses were not addressed in the Allensbach survey. Those issues also did not form part of the discussions with national patent offices.

IV. Issues and proposed solutions

- 2.17 Pursuant to the principle of coherence, the provisions of the TMD should be brought in accordance with those of the CTMR, where it appears appropriate and does not clash with important legal principles and traditions in national law.

1. Transfers and assignment

- 2.18 Regarding transfer, the discretion left by the TMD for Member States to determine whether they want to permit separate transfer of trade marks was severely curtailed already by TRIPS (Article 21), according to which it is understood that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs. Accordingly, all Member States nowadays permit separate transfers. This should also be reflected in the TMD, by expressly regulating that transfer is admissible with or without the relevant business. In the same vein, it should be expressly acknowledged in the TMD that trade marks can form the object of rights in rem, and may be levied in execution. Furthermore, the possibility for a person to demand transfer of a mark which has been registered by an unfaithful agent or representative should also be included in the TMD for reasons of transparency and coherence, although it is submitted that already at present, Member States' laws do incorporate such provisions due to their obligations under the Paris Convention. Another provision on transfer where the TMD should follow the CTMR concerns the rule that in absence of clear indications to the contrary, trade marks are included in the transfer of an entire business.
- 2.19 Concerning the form of contracts, some countries such as Germany tend to be rather generous in acknowledging validity of contracts which are not concluded in writing. To introduce a formal requirement with regard to transfer of marks would therefore not fully conform to the general traditions of national civil law. On the other hand, given the significance of such transactions, the fact that often parties from different countries are involved and also in view of the fact that being subject to a formal criterion is not completely new for persons acting in the field as it must be observed anyhow with regard to transfer of CTMs, it appears appropriate to provide that the contractual assignment of national marks must be in writing in order to be valid.

2. Recording of transfers and assignment

- 2.20 More problematic is the aspect of recording, in particular the question whether registration is necessary to produce third party effects (unless the transaction is known to the other party involved). This raises difficult questions of possible bona fide acquisition of "void" rights, which reach deeply into Member States legal traditions, and which are usually regulated horizontally, for all (registered) IP rights alike. It is not recommended to introduce at this time provisions which risk to interfere with pertinent rules of general civil law in that regard. Harmonisation should therefore confine itself to making registration – of transfers, but also of other legal acts relating to a trade mark as object of property – optional, at request of one of the parties.
- 2.21 Furthermore, it is not recommended to insert a provision into the TMD that registration must be denied if it is obvious that the trade mark has become deceptive due to the transfer. Especially if according to national law, registration does not have more than declaratory effects, such an examination would not be of much use. In addition, it will only happen extremely seldom anyhow that a mark itself becomes deceptive due to its transfer to another holder (see

Emanuel/Continental Shelf, above). More important than to prevent registration or recordal of transfers is the possibility to bring proceedings for interested parties on the basis of unfair marketing acts or similar regulations implementing the UCP Directive, so as to ensure that consumers are not actually misled by the way in which the mark is used. On the other hand, by remaining silent on the issue, the TMD would not interfere with Member States present discretion to let offices monitor the risk for consumer deception possibly ensuing from transfers. Such procedures have been put in place, in various forms, e.g. in Greece, Austria, Spain and Bulgaria. As trade marks are subject to revocation in such cases (Art. 12 (2) (b) TMD), national offices should not be precluded by law from exercising the relevant control functions in a prophylactic manner.

3. Licenses

- 2.22 Regarding licenses, the provision presently contained in the TMD should be complemented so as to regulate also the principle that, with deference to contractual stipulations, licensees need consent by the licensor to bring infringement claims, with certain reservations for holders of exclusive licenses, and that licensees can intervene in infringement proceedings brought by the proprietor so as to claim compensation for their own damages. As national rights and CTMs are frequently litigated together, it makes sense to apply the same rules for both.

4. Rights in rem, levy of execution, insolvency

- 2.23 The TMD should also contain the rule that trade marks form part of the debtor's assets when insolvency proceedings are installed against him. Finally, it should be regulated that the rules pertaining to trade marks as objects of property also apply to applications for trade marks.

V. Proposals

- 2.24 The TMD should be complemented by a comprehensive body of rules addressing trade marks as objects of property. With the exception of rules regulating the third-party effects of registration of legal transactions and the examination of transfer documents for risks of consumer deception, the rules to be introduced should follow those of the CTMR, so as to ensure coherence.

B. Protection of non-registered trade marks and other signs used in the course of trade

I. Current law

1. TMD

- 2.25 Approximation of law under the TMD only concerns registered marks (Article 1 TMD). Non-registered marks or other signs used in the course of trade are only addressed as prior rights forming optional grounds for refusal or invalidity (Article 4 (4) (b) TMD). The manner in which protection is granted to such signs in the Member States varies widely.
- 2.26 As far as non-registered marks are concerned, some States (Denmark; to some extent also Italy) grant protection on the basis of simple prior use; others – Germany, Sweden, Finland – require qualified use in the sense that the mark must have acquired a certain recognition on the market (Verkehrsgeltung, inarbetning). Protection under the aspect of “passing off” in the UK and Ireland also requires a certain degree of market recognition (goodwill), but is distinguished from trade mark law by its non-proprietary structure. In the majority of Member States, registration is mandatory for obtaining protection under trade mark law; protection for non-registered marks is hence confined to well-known marks in the meaning of Article 6^{bis} Paris Convention, to which most trade mark laws expressly refer (see already in Part III Chapter 2 F). Some degree of de facto protection for prior unregistered signs might also be available on the basis of regulations against unfair competition (e.g. Austria, Greece); again, the regulations vary widely on that point.
- 2.27 For trade names, the situation is again different. Account must be taken in this context of Article 8 Paris Convention, stipulating that a trade name shall be protected in all the countries of the Union without the obligation of filing or registration. For the majority of Member States applying a strict registration principle with regard to trade marks, this results in the pertinent rules for trade names being somewhat more relaxed, as the threshold imposed by Article 8 is arguably lower than that of Article 6^{bis} Paris Convention. For example, in Germany, trade names are even protected after first use, without additional requirements such as registration or market recognition (provided that the sign owns an inherent capacity to distinguish). Other Member States basically apply the same rules for trade names as for non-registered marks. The common law rules on passing off do not distinguish between both categories, and also the Italian and Danish rules are valid for both trade marks and trade names. Likewise, the protection requirements are the same in Finland and Sweden, meaning that protection for trade names is granted either on the basis of registration or upon showing of a certain degree of market recognition.
- 2.28 Diversities also prevail with regard to the type and breadth of rights figuring as business signs in the meaning of national trade mark regulations. For instance, in Germany titles of works (such as magazines, newspapers, or films) qualifying as “business identifiers” (Geschäftsbezeichnungen) are regulated in the Trade Mark Act in parallel with trade names, whereas in most other countries, protection of work titles against confusion or abuse forms part of legislation on copyright.
- 2.29 Further differences between Member States concern the possibility for the first user of an unregistered sign which does not live up to the requirements for protection and thus does not qualify as a relative ground for refusal, to continue using the sign after another person has registered the same or a similar sign as his trade mark.

2. CTMR

- 2.30 Under the CTMR, Community trade marks are only acquired by way of registration (recital 7 and Article 6 CTMR). However, an interface exists insofar as unregistered signs existing at the national level may constitute earlier rights in the meaning of Article 8 (4) CTMR.

II. Case law

- 2.31 The ECJ was asked to consider inter alia the compatibility with international law of the Finnish rules on trade name protection. The Court held that neither Article 8 Paris Convention nor Article 16 TRIPS militate against national rules imposing a certain minimum threshold with regard to the use or recognition required (Case C-245/02 – Anheuser Busch/Budějovický Budvar, para 97). In the same decision, it was held that “a trade name which is not registered or established by use in the Member State in which [a conflicting] trade mark is registered and in which protection against the trade name in question is sought may be regarded as an existing prior right within the meaning of the third sentence of Article 16(1) of the TRIPS Agreement if the proprietor of the trade name has a right falling within the substantive and temporal scope of that agreement which arose prior to the trade mark with which it is alleged to conflict and which entitles him to use a sign identical or similar to that trade mark” (para 100).
- 2.32 There are a number of cases of the General Court interpreting Article 8 (4) CTMR. In these cases, the General Court applies the law of the country where these rights are protected in order to determine the existence and the scope of protection, namely the right to prohibit the use of a later mark, while the criteria “used in the course of trade” and “of more than mere local significance” are interpreted as autonomous Community rules. There is no need to go into the details of these cases.
- 2.33 A significant issue involving the protection of designations of origin and geographical indications under Article 8 (4) CTMR is currently pending before the ECJ in the BUD case (Case C-96/09 P) confronting Anheuser-Busch and Budejovicky Budvar: The question is whether a registration obtained for an appellation of origin under the Lisbon Agreement and valid in France is taken to provide nationwide protection, as held by the General Court (Joined Cases T-225/06, T-255/06, T-257/06 and T-309/06).

III. Opinions

- 2.34 The majority of user associations addressing the issue of non-registered marks and other signs used in trade were of the opinion that the area should be harmonised as far as possible. However, warnings were also voiced that the area might be too complex for easy success.

- 2.35 The Appeal Boards at OHIM emphasized that to deal with national unregistered rights in CTM proceedings, in particular in the framework of oppositions, can raise serious problems in view of the inherent difficulties and complexities of the issue, and in view of the dissatisfactory state of relevant information available at OHIM. Harmonisation would be a desirable goal also from that perspective.
- 2.36 The Allensbach survey only addressed unregistered rights in the context of a question dealing with the feasibility of examining such rights in opposition proceedings at OHIM (instead of reserving that to cancellation proceedings), and did not touch upon substantive issues of protection for such rights.

IV. Issues

- 2.37 It is obvious that the lack of harmonisation regarding non-registered trade marks and other signs used in the course of trade creates practical difficulties for business operating in the Community. This concerns in particular the interferences between those signs and the CTM system, but it is also a general problem and a source of insecurity for cross-border commercial activities. Harmonisation therefore seems to be a basically adequate and eligible approach towards the issue. However, the difficulties connected therewith should not be underestimated.
- 2.38 A certain basis for harmonisation is already laid by the pertinent provisions of international law, with which all Member States (and the EU) must comply. In that context, this Study has proposed to include an express provision into the TMD by virtue of which non-registered marks living up to the threshold of reputation marks are equated with marks which are registered in that Member State (concerning the background as well as the problems regarding introduction of a parallel rule into the CTMR see above Part III Chapter 2 F). That way, a minimum step towards harmonisation has been proposed. However, the provision does not more than stating the obvious, and with several Member States providing for protection of non-registered marks already at a much lower level of market recognition, the situation remains quite diverse.
- 2.39 ECJ jurisprudence also does not offer more concrete guidelines. The main message resulting from Case C-245/02 – Anheuser Busch/Budejovicky Budvar is that national law may establish certain thresholds for protection of trade names. As the question was not asked, and the issue was not decisive for the actual case, there was no need for the ECJ to demarcate the limits of such national requirements.
- 2.40 With secure guidelines lacking, and in view of the complexity of the task, the proposals made with regard to non-registered trade marks and other signs used in business are kept to a minimum. Apart from the proposal addressing the relationship between well-known and reputation marks (above), this concerns in particular the proposal to regulate in the CTMR that in order to oppose or invalidate a Community trade mark on the basis of a prior right, that right must produce legal effects throughout the territory of the Member State where it exists, without prejudice to the possibility of the proprietor of the prior right to enjoin use of

the CTM within the part of the territory where his right prevails (see Part III Chapter 3 B).

- 2.41 Finally, it is emphasized also here that to embark on a more comprehensive harmonisation of the area is an important and urgent task which should remain on the European agenda.

C. Trade mark procedures (registration, opposition, cancellation)

I. Current law

1. TMD

- 2.42 According to Recital 6 of the TMD, Member States remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks acquired by registration. No rules pertaining to those proceedings were therefore included in the TMD.

2. National law

- 2.43 Due to lack of harmonisation, Member States' trade mark systems differ widely in regard of proceedings. While absolute grounds for refusal are examined ex-officio in all Member States, the situation differs with regard to relative grounds. While 12 Member States and the Benelux trade mark system leave it to the proprietors of earlier trade marks or other rights to defend them in opposition or invalidation proceedings, another 12 Member States (Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia and Sweden) provide for ex-officio examination with regard to earlier rights. The scope of ex officio examination varies: in Slovakia, examination is restricted to identical trade marks designating identical goods or services; others include all kinds of conflicts with earlier trade marks, and the majority of national systems x-tends examination to all types of earlier rights.
- 2.44 In addition to or instead of ex-officio examination, a substantial number of national systems provides for searches of varying intensity and impact as a mandatory feature of registration proceedings.
- 2.45 Nearly all Member States provide for opposition proceedings based on prior rights within a brief period –2 or 3 months – after publication or (less frequently) after registration of the mark. The systems vary to some extent regarding the type of prior rights which may form a ground for opposition; while some do not foresee any limitations, others restrict that possibility to distinctive signs (trade marks, trade names, or other business identifiers), while other rights such as copyright and industrial property rights can only be invoked in invalidation proceedings before the office, or must be brought before the courts. Further differences concern the breadth of claims to be filed in opposition proceedings (which may be restricted to identity and likelihood of confusion, or embrace also extended

protection for reputation marks), and the defenses which may be invoked by the person applying for registration.

- 2.46 The list of differences depicted here is by no means exhaustive; more divergences are found when the comparison is carried further, to the level of appeals, or to implementing regulations and examination guidelines.

II. Opinions

- 2.47 The differences in Member States' law and practice regarding procedural rules ranked as primary concern in the opinions submitted by user associations. They considered it as most unfortunate that those differences have not been straightened out, so as to facilitate applicants' dealings with national offices in other European countries. The view was endorsed in that regard by some that it would be ideal if (largely) the same procedural rules would govern national and CTM proceedings. On the other hand, this does not mean that user associations were all in favour of aligning the national rules with the present rules of the CTMR. Some wanted to preserve their own national rules and rather favoured an extension of those rules to the CTM system, if full harmonisation were the ultimate goal.

- 2.48 From the side of national offices, however, it is emphasized that by moving too fast and too far with harmonisation of procedural rules, the risk would become imminent that national legal traditions are disrupted, and the present embedment of trade mark registration and related proceedings within the general structures of administrative law would be dissolved. This might also cause detrimental effects for internal workflows in the national offices, which in their large majority have to deal with other industrial property rights – in particular patents – in addition to trade marks.

- 2.49 Regarding ex-officio examination of relative grounds, representatives of national offices undertaking such examinations frequently emphasize that this is an important element of a well-functioning system, which is particularly helpful for SMEs and provides an efficient bar against cluttering of the register. The positive view on ex-officio examination seems to be shared by a substantial number of trade mark proprietors, who would even welcome a change of the current CTM system in that regard. In contrast to that, a majority of user associations and trade mark agents endorses the view that systems leaving it to proprietors to monitor and defend their own rights have strong advantages over examining systems, as trade mark offices are usually not adequately equipped and do not have sufficient insight to tackle that task efficiently.

III. Conclusions and proposals

- 2.50 Actual or potential trade mark proprietors seeking protection for their marks in more than one European jurisdiction are faced with considerable complications due to lacking harmonisation regarding procedural aspects. The Trademark Law Treaty (1994), the Singapore Treaty on the Law of Trademarks (2006), and the

Madrid Agreement and Protocol to the Madrid Agreement only partially overcome this absence of harmony in trade mark procedures. It makes therefore sense to provide for a stronger degree of harmony also within the EU. It would be a great step forward to harmonised systems that are compatible with each other if not only substantive law rules but also the principal procedural provisions would become part of the TMD. In this regard alignment of the basic rules and principles appears sufficient, and details could be left to the Member States. For example, in view of the deep-rooted divergences of attitude towards ex-officio examination of relative grounds, no attempt should be made to impose one common examination system.

- 2.51 Instead, 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.
- 2.54 Other “candidates” for inclusion in the Directive are
- Filing date
 - Representation of marks
 - Disclaimer
 - Withdrawal, restriction and amendment of an application
 - Alteration
 - Division of an application or registration
 - Observations of third parties
 - Opposition and Cancellation
 - Surrender
 - Duration of registration
 - Renewal.
- 2.55 Apart from that, it would appear not only useful but indeed necessary if practical steps were taken in order to facilitate access to the different systems, for instance by creating digital platforms operated jointly by OHIM and the national offices, or by other forms of cooperation which are addressed below (Part VI Chapter 2).

Part VI - Coexistence and Cooperation

Chapter 1 – Coexistence

- 1.1 The issue how to balance in the future the coexistence between the Community trade mark system and the national trade mark systems is linked with a number of aspects that are emphasized in the current debate as having an impact on the coexistence model. The Study strongly supports the underlying idea that the principle of coexistence, as one of the core elements of European trade mark law, should be maintained and strengthened. This final analysis summarizes the present situation as well as the factors which could be used to further strengthen and develop the coexistence in European trade mark law.

A. Present situation and trends

- 1.2 The key question for coexistence concerns the impact of competition between the CTM and national trade mark systems. It appears reasonable to assume that applications filed at OHIM have to some extent replaced applications previously filed at national offices; it seems safe to assume that this is particularly the case for applications from third countries, such as the United States. Evidence of this is that the overall figures of trade mark applications over recent years have dropped substantially in several Member States. On the other side, some national offices have not experienced such losses, and some have even attracted an increasing amount of applications. Apart from the absolute numbers of applications received, however, the economic analysis of available data from OHIM and the national offices carried out by INNO-tec (*Annex I*) has indicated a certain trend which could be relevant for the prospects of coexistence in the future. It seems that larger firms increasingly choose the CTM as the sole basis for protection throughout the Community, thereby reducing their filings for national applications. In some countries the ensuing gap has been filled by an increased share of applications from SMEs, which regularly tend to prefer national marks. Some offices have consciously stimulated the latter trend by establishing or enhancing outreach programmes or other activities which are aimed at raising the awareness among SMEs of the utilities and advantages of trade mark protection, and by offering special support to that target group. As long as such programs are successful and national offices maintain their attractiveness by improving their overall performance, the situation remains relatively stable. Larger Member States have an inherent advantage in this respect because of the larger number of potential domestic applicants. Smaller countries, which in the past had a large share of their trade mark applications coming from other EU Member States or from third countries may be faced with a much lower base from which to attract domestic applications. Also, some national offices fear that if the threshold for acquiring and maintaining protection under the CTM system is set very low, this would have a strong pulling effect even for SMEs, which national systems – at least in smaller countries – cannot stand up against.

- 1.3 While it is unclear at the moment whether those scenarios are realistic or not, they should be taken into account as a backdrop for the discussions regarding coexistence.

B. Genuine use

- 1.4 This Study proceeds from the idea that, in view of the “single market” concept, any approach for maintaining the protection of Community trade marks which is linked as a decisive criterion to the frontiers of Member States is inappropriate. In accordance with the principle that Community trade marks are uniform intellectual property rights for the whole of the European Union and thus for Europe’s “single market”, territorial boundaries made up of political frontiers should be accepted only if they are necessary to implement the principle of coexistence, notably in the context of earlier rights. For the determination whether there has been “genuine” use “in the Community” within the meaning of Article 15 CTMR, political frontiers are neither adequate nor necessary. Requiring use in more than one Member State, or even in all Member States, would establish an arbitrary criterion being incompatible with the “single market” concept.
- 1.5 Consequently, the genuine use issue should be dealt with as a legal topic to be interpreted in line with the inherent principles and objectives of Community trade mark law, that is to realize the single market, not as a matter to structure the coexistence concept.
- 1.6 However, in order to support the coexistence it is proposed in the Study to introduce in the Directive a provision that limits under specific circumstances the right of the proprietor of a Community trade mark to file an opposition or a cancellation claim against a national trade mark. Such limitation could result in a limited coexistence between the national trade mark and the Community trade mark in a Member State remote from the territory where the Community trade mark has actually been used. This proposal is viewed as a mechanism to strengthen the national systems and thereby the principle of coexistence.

C. Fee structure

- 1.7 The level of fees for trade mark registrations and renewals is a matter where the legislator has substantial discretion and may take into account various interests. These include the interests of CTM applicants and proprietors, interests of those likely to be affected by CTM applications and registrations, such as owners of earlier rights, and of course also the interests of the European Union as a whole and of its Member States in maintaining an adequate balance between their trade mark systems and the CTM system.
- 1.8 It is obvious and has been confirmed by the Allensbach survey, that the fee level has an immediate impact on the users’ decisions to file or to renew a trade mark. Therefore, in setting the fees and forming the fee structure at the Community level the Commission can, at least to some extent, control the coexistence and the functioning of the European trade mark system.

D. Usage of 50 percent of renewal fees

I. Current situation, Council conclusions

1. Current situation

- 1.9 Current legislation provides that the fees of the Office should be set at such a level that the income from fees in principle balances the Office's budget (Article 144 (2) CTMR: "The amounts of the fees shall be fixed at such a level as to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Office to be balanced."). Over the years, OHIM has generated a substantial surplus, allowing the creation of a reserve fund of more than € 200 Mio and in addition accumulate a surplus of more than € 200 Mio. This created pressure to lower the fees, even though, in absolute terms, the level of fees for obtaining and maintaining trade mark protection for CTMs was considered reasonable. Application, registration and renewal fees had been lowered previously (in 2005), but the surplus still increased. As a result of a compromise reached at a joint session of OHIM's Administrative Board and Budget Committee in September 2008, the Fees Regulation was amended and the fees for CTM applications and registrations were significantly reduced. An important element of the compromise was the understanding that a proportion (50 percent) of the renewal fees would be distributed to the national offices.

2. Council conclusions

- 1.10 In its session in May 2010, the Competitiveness Council reviewed the situation and adopted conclusions, which also include conclusions on the distribution of a share of the fee income to national offices. The full text of the conclusions, published in OJEU No C 140 of 29 May 2010, p. 22, is reproduced hereafter:

Council conclusions of 25 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 Harmonization in the Internal Market (Trademarks and Designs) (hereinafter 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 percent of renewal fees to Member States' national trade mark offices (hereinafter 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. RECALLS the Commission Communication of 16 July 2008 on an Industrial Property Rights Strategy for Europe (2);
7. WELCOMES the launch by the Commission of the 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 25 March 2010;
9. ENCOURAGES the Commission to finalise the study with the aim of building a solid foundation for its subsequent legislative initiatives;
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;EN C 140/22 Official Journal of the European Union 29.5.2010
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;
13. RECALLS its Resolution of 1 March 2010 on the enforcement of intellectual property rights in the internal market;
14. CALLS ON the Commission to present proposals for the revision of Council Regulation (EC) No 207/2009 on the Community trade mark and Directive 2008/95/EC approximating the laws of the Member States relating to trade marks.
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,
 - 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,
 - amendments and other measures, where appropriate, aimed at supporting the complementary relationship between the Community and national trade mark systems,
 - measures to make Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) more consistent with Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (5) and thus to further contribute to reducing areas of divergence within the trade mark system in Europe as a whole.

1.11 As regards the fee-sharing arrangements, the tasks will be

- to establish a legal basis for the distribution
- to establish criteria for the distribution.

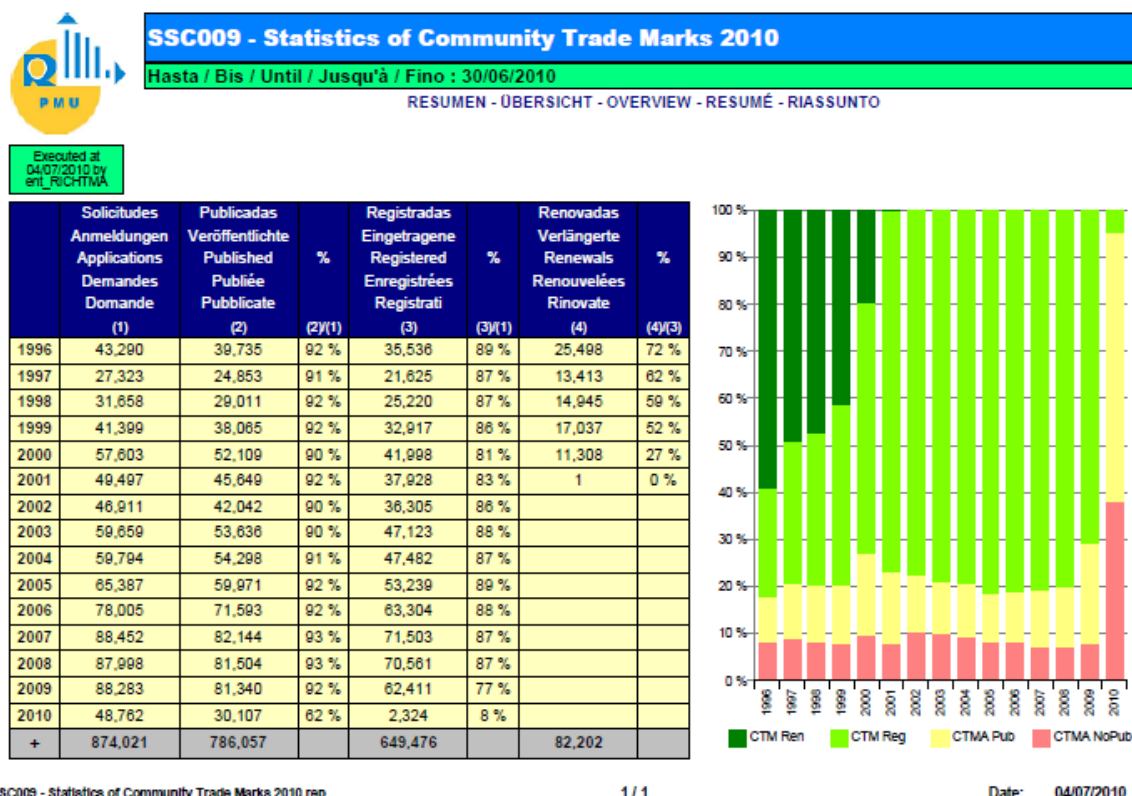
1.12 This section of the Study deals with the amounts available for distribution and the distribution criteria and mechanism. The creation of a legal basis for the distribution are addressed in Part IV.

II. Available amounts

1.13 The common understanding is that the amount to be distributed to national offices shall be the equivalent of 50 percent of the renewal fees. This means that there are in fact two variables, namely first the number of CTMs renewed, and second the level of the renewal fees.

1. Renewals

1.14 The following table shows that the rate of renewal of CTM registrations, starting at 72 percent for CTMs filed in 1996, has dropped from that figure to 52 percent for CTMs filed in 1999 (which could be renewed until 2010). It therefore seems realistic to base the considerations on a renewal rate for 2010 and beyond of 50 percent.



1.15 In rounded figures the following number of CTM renewals should be expected for the years 2010 to 2019 (the figures for 2019 are more speculative because many registration proceedings are not yet concluded):

Year	Registrations Filing date 10 years earlier	Renewals
2010	42.000	21.000
2011	37.900	18.950
2012	36.300	18.150
2013	47.100	23.550
2014	47.500	23.750
2015	53.200	26.600
2016	63.300	31.650
2017	71.500	35.750
2018	70.600	35.300
2019	70.700	35.350

2. Renewal fees

- 1.16 The renewal fee currently amounts to € 1500 (€ 1350 in case of electronic renewal, and € 1200 for Madrid Protocol renewals), with an additional € 400 to be paid for each class beyond the third class. According to OHIM's estimates (in the 2010 budget), in addition to the basic renewal fee, which predominantly is paid for electronic renewal, about 15 percent of the total will be for additional class fees. That would mean that on average an amount of ca. € 1500 to € 1600 would be paid for each renewal. Taking the lower figure, the revenue from renewals in future years would be as follows:

Year	Renewals	Revenue (€ Mio)
2010	21.000	31,5
2011	18.950	28,4
2012	18.150	27,2
2013	23.550	35,3
2014	23.750	35,6
2015	26.600	39,3
2016	31.650	47,5
2017	35.750	53,6
2018	35.300	53,0
2019	35.350	53,0

- 1.17 The amounts listed in the right column would be the likely income from renewal revenue, *rebus sic stantibus*.

- 1.18 Taking the Council conclusions as the basis, the amount available for the fee-sharing agreed would be between € 14 Mio and ca. € 26 Mio in the coming years.

III. Distribution

- 1.19 According to the Council conclusions of 25 May 2010, the criteria for the distribution should be

“... fair, equitable and relevant ... , 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.”

1. Minimum amount for each Member State

- 1.20 The 27 Member States of the European Union are very small, small, medium, large and very large, by size and by population, or by GDP, or by any other measure. In attributing a “minimum amount” to each Member State, various criteria have been considered, such as the minimum number of votes in the Council, or the minimum number of seats in the European Parliament.
- 1.21 A different approach would be to fix a proportion of the sum available each year under the renewal-fee sharing arrangement and distribute this amount evenly to all Member States. This would obviously be to the advantage of smaller countries which would receive a “disproportional” amount as compared to their size. On the other hand, this can be justified by the consideration that the basic costs for maintaining the infrastructure needed to run a functioning trade mark office are to some extent independent of its size. The costs per registration therefore tend to rise in inverse proportion to the number of applications which an office receives. Hence the effect that small offices profit more than others from an even distribution of a part of the shares is in accordance with coexistence as the fundamental principle governing the modus vivendi of trade mark regimes in Europe, and this approach is therefore considered to be “fair, equitable and relevant”. There is a degree of arbitrariness in determining the proportion, but a figure of 50 percent appears to be “fair, equitable and relevant”.
- 1.22 It must also be considered that according to preliminary calculations, the total amount of fees to be distributed, at least in the immediate future, would not be very high. If it is assumed that 50 percent of the sum is distributed evenly, the revenue per office would be about 300 000 EUR. The disparities would therefore not make a significant impact on national offices’ budgets. If the total amount of fees to be distributed should increase over time in the manner proposed, it could be taken up for renewed discussion whether the portion of the sum to be distributed evenly should be differentiated according to a key which largely reflects the size of the offices. Thus, for instance, a scheme for measurement of the share

to be distributed to individual offices could be developed by distinguishing between “small” (below 3.000 applications p.a.), “medium” (below 20.000 applications p.a.) and “large” offices, which receive more than 20.000 applications p.a.

2. Proportionate amount to each Member State

- 1.23 In addition to the “minimum amount”, the distribution should also have a “proportionate” amount as second element. This presents the issue of determining an appropriate – “fair, equitable and relevant” – distribution key. A number of criteria have been considered, such as size, population, GDP, or number of votes in the Council or seats in the European Parliament. All of these would be “fair” and “equitable”. But if one includes “relevant”, a more – the most – appropriate criterion would be to take the number of trade mark applications filed (or trade mark registrations granted) each year, or the number of valid “live” trade mark registrations in the respective Member State (or, in the case of the three Benelux countries, at the Benelux Intellectual Property Office) as the measure. The Study suggests to take the number of applications filed (including Madrid extensions) as the basic measure. This appears particularly relevant because of the obligations arising in the Member States to accord Community trade marks the same treatment in all respects as they accord to national marks. For instance, at least in theory, each national trade mark application filed (or registration granted) might give rise to a conflict with CTMs, which would then have to be resolved within and at the expense of the national system. The distribution key therefore represents the best possible approximation to a scheme reflecting the costs possibly caused on the national level by virtue of the interlink between the national and Community system.
- 1.24 As an additional element, one could take into account that the national systems provide different ways for resolving conflicts, which are more or less elaborate and costly. This feature might lead to a further modulation of the key. Inspiration for such a model could be gathered from the WIPO rules concerning the fixing of fees under the Madrid Agreement. For the time being, however, the Study proposes that trade mark applications filed in the year prior to the distribution of the shares should be the relevant “relative” factor.

3. A simulation

- 1.25 Taking the year 2010 as a hypothetical case for distribution, the total amount available would be € 15.750.000.
- 1.26 The “equal” share available for each Member State would be € 7.875.000 divided by 27, i.e. ca. € 292.000 (it is assumed for present purposes that Belgium, Luxembourg, and The Netherlands are entitled to the same share, even though they have a common office).
- 1.27 The proportional share would depend on the number of trade mark applications filed in 2009. Unfortunately, the statistical information on the OHIM website, which lists national trade mark activity, is not complete for 2009. Thus, the figures for

2008 are taken as an example (it is unlikely that the proportions will vary much over the years), even though these figures are also not totally complete.

- 1.28 The following list gives rounded figures for trade mark applications, including Madrid extension. For some countries, data for 2008 were not complete; to the extent that figures for the first 6 months were available, they were doubled; to the extent that no figures were available – Germany – the figures for 2007 were taken.

Country	Number
AT	13.600
BOIP	31.900
BG	10.900
CY	3.200
CZ	17.300
DE	83.700
DK	8.100
EE	4.700
ES	55.100
FI	7.300
FR	79.600
GB	39.900
GR	10.300
HU	8.200
IE	5.200
IT	60.400
LT	6.500
LV	5.100
MT	1.300
PL	20.600
PT	20.100
RO	15.500
SE	15.900
SI	5.200
SK	7.400
	537.000

- 1.29 Dividing the 50 percent (7.875.000) by 537.000 gives a figure of about € 14,55 per application.

- 1.30 This would result in the following (approximate) results for the respective Member States:

Country	Number	Amount
AT	13.600	197.900
BOIP	31.900	464.100
BG	10.900	158.600
CY	3.200	46.600
CZ	17.300	251.700

DE	83.700	1.217.800
DK	8.100	117.900
EE	4.700	68.400
ES	55.100	801.700
FI	7.300	106.200
FR	79.600	1.158.200
GB	39.900	580.500
GR	10.300	149.900
HU	8.200	119.300
IE	5.200	75.700
IT	60.400	878.800
LT	6.500	94.600
LV	5.100	74.200
MT	1.300	18.900
PL	20.600	299.700
PT	20.100	292.500
RO	15.500	225.500
SE	15.900	231.300
SI	5.200	75.700
SK	7.400	107.700
	537.000	7.813.400

4. Manner of distribution

- 1.31 The manner of distribution must assure that the amounts are made available to national offices for the purposes listed in the Council conclusions, taking into account the financial arrangements applicable to the respective offices.
- 1.32 It would appear appropriate that the available amounts set up in the OHIM budget for each year are paid by OHIM to the respective national office or the authority competent for such office in order to achieve the objectives for which the amounts are to be used. For those Member States where the national office does not have financial autonomy, it would be for each national authority to propose the proper arrangements to assure that the objectives for which the amounts are to be used are met.

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 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.

Chapter 2 - Cooperation

A. Cooperation and coherence

- 2.1 As a general proposition it would seem uncontroversial and in fact universally accepted that the registrability of a particular mark should not depend on the administrative authority dealing with the mark or the individual examiner called upon to make the decision. Under the same factual circumstances the outcome should be the same. However, this idealistic concept is not fully reflected in current practice. Differences exist within the same office, and the divergences between different offices may be even more pronounced.
- 2.2 While consistency is not the sole yardstick for the quality of decisions in trade mark matters, it is nevertheless a crucial element. To attain and keep up a high degree of consistency and quality of decisions and administrative practices should become a primary goal for further development of the European trade mark system. This would benefit the interests of users and the public at large, and it would also contribute to strengthening the coexistence between the CTM and national trade mark regimes.
- 2.3 Among the most promising measures available to obtain high quality, coherence and consistency in the decision-making of national offices and OHIM are measures of cooperation between national offices and with OHIM. Much has already been undertaken in this regard, but much more can be done. The following are some examples.

I. Guidelines

- 2.4 At the “abstract” level, the development of common guidelines for the examination of trade marks for issues where national laws and Community law are the same should be an objective where both OHIM and national offices can cooperate.

II. Classification

- 2.5 In a different context, the issue of classification was raised. It appears mandatory that the rules on classification, and the classification in individual cases, do not differ from office to office, perhaps unless imposed by a court judgment (of which there are only very few). The current EUROACE project goes in this direction.
- 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.

III. Examination

- 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).

IV. Joint activities

- 2.10 OHIM should also become, beyond its current activities, the focus point for joint activities relating to trade mark examination, such as examiner continuing education, common Internet-based platforms for particularly contested issues (3D marks, colour marks), or joint training of staff through programs that should include staff exchange in both directions.
- 2.11 All these measures would contribute to an intensified concept of coexistence and thus improve the functioning of the European Trade Mark system.

B. Enforcement

I. Context

- 2.12 Intellectual property (IP) rights must prove their worth and value in competition with rights of others and with goods or ideas that are not protected by IP rights. As regards trade marks it is common knowledge that – subject to a grace period – they do not deserve protection unless actually genuinely used on the market.
- 2.13 The process for obtaining IP rights – the main focus of this Study – is therefore only one of the many facets of IP protection, even though an essential part of it: without valid trade marks or other IP rights there is nothing to prevail on the market.
- 2.14 Prevailing on the market depends on the value of the IP right, as compared to rights or competitive activity of competitors, but also on the availability of instruments or measures of enforcing these rights against competitors infringing the exclusivity of the IP right. In this Study the nature and scope of exclusive rights conferred on trade mark proprietors has been covered prominently, and proposals are made to clarify these rights and provide appropriate limitations in the interest of free and undistorted competition. The focus in this analysis has been generally on rights conferred and infringement of these rights, without making any distinctions as to the nature or type of the infringement. There is however an important exception to this “generic” approach, namely with regard to goods in transit, where the Study proposes that European trade mark law should provide proprietors with the right to intervene in the country of transit when “counterfeit” goods are transported through the territory of the Member State (or the European Union in cases of CTMs). The Study has also pointed out that European trade mark law has important lacunae, as regards enforcement against infringers, because the CTMR only provides for the sanction of injunctive relief, referring for all other sanctions to the laws of the Member States. The Study proposes in this regard that the CTMR should contain the full range of civil sanctions in accordance with the 2004 Enforcement Directive.
- 2.15 Enforcement of IP rights has been in the forefront of national, European and international actions since the 1980s, with the advent of what has become known as “product piracy”, which is called “counterfeiting” when trade mark or trade dress infringement is involved, and “piracy”, when infringement of copyrights and neighbouring rights is involved. Cheap copies of genuine products – from fashion to medicine, from software to DVDs, from tools to auto and airplane spare parts – have flooded the markets.

- 2.16 The response on the national or European level actually followed the development at the international level, which culminated in the 1994 Agreement establishing the World Trade Organisation which includes as an integral part the Agreement on Trade-Related Intellectual Property Rights (TRIPS), which for the first time for an international agreement provides obligations for Member States with regard to civil, penal and administrative enforcement of IP rights.
- 2.17 In Europe, the 2004 Enforcement Directive, which applies to all kinds of IP rights has set the ambitious goal of providing proprietors of IP rights with a broad range of sanctions in case of infringement. The focus of this Directive is not on counterfeiting and piracy, and it seems at times that the absence of such focus has led to solutions which may not be entirely appropriate in cases of “normal” infringements. The Directive is currently under review by the Commission.
- 2.18 Harmonised criminal sanctions are not yet part of European Union law.
- 2.19 Border seizure is also part of the bundle of measures seeking to impede the flow of goods infringing IP rights. The relevant legislation is also under review.
- 2.20 The Commission has been very much aware of the need to provide for effective and efficient protection of IP rights. Most recently, the Communication from the Commission to the Council, the Parliament, and the Economic and Social Committee, “Enhancing the enforcement of intellectual property rights in the internal market” (COM (2209) 467 final, dated 11 September 2009) has led to an intensive debate among the institutions. The European Parliament adopted a Resolution on 22 September 2010, “Enforcement of intellectual property rights in the internal market” (2009/2178(INI), based on the „Gallo Report“ of the Legal Affairs Committee, dated 3 June 2010 (A7-0175/2010). Reference should also be made to the European Observatory on Counterfeiting and Piracy set up by the Commission in 2009, which is currently administered by DG Markt.
- 2.21 At the international level, a group of major trading partners comprising the European Union and its Member States as well as Australia, Canada, Japan, the Republic of Korea, Morocco, New Zealand, Singapore, Switzerland, the United Mexican States, the United States, have recently concluded their negotiations on a new international agreement seeking to establish common rules beyond those of the TRIPS Agreement. The Anti-Counterfeiting Trade Agreement (ACTA) (the latest text dates from 3 December 2010) will oblige members to provide for sanctions beyond those made mandatory by the TRIPS Agreement in cases of infringement of IP rights, and notably in cases of counterfeit and pirated goods.

II. Involvement of IP offices in enforcement activities

- 2.22 As far as the enforcement of trade mark rights in the future European trade mark system is concerned, the issue of providing for appropriate legal rules in the CTMR and in national laws has been discussed in the context of analysing the substantive and procedural law of trade mark protection.

- 2.23 In addition, the question has been raised, how and to what extent national trade mark offices as well as OHIM can be involved in a strategy aimed at reinforcing the protection of trade mark rights.
- 2.24 This question was addressed in the interviews with the national offices and the questionnaires sent to them. The responses received reveal extremely divergent conditions in the Member States. It seems that, apart from the offices in Bulgaria, Portugal and the United Kingdom, none of the other offices do currently perform any direct enforcement activities. Enforcement-related activities are mostly limited to indirect measures, for example awareness-raising, education of judges or customs officials, or information exchange with other national authorities. Some offices point to more specific activities, such as coordination or cooperation with and assistance to authorities involved in the enforcement of trade mark rights. The overall picture, however, is that enforcement activities within the meaning of measures to combat trade mark infringements are not part of their current tasks.
- 2.25 The potential for enhancing enforcement activities is, for the majority of the offices, restricted by the existing legal framework. The current structures and competences of many national offices do not allow assigning to them any substantial role in enforcement matters. A change of that situation would require legal amendments at the national level and, in addition, clear legal rules at the Community level to be implemented by national law.
- 2.26 The statements of the user associations do not support the idea to entrust the national offices with enforcement activities. They consider enforcement primarily a responsibility of proprietors of IP rights and other government authorities (police, customs) rather than a task of national offices. They see the primary role of the offices as providing a fast, efficient and reliable delivery of registered trade mark rights. However, user associations welcome in general an intensified participation of the offices in programmes to make the protection of trade mark rights more efficient, and to raise the awareness of the public to the dangers of counterfeiting and piracy.
- 2.27 The Council conclusions of 25 May 2010 on the future of the European Trade Mark system call upon the Commission to propose for the revision
- “a clear legal basis for the involvement of the OHIM in enforcement-related activities, including the fight against counterfeiting”.
- 2.28 Furthermore, the Commission is requested to propose the creation of a legal basis for distributing an amount equivalent to 50 percent of OHIM’s renewal fees to the national offices and to introduce appropriate mechanisms to ensure that these funds will be used by the National Offices for purposes closely related to the protection, promotion and/or enforcement of trade marks, including combating counterfeiting.
- 2.29 These issues are dealt with in the context of OHIM’s mandate and the distribution of a share of the renewal fees (see Part IV). Among the measures proposed is the possible transfer of the European Observatory on Counterfeiting and Piracy to OHIM.

- 2.30 As a general proposition, the Study proceeds from the idea that trade mark offices (or IP offices in general) are not the proper authorities to serve as actors in the enforcement of intellectual property rights.
- 2.31 The steps aimed at involving trade mark offices in enforcement matters should be cautiously developed, taking into account the legal framework at the national level and the restrictions that current legislation and constitutional arrangements in the Member States impose. Whereas it may indeed be appropriate to oblige Member States to adopt rules and regulations and take measures to bolster the combat against counterfeiting and piracy, it would appear logical that it should be left to the Member States to decide how and with which administrative or judicial structures they will comply with European Union rules.
- 2.32 The proposal to establish a legal basis for OHIM's involvement in enforcement-related matters is different. With regard to OHIM, the European Union legislature has the power and the competence to determine the scope of activity of OHIM. Therefore, OHIM's mandate does not have to be limited to administering the Community trade mark and design system and notably the registration systems and all attendant procedures.
- 2.33 It would appear a priori compatible with OHIM's existing mandate that OHIM would also become involved, as one of the actors, in enforcement activities relating to Community trade marks and designs. Such involvement would require a proper mandate which could be achieved through an amendment of the CTMR (see above Part IV).
- 2.34 Even though enforcement measures have regularly a horizontal dimension since acts of infringement and, in particular, acts of counterfeiting touch upon other intellectual property rights rather than mere trade marks, it appears possible for the legislature to limit OHIM's mandate to trade marks and designs, although a broader mandate is not legally excluded. For enforcement of trade marks and designs (and perhaps for other IP rights as well) OHIM can become a major actor at the European level – obviously not as a “police” agency, but as a center of information and training, of coordination and of developing new ideas and concepts. To the extent that national offices have similar competences, OHIM should set up a network with these offices for all enforcement-related activities.
- 2.35 The plan for a CTMR revision to ensure by a new legal provision in the CTMR that the amounts coming from 50 percent of OHIM's renewal fees are used by the national offices for purposes closely related to, inter alia, the enforcement of trade marks, including combating counterfeiting, conflicts to some extent with the existing structures of many of the national offices which have currently no competences in the area of enforcement. Limited competences of the offices preclude a Community strategy aimed at involving all national offices directly in measures to combat trade mark (or design) infringements. Community law cannot require the national legislator to provide for an active participation of national trade mark offices in enforcement activities. Therefore, the means to involve Member States and their offices in the enforcement of trade mark (and design) rights are limited. The usage of the renewal fees will, as far as enforcement-related purposes are concerned, in nearly all Member States at best be of benefit for measures such as coordination, cooperation, or mutual assistance between the authorities

on the national and Community level. Due to the different conditions within the Member States it is important to grant the Member States and the national offices sufficient flexibility in their policies to decide how the funds received from OHIM's renewal fees will be used.

Part VII - Conclusions

5.1 Links between the CTM system and national trade mark systems

5.1 (1) Harmonization of National Trade Mark Systems

(a) Achievement of 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?

- 1 The TMD pursues - in accordance with recital 2 - the primary goal to remove barriers to free movement of goods and distortions of competition within the common market, which arise from legal differences in the Member States' trade mark laws, and thereby to develop the functioning of the internal market. However, the harmonization of national trade mark laws does not overcome the territorial limitation of the rights conferred on proprietors of national trade marks. Thus, the TMD cannot create real internal market conditions in the area of trademark law. Only a unitary right with unlimited effect within the Community like the supra-national Community trade mark can implement the single market concept immediately.
- 2 It cannot be proved by empirical means to what extent the TMD has contributed to remove barriers to the free movement of goods and services. However, it is quite clear that the harmonization of the main substantive provisions of national trade mark law and their interpretation by the ECJ have considerably reduced the risk that the requirements, the scope and the limitations of protection for identical trade marks filed in different Member States are assessed differently from Member State to Member State. To support the main goal of fostering and creating a well functioning single market, there is no alternative to the harmonization of laws, even if the harmonization is a long-term process that demands authoritative interpretations of the TMD by the ECJ as well as a harmonization of national legal practices.

(b) Need for further legislative harmonization

To what extent is there a need for further legislative approximation of Member States' national trade mark systems within the current scope of the TMD?

- 3 A further harmonization basically serves the goal of a better functioning of the internal market for the reasons already mentioned. The harmonization process should therefore be continued. The optional provisions of the TMD should become mandatory provided that these provisions do not embody established national traditions and that the principle of coherence with the CTMR is observed.

- 4 The Study strongly endorses the principle of coherence as a general guideline, meaning that the provisions of TMD should be in line with those of the CTMR, where this is considered as relevant for ensuring a smooth functioning of cross-border business activities.
- 5 The optional provisions of the TMD are analysed in detail in Part V Chapter 1 in light of the existing legal provisions in the Member States and the provisions of the CTMR. It is proposed that the following should become mandatory provisions:
 1. The absolute ground for refusal of bad faith applications, currently in Article 3 (2) (d);
 2. The relative ground of refusal applying in case of conflict with a reputation mark, currently in Article 4 (4) (a);
 3. The relative ground for refusal applying in case of conflict with a non-registered trade mark or another sign used in the course of trade, currently in Article 4 (4) (b);
 4. The relative ground of refusal applying in case of conflict with other prior rights within the meaning of present Article 4 (4) (c), which are protected under national or Community law;
 5. The provision in Article 4 (5), pursuant to which registration of a trade mark in appropriate circumstances need not be refused or the trade mark need not be declared invalid where the proprietor of the earlier trade mark or other earlier right consents to the registration of the later trade mark;
 6. Article 5 (2) concerning extended protection for trade marks having a reputation;
 7. Article 9 (2) concerning acquiescence of proprietors of trade marks having a reputation within the meaning of present Article 4 (4) (a) and of non-registered marks and other signs used in the course of trade in the meaning of present Article 4 (4)(b);
 8. Article 11 (2) concerning the defense of non-use in opposition proceedings based on prior marks;
 9. Article 11 (3) concerning the defense in infringement proceedings that the trade mark is liable to revocation on grounds of non-use;
 10. Article 15 concerning the protection of collective marks, guarantee marks and certification marks and the additional grounds for revocation and invalidation of these marks.

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

- 6 The scope of the TMD is, according to recital 4, limited to those national provisions which most directly affect the functioning of the internal market, in other words to the essential provisions of substantive trade mark law. According to recital 6 the national procedural rules concerning the registration, the revocation and the invalidity of trade marks are excluded from the scope of the TMD.
- 7 A further harmonization of trade mark law going beyond the current scope of the TMD is, first of all, proposed for those issues of substantive law which are covered by the provisions of the CTMR and which should, along these lines, become subject matter of mandatory national provisions in order to establish more coherence in European trade mark law. This harmonization process should also be extended to provisions of procedure, a proposal that is strongly supported by the user associations.
- 8 The proposals for a harmonization beyond the current scope of the TMD are developed in Part V Chapter 2. It is proposed to introduce the following provisions into the TMD:
 1. Provisions concerning the transfer of trade marks in accordance with Article 17 CTMR;
 2. A provision concerning the transfer of a trade mark registered in the name of an agent in accordance with Article 18 CTMR;
 3. A provision concerning rights in rem in accordance with Article 19 CTMR;
 4. A provision concerning the levy of execution in respect of a trade mark in accordance with Article 20 CTMR;
 5. A provision concerning the involvement of trade marks in insolvency proceedings in accordance with Article 21 CTMR;
 6. Provisions concerning licensing going beyond the scope of the current Article 8, in accordance with Article 22 (3) to (5) CTMR;
 7. Provisions concerning the protection of collective marks in accordance with Articles 66 to 72 CTMR;
 8. A provision in respect of a procedure before the trade mark Office where earlier trade marks can be invoked and the defense of non-use must be allowed;
 9. Provisions concerning procedural issues in accordance with the regulations contained in the CTMR.

(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?

- 9 The consistency of the decision-making practice of trade mark offices was one of the subjects of the Allensbach survey. The users were asked to assess the consistency of the OHIM practice in five areas, namely the examination of formalities and classifications, the examination for absolute grounds for refusal, the examination of CTM oppositions, of CTM cancellations and of CTM appeals (question 14). Another question focused on the consistency in terms of comparability between the practice of the different national trade mark offices in the five mentioned areas and, in addition, with regard to the examination of relative grounds for refusal (question 6).
- 10 The assessments showed a majority of positive ratings ranging from very consistent to fairly consistent. A clear majority of users of the CTM system perceives the consistency of the OHIM practice as fairly well. Only about 20 percent of users who gave an assessment on consistency consider shortcomings in the examination of absolute grounds for refusal, CTM cancellation procedures and CTM appeal procedures. The negative ratings are even lower in respect of the examination of formalities and classifications. A share of slightly more than 25 percent rated the consistency in the examination of CTM oppositions as unsatisfactory.
- 11 The assessments of the practice of national trade mark offices are slightly less positive even though the consistency on the national level is also rated by the majority as fairly well or better. About 20 to 40 percent of users perceive inconsistencies. The areas of opposition procedures and of the examination for absolute grounds for refusal are perceived as least consistent. The examination of formalities and classifications is assessed as substantially more consistent.
- 12 The statements of the user associations confirm these survey results. Similar to the users in the survey the associations indicate that inconsistencies of the practice of national offices exist primarily in the areas of examination for absolute grounds for refusal, in particular the distinctive character, and the examination of relative grounds for refusal.
- 13 Consequently, the efforts to improve the consistency of trade mark offices' practice should, according to the users of the CTM system, focus on the areas of examination for absolute and relative grounds for refusal.
- 14 While the surveys thus show a reasonable degree of satisfaction, the percentage of users which are dissatisfied shows that there is still substantial room for improvement, both at the level of OHIM and at the level of national offices.

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?

- 15 The potential for an increased cooperation between OHIM and the National trade mark offices are addressed in Part VI Chapter 2. Proposals are made to develop

1. Common guidelines for the examination of trade marks for issues where the provisions of national law and Community law are identical;
2. Common rules on classification of goods and services supplemented by setting up a classification committee consisting of representatives of OHIM and national trade mark offices to which general or individual issues in respect of classification can be referred for analysis and decision;
3. Cooperation in the areas of examination of trade mark applications, examination of likelihood of confusion in proceedings involving earlier rights and examination of the requirements for protection of earlier national rights within the meaning of Article 8 (4) CTMR;
4. Joint activities relating to quality improvement of trade mark examination, such as examiner continuing education, common Internet platforms for particularly contested issues or staff exchange through cooperation programs;
5. Improvement of access to resources;
6. Support for academic research.

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

(a) Nature of the relation

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

- 16 This question was one of the subjects of the Allensbach survey among the users of the CTM system. CTM proprietors and agents were asked whether their prevailing practice with respect to trade mark applications is a filing either on the national level or as CTMs or both as national trade marks and CTMs (question 7).
- 17 The answers reveal that a majority of CTM proprietors as well as CTM agents, i.e. 41 percent of proprietors and 59 percent of agents, are using the national systems and file national trade marks, either simultaneously with CTMs or only on the national level. Another 38 percent of proprietors and 24 percent of agents say that the filing only as a CTM is their prevailing practice.
- 18 The answers do not specify whether and to what extent they refer to the application of identical signs or of different signs in the coexisting trade mark systems. However, the survey results make clear that the national systems serve an important complementary function for the CTM system and that maintaining them is in line with the interests of all users of the European trade mark system, also the users of the CTM system.

(b) Future role and mission of national offices

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

- 19 The national offices are the institutional elements of the national trade mark systems and, therefore, the primary condition for the complementarity and coexistence between the CTM system and the national systems. There can be no stable coexistence in the European trade mark system without well-functioning national offices in all Member States.
- 20 The future role and mission of the national offices should therefore focus on fostering and strengthening the national trade mark systems in their complementarity to and competition with the CTM system. This requires efforts to improve the infrastructure of the offices, to enhance their performance, the quality of their services and the consistency of their decision-making practice. Measures that serve these purposes are the development of e-tools for users, the setting up and expanding of databases for making available national trade marks by searches, guidelines for the examination of trade mark offices, rules on classification of goods and services or office decisions. Further measures include networking with databases of other offices, investments in the education and training of examiners and improved helpdesk facilities to provide advice and service for users. Many of these measures are already undertaken, under the leadership of OHIM, others are being set up in the context of the Cooperation Fund, but there remains much room for further activities.
- 21 In addition, national offices can become more active in the future in the field of enforcement by arranging awareness campaigns, offering seminars and other professional education programs, or otherwise supporting the combat against counterfeiting in an indirect manner. This would include information exchange with other authorities of the same or of other Member States, particularly with custom authorities, or a cooperation with the upcoming European Observatory for Counterfeiting and Piracy, in particular if the latter should be transferred to OHIM. Already at present, national offices engage in such activities to a varying extent; examples for that are described above Part II Chapter 1 E. In the future, the level and intensity of the relevant activities could be enhanced and developed further, and the coordination between the national offices as well as with OHIM could be improved. A large majority among national offices and user organisations would welcome such developments. However, it is also emphasized that in the majority of Member States, involvement of national offices in enforcement activities is limited to measures providing information and indirect support. Only in few Member States, the constitutional and administrative structures allow national offices to engage directly in the combat against counterfeiting, for instance by intervening against infringing activities outside registration proceedings. In general, the enforcement of IP rights belongs to the competence of other authorities, or depends on the initiative of the trade mark owners. These other authorities include courts, custom authorities, in certain cases criminal prosecuting authorities, but other authorities as well, for example consumer protection authorities.
- 22 It is important in that context that the legal instruments for an efficient enforcement of trade mark rights are available or will be completed. These instruments are analyzed in the chapters on „Exclusive rights, conflicts, infringement“, „Civil

litigation and jurisdiction“ und „Remedies“ (see Part III Chapter 2 G and Chapter 3 D and E).

- 23 Regarding the structure of national offices, user associations frequently emphasize that offices tend to work more efficiently if they have financial autonomy and do not run on state budget. Although the Study does not undertake a comparative analysis of national offices' efficiency, it appears indeed plausible to submit that offices become more "user-oriented" when they must balance their own budget on the basis of the fees they collect. However, it is for Member States to determine the institutional structures of administrative authorities, and they may have different attitudes towards the question whether the administration of trade marks (and other IP rights) should be treated like a "normal" commercial service, and whether the activities of IP offices should be steered primarily by the interests of their customers.
- 24 It should be clear, however, that irrespective of Member States' institutional choices, well-functioning systems must take the interests of all sides into account. In the same vein, it would be mistaken to regard the organisational structure of national trade mark offices as an element of crucial importance for their future role and mission. Offices which do not have financial autonomy but run on state budget can establish the same infrastructures as financially independent offices which allow to operate a competitive institution as regards performance, quality and consistency of its services. Some of these offices have already now the structures and means to meet these requirements. However, the financial autonomy has an impact in the context of the distribution of a share of OHIM income attributable to renewal fees on the possibilities to guarantee the usage for specific trade mark-related purposes. This aspect will be addressed in the question on „Accounting mechanisms“.

(c) Linkages between the systems

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

- 25 This question was one of the subjects of the Allensbach survey (question 18). The responses show that a significant share of users still want the opportunity to apply for Community trade marks through the national offices be retained. This applies to proprietors as well as to agents. 32 percent of the CTM proprietors and 27 percent of agents were in favour. However, variations were seen between the groups with different activity levels. Only 11 percent of the proprietors and 19 percent of the agents with a high activity level were in favour of the maintenance of this opportunity.
- 26 Overall, the results of the Allensbach survey indicate that the possibility of a registration of a CTM through national offices should continue to be offered. The costs incurred by the offices appear to be insignificant, as many offices do not charge the applicant a fee for forwarding the CTM application to the OHIM, as provided for in Article 25 (2) CTMR.

- 27 ***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?***
- 28 This question has become a core issue in the debate on the coexistence of the systems and thereby attained a political dimension. The Joint Statement by the Council and the Commission of 20 December 1993 determines that a use which is "genuine" within the meaning of Article 15 CTMR in a Member State, constitutes a "genuine use" in the Community.
- 29 To the extent that the Joint Statement is an expression of the “single market” concept which transcends frontiers between Member States, and focuses on the “genuineness” of the use rather than on its transnational character, the Statement is also today, in a European Union having grown to 27 Member States, an appropriate statement of principle. What matters is whether the use is “genuine”, and not whether the use extends to more than one Member State. The focus thus is on the nature and extent of use, in view of the factual circumstances of each case, which take into account the nature of the product, the size of the enterprise, etc.
- 30 To the extent that the Joint Statement is taken to mean that any use sufficient to maintain a national mark in a Member State of the European Union automatically is taken to be “genuine” also for a Community trade mark it would have been misinterpreted at the time it was adopted, and it would continue to be inaccurate.
- 31 The Study strongly supports an interpretation of the “genuine use” requirement for Community trade marks which disregards political frontiers. The requirements for "genuine use" referred to in Article 15 CTMR must be assessed on a case-by-case basis taking into account the criteria developed by the ECJ. The extent of use, including the territorial extent, is one of the criteria that are relevant in determining the genuineness. Therefore, there is no reason or room for requiring that a Community trade mark in order to be maintained or enforced necessarily has to be used in more than one Member State.
- 32 The Study proposes that the wording of Article 15 CTMR be left unchanged and to entrust the territorial conditions for the "genuine use in the Community" within the meaning of Article 15 CTMR to the interpretation by the ECJ.
- 33 The Study recognises that situations may arise in the future where it is difficult if not impossible to justify the enforcement of Community trade marks against later national trade mark applications or registrations which are obtained in Member States far removed from the territory where the earlier Community trade mark is in use. In these situations there may be no true economic conflict in the same market. As the earlier Community trade mark is immune from revocation on grounds of non-use, the Study suggests a rule for a coexistence between the CTM and the later national trade mark under certain narrowly defined circumstances. The details of this proposal are included in the chapter "Territorial aspects of genuine use" (see Part III Chapter 3 A).

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

- 34 Seniority claims provided for in Articles 34 and 35 CTMR provide a means of combining trade mark holdings of the same mark valid in one or more Member States with later identical CTMs. The option to claim the seniority of a national trade mark meets the needs of a substantial part of users of the CTM system. This results from the answers of the CTM users given in the Allensbach survey (question 24). The question whether the respondents claim seniority at all, was answered by 39 percent of the proprietors and 64 percent of the agents in the affirmative. This possibility is “*always*” used by 17 percent of the proprietors and 20 percent of the agents, “*in most cases*” by 15 percent of proprietors and 25 percent of agents, and “*now and then*” by 7 percent of proprietors and 19 percent of agents. Only 5 percent of proprietors and 6 percent of agents said they never claim seniority.
- 35 The fact that the number of seniority claims registered at OHIM is nonetheless relatively low must have other reasons. The Allensbach survey reveals that 25 percent of proprietors (but only 5 percent of agents) did not know of this possibility before. Furthermore, 31 percent of proprietors (and 25 percent of agents) answered that they never had an opportunity to claim seniority. Taken into account the legal requirements for a seniority claim these results indicate a significant share of CTMs which are not identical with national trade marks of the same proprietor either as far as the marks or the registered goods or services are concerned, and which, therefore, do not qualify for a seniority claim. It has also to be considered that the CTMR does not provide any time limit for claiming seniority. Consequently, it may happen that the request for registration of the seniority of a national trade mark may be filed only after a long time following registration of the CTM. These are some aspects which might explain the current situation in respect of seniority registrations.

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

- 36 This question was a subject of the Allensbach survey as well. The users were asked whether they would like to have a full verification of seniority claims or whether the current OHIM practice to check only the identity of the marks should be retained. 32 percent of the CTM proprietors were in favour of a full verification and 32 percent in favour of leaving the current practice unchanged. Among the agents 37 percent supported a change to a full verification whereas 44 percent were in favour of the current approach. The other 36 percent of the proprietors and 19 percent of agents either did not give an assessment or an answer which was not covered by the responses in the questionnaire. Therefore, it may well be that among the 36 percent of proprietors and 19 percent of agents there are users who support a mere registration of seniority claims without any verification. But this share is in any case substantially lower than the share of users who either are in favour of maintaining the current approach or favour a full verification.
- 37 The clear result of the Allensbach survey is that from the users' point of view there is no reason to change the existing system of examination of seniority claims. The same view is supported by the majority of user associations stating an opinion on this issue.

- 38 The Study submits the proposal to amend the rules contained in Articles 34 and 35 CTMR as regards the legal effects of a seniority claim. Under current law the seniority effect, namely that the CTM proprietor can continue to claim the “seniority” (filing or priority date) of the national mark, becomes operative only upon surrender or non-renewal of the national trade mark. It is proposed to provide that this effect should apply regardless of whether or not the national trade mark is surrendered or maintained. The consequence would be that oppositions or cancellation requests based on national trade marks which are protected in the Member State in respect of which seniority of a national trade mark was claimed, which, while being earlier than the CTM, are later than the national mark on which the CTM is based, would be rejected.
- 39 As regards procedure, it is proposed that OHIM should continue to verify the existence of the earlier national mark, the identity of the persons claiming seniority and applying for or being proprietors of the CTM, while identity of the goods or services would not be examined. OHIM should also require the submission of a proper document proving the existence of the earlier national mark, until such time as an appropriate common data base is established. It is also proposed that OHIM should cooperate with national offices in examining seniority claims. As a supplementary measure it is proposed to introduce a seniority fee.

5.1. (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?

- 40 The national offices are involved in the CTM system in several aspects and thereby contribute to its functioning. First, there are some tasks that have been assigned directly to the national offices by the CTMR. These include the forwarding of Community trade mark applications that have been filed under Article 25 (1) (b) CTMR at the national offices to the OHIM according to Article 25 (2) CTMR, and the preparation of search reports by the national offices of those Member States that participate on the optional search system in accordance with Article 38 (2) to (5) CTMR.
- 41 The national offices have to perform some further tasks that the CTMR provides for: The national offices must retain the files of their national trade marks which form the basis for seniority claims in accordance with Article 34 and 35 CTMR, in order to allow determining the substantive requirements for an effective seniority claim in case of dispute. Also, the conversion of a CTM into a national trade mark under Article 112 and 113 CTMR requires a cooperation of national offices with OHIM and assumes that there are well-functioning national offices. Further necessary elements and contributions of the national offices to the functioning of the CTM system are, even though allocated outside the scope of the CTMR but provided in the TMD, the procedures in case of oppositions or cancellation requests based on CTMs against national trade marks or trade mark applications

before the national offices. The national offices help CTM owners to enforce their rights against later national trade marks in a relatively easy way by offering opposition or cancellation procedures, which are subject to the national laws of the Member States. The Study proposes, in the context of adding procedural rules into the TMD, to require Member States to introduce either an opposition procedure or a cancellation proceeding before the national office in the future.

- 42 Apart from legislative or administrative measures, national offices provide information about the CTM system, through help desks, brochures, information events, etc.
- 43 The contribution of the national offices to the functioning of the CTM system does not consist only of their direct involvement in procedures related to the acquisition or protection of CTMs and to the interfaces between CTMs and national trade marks. Ultimately, the national offices contribute as the competent authorities to maintain the national trade mark systems and thus the overall functioning of the European trade mark system. The coexistence between the supranational CTM system and the national trade mark systems is one of the basic principles of European trade mark law. This principle implies the existence of national systems and national offices. Without well-functioning national offices the present system would no longer exist and European trade mark law would have to be fundamentally revised.

(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?

- 44 Among the contributions mentioned in reply to question 5.1. (3) (a) the national offices only receive payments for their participation in the optional search system. The search fee currently amounts to 12 € for each Member State, regardless of the nature of the mark (word, device, 3D, other) or the number of goods or services or classes for which registration is requested. The role of the national offices in the filing of CTM applications under Article 25 CTMR is not covered by OHIM payments. According to Article 25 (2) CTMR the national offices may charge the applicant a fee for the forwarding of a CTM application to the OHIM.
- 45 The other contributions and services of the national offices for the benefit of the functioning of the CTM system are not separately remunerated. This also applies to information services at the national level that relate to the Community trade mark system.
- 46 The Study proposes an implementation of the decision to distribute a share of the renewal fees to national offices.
- 47 The Study also proposes that national offices should participate in the fees to be charged for seniority claims to the extent that they participate in the examination of such claims.

- 48 The Study also suggests ways of involving national offices in the examination of CTM applications, and suggests that national offices might be remunerated for their contributions.

5.1 (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?

- 49 This question overlaps to a substantial part with question 5.1 (1) (c) *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?* Therefore, we refer to the answers to that question.
- 50 As far as this question alludes to the issue of involving the national offices in activities to combat counterfeiting and piracy, we refer to the answer given to question 5.1 (2) (b) on the future role and mission of national offices. The Study considers activities such as information exchange, awareness raising campaigns or the offering of training programmes in cooperation with the Observatory as important elements of an intensified cooperation between the Offices.

5.1. (5) Impact of distributing an amount equal to 50 percent 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?

- 51 The CTM system is embedded in the European trade mark system. The Council Conclusions of 25 May 2010 (OJ C 140, 22) on the future revision of the trade mark system in the European Union recall that the budgetary measures adopted by the Administrative Board and the Budget Committee of OHIM in September 2008 not only constitute instruments to guarantee a balanced budget for OHIM in the future, but also “*contribute to the 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*”. This political statement emphasizes the impact of the distribution of an amount equivalent to 50 percent of OHIM's renewal fees to national authorities. The Council recognizes that the renewal fees should serve to improve the competitiveness of national offices.
- 52 The national offices are indispensable elements for the overall functioning of the European trade mark system which is built on the principle of coexistence of national trade mark protection and Union-wide protection. The distribution of amounts equivalent to one-half of the renewal fees to the Member States must be regarded as a measure to maintain and strengthen the complementarity and coexistence between the trade mark systems. Users of the CTM system benefit from the distribution of funds to Member States to the extent that national trade

mark systems are improved, in their performance, their complementarity, that examination procedures are harmonised, that complementary infrastructures are created and maintained. Some of these issues are addressed under Question 5.1 (3) (a).

- 53 The Study strongly supports measures to keep national trade mark systems in place and in particular to keep national offices operative and competent. Therefore, it must be ensured that the funds coming from the renewal fees will actually be used for the improvement of national trade mark systems and actually are applied for purposes of improving the performance and infrastructure of national offices. The negative effect of the fee distribution on the possibility to further reduce the application fees or other fees for Community trade marks cannot be considered as a relevant disadvantage for the CTM system in general or CTM users in particular since any such reduction would create further imbalances between the trade mark systems.

5.1 (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?

- 54 The Study has analysed the financial status in the interviews with the national offices. The information received reveals that 10 offices have financial independence whereas 15 offices operate on general state budgets. According to the majority of these offices their domestic laws do not provide for a mechanism ensuring that the fees paid by the users for their trade mark operations would be used specifically for trade mark related purposes.
- 55 The Council Conclusions of 25 May 2010 call on the Commission to create a legal basis for the fee distribution to national offices and to introduce appropriate mechanisms to ensure that these funds will be available for purposes closely related to the protection, promotion or enforcement of trade marks.
- 56 The Study proposes the introduction of a provision in the CTMR and in the Fees Regulation as a legal basis for the distribution of OHIM's fees to national authorities and for the complementary accounting mechanisms on the Community level as a first condition to achieve the envisaged objective. As a second measure implementing rules should be established that require the national authorities to report to the Administrative Board and Budget Committee of OHIM on the purposes for which the fees have been used. These rules should specify the details of the reporting obligations and include instruments to stop transfers of funds which do not comply with the legal conditions for the use of the amounts or the reporting obligations. The European Court of Auditors should also become involved, as it is with any expenditure of Community funds.

5.1 (7) Distribution key

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

- 57 The Council conclusions of 25 May 2010 address this topic by calling on the Commission to propose a distribution key “*in accordance with fair, equitable and relevant criteria, to be defined in a way which would guarantee, inter alia, a minimum amount for each Member State*”.
- 58 The Study proposes to distribute the sum available corresponding to one-half of the renewal fees paid to OHIM according to a key that distinguishes between a minimum amount and a proportionate amount for each Member State. The Study proposes that 50 percent of the sum should be distributed to all Member States, with each Member State receiving the same amount, whereas the other 50 percent should be distributed to the Member States proportionally in relation to the trade mark applications and international registrations filed with or granted by the Member States. This model would guarantee all Member States a basic amount for maintaining and modernizing the office's infrastructure, and it would take into account the different sizes of the offices by fixing an additional amount in relation to the number of trade marks seeking protection in the Member States.

5.2 Functioning of the CTM system including the OHIM

Part of the questions posed under this heading, in particular those dealing with substantive law, do not only relate to the CTM system, but concern the TMD as well.

5.2 (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?

- 59 The Study proposes that the requirement of graphical representation should be deleted from the wording of the relevant provisions so as to not bar the option for developing of new ways of representation which may be equally informative and reliable. However, this should not detract from the level of legal security prescribed in the ECJ's Sieckmann judgment (C-273/00). Appropriate wording should be included in the relevant provisions as well as in the Preambles.

5.2 (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?

60 The Study has not established a need to introduce fundamental changes concerning the definition and scope of the rights conferred. However, in order to enhance transparency and consistency of legal practice, certain clarifications and amendments are proposed.

61 In particular, it should be clarified in the Preamble that Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR apply to the use of marks for goods and services originating from a third party as well as for those of the right holder. It should also be clarified that the use that may be prohibited is use “for purposes of distinguishing goods or services”. Furthermore, it is proposed that a provision modelled on present Article 5 (5) TMD becomes a mandatory part of the TMD and is integrated into the CTMR, in order to accommodate use for other purposes than to distinguish goods and services within trade mark law proper. This will avoid a risk for inconsistent practices evolving under national regulations against unfair marketing, which would have particularly negative consequences regarding activities with trans-border effects, such as use of marks in the digital environment.

62 The present catalogue of limitations in Article 6 TMD and Article 12 CTMR should be enhanced *inter alia* with a view to better provide for the use of protected marks for or in relation to the goods of the proprietor of the mark. Apart from that, minor corrections are proposed, such as clarifying, in accordance with ECJ decisions C-292/00 (Davidoff) and C-408/01 (Adidas/Fitnessworld), that extended protection for marks having a reputation is granted independently of whether the sign is used for identical, similar or dissimilar products.

Is there a need to align the customs seizure sanctions with the civil sanctions, in particular in case of import, export, and transit transactions?

63 The Study is aware of the fact that the question of interpretation of the term “infringing goods” under the Regulation on Border Measures (1383/2003) is currently pending before the ECJ. Regardless of the outcome of that judgment, the Study proposes to clarify that use in the relevant territories (those of Member States as well as that of the Community) includes use anywhere in the territory of the Member State or the European Union, thus including use in custom-free zones. The Study further proposes that apart from the situations addressed in ECJ C-281/05 (Montex/Diesel), use of trade marks on goods in transit should fall under Articles 5 TMD or 9 CTMR if the goods are counterfeit goods in the definition of the TRIPS Agreement, and if they would be infringing in the country of transit (or in the European Union) and in the country of destination. The aim is to establish an appropriate balance between an efficient fight against counterfeiting and the respect for free trade.

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

64 The Study strongly endorses the inclusion of a chapter on sanctions into the CTMR. It also emphasizes that the sanctions must be modelled on the Directive 2004/48/EC. However, as the Enforcement Directive is presently under review, no specific proposals for the wording of provisions to be inserted into the CTMR are included in the Study.

5.2 (3) Classification

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

- 65 According to the Allensbach survey, the broad majority of proprietors (64 percent) and agents (72 percent) approves of OHIM's current practice regarding class headings. It is notable, however, that the portion of those who disapprove of that practice is significantly higher for proprietors and agents with a high level of OHIM activities (31 percent and 27 percent vs. 13 percent and 11 percent disapproval in the group with a low level of activities). Nevertheless, the share of supporters remains to be very strong also among proprietors and agents with a high activity level (68 percent and 70 percent). It is not clear whether the positive evaluation of current OHIM practice includes also the interpretation that the use of class headings includes all goods or services properly classified in a class, even though not specifically mentioned.
- 66 The overall positive, though somewhat mixed impression received from the "high activity" group of users is reflected also in the solution proposed by the Study. Although the present status quo does not call for significant changes, account must be taken of the fact that the situation in the various Nice classes can be quite diverse and is partly unsatisfactory, depending on the breadth of the class headings, and the possibility for users to identify with sufficient exactness the category of goods and services for which the mark is, or is proposed to be used. Where class headings are in need of specification (there are only very few such class headings), such specification should be required. The practice of all offices should be the same. OHIM and national offices should cooperate to agree on a common approach. Generally, however, using generic terms for claiming protection, including the use of the Nice class headings, should be accepted by all offices.
- 67 As regards the question whether the use of generic class headings includes a claim to goods or services which may not be properly be grouped under that headings but nevertheless are classified as belonging to the same class, the Study proposes, contrary to current OHIM practice but in line with the practice of the majority of national offices, a solution which would require applicants to specifically claim goods or services which may not be understood as falling under a class heading.

5.2 (4) Claiming priority (Article 30 CTMR)

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

- 68 This question formed part of the Allensbach survey. The outcome was remarkable insofar as it was the only question about changes in the present system that received a positive reply from a majority of proprietors (46 percent vs. 24 percent

favouring the present system) and of agents (52 percent vs. 38 percent). Interestingly, the answers from proprietors with a high level of OHIM activity, as well as those from LSEs, were even more positive than the entire sample. The preferences of users are therefore clearly in favour of a more comprehensive examination. Nevertheless, evaluation of the result must proceed with some caution. Even though it stands out in terms of clarity, it conforms to a general trend reflected in the survey where it addresses potential changes in the current system: While proposals for changes are generally viewed with some reluctance, the portion of positive answers is likely to rise when a change would result in more services being offered. This can also be observed – although in a less pronounced fashion – concerning examination of seniorities, and regarding ex-officio examination for prior rights (see below). In all of those instances, it remains an open question whether the answers were given in full awareness of the consequences such changes would imply, in particular regarding time delays.

- 69 In view of those drawbacks, the Study recommends to maintain the present system of confining the examination to requiring the necessary documentation for inclusion in the files and the congruence between what is documented and what is claimed. Going further than that would create administrative costs which are not balanced by any benefits such changes might yield to the users.

5.2 (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?

- 70 The Allensbach survey shows that users appear to be satisfied with the current level of examination for absolute grounds at OHIM. 36 percent of proprietors answer that the level is just about right, and only 8 percent resp. 7 percent concur with the view that the OHIM's practice is too strict or too liberal. However, a rather high percentage (49 percent) indicates that this is "impossible to say". The percentage of agents declining a judgment is much lower (19 percent), and their rating is generally more positive: 55 percent say that the level of examination is just right, whereas 16 percent resp. 10 percent choose the alternatives "too strict" or "too liberal".
- 71 A similar question was posed by the EBTP survey. The basis on which the answer was given was rather small; of the entire sample (344 answers) 183 stated that they did not have any experience with the OHIM. Of the remaining 161, about 40 percent said that the practice was just about right, while 6,2 percent (11) and 9,3 percent (15) said that the practice was "too liberal" or "too strict". A large portion (72 = 44,7 percent) answered that they "don't know". Whereas the statistical significance of those figures is somewhat diminished by their narrow basis, they show the same overall pattern as the Allensbach survey.
- 72 Opinions solicited by user organisations confirm the general impression that the current approach to examination for absolute grounds is (more or less)

appropriate. Criticism is brought forward not so much as regards the standards used, but as regards the consistency of the results of examination.

- 73 The Study does not propose any changes, except that the criteria for examining claims of distinctiveness acquired through use should be reviewed (see hereafter para 80 and 81).

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

- 74 According to the Allensbach survey, the quality of examination for absolute grounds for refusal at OHIM is rated as "high" by 26 percent of proprietors and agents, whereas 13 percent resp. 11 percent consider it as "low". Interestingly, the percentage of those who give a negative vote ("low quality") with regard to examination for substantive grounds rises with the level of OHIM activities: for highly active users, the relevant figures are 19 percent (proprietors) and 20 percent (agents); regarding the latter, the level of dissatisfaction is higher than the number of those who consider the quality standard as "high" (15 percent). Irrespective of levels of activity, it is a common feature that an absolute majority - 61 percent of proprietors and 63 percent of agents – consider the quality as "average". Whereas that vote is definitely on the positive side of the spectrum, it does not necessarily reflect the level of enthusiasm that a high-achieving agency would like to evoke among users.

- 75 The complexity of the survey did not allow to explore more deeply the causes for the somewhat lukewarm response. However, in talks with user associations, it was frequently stated that although on the whole OHIM is doing a credible job, its performance could be improved if more attention was paid, and time dedicated, to the recruitment and proper training of staff, not least on the level of examiners. Further concerns were voiced regarding the somewhat "mechanical" application of quality monitoring tools at OHIM.

- 76 It is for OHIM to draw conclusions from those findings; the Study does not take any specific position on those points. It does emphasize, however, that irrespective of internal policies of OHIM, the quality of decisions there as well as in national offices could certainly be improved by providing for a higher level of information exchange on all subjects of legal relevance as well as the elaboration of common guidelines, best practices, etc.

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 activities?

- 77 For an answer to this question, reference can be made, first, to Q 5.1 (1) (c), where brief reference was already made to the results obtained from the Allensbach survey with regard to users' evaluation of the consistency of OHIM's and national offices' decisions. As was pointed out there, the rating for OHIM is on all points clearly better than that for national offices. Apart from that, the ratings show a similar pattern as for the quality assessment. While a majority considers

the consistency of OHIM's practices throughout all activities as "fairly satisfactory", the portion of those giving the most favourable rating ("very satisfactory") remains relatively small – in particular regarding oppositions - , and is often lower than the aggregated votes for "not at all/not very satisfactory".

78 The evaluation of those results therefore also corresponds to what was said above with regard to quality. Whereas the appraisal of OHIM's performance is, on the whole, clearly on the positive side, users also perceive certain shortcomings, which might be addressed by OHIM's internal policies, and which highlight the necessity of more intense cooperation, as set out above.

79 The measures and actions proposed in the Study seeking to improve performance, consistency, and cooperation are all aimed at converting OHIM - as well as the national offices in the Member States - into a centre of excellence, rather than merely a centre of satisfactory or good performance.

(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?

80 It follows from the concept reflected in Article 7 (2) CTMR that acquired distinctiveness must be established for the part of the European Union where it was initially lacking. The rule is clear enough, and Article 7 (3) CTMR is applied in a consistent manner in respect of trade marks which are not protectable for linguistic reasons in part of the European Union. However, application of the rule is more contentious in regard of signs which are not distinctive anywhere, such as colours *per se* and shape of product marks. If the practice currently established by the General Court is followed, which seems to imply that acquired distinctiveness of such signs must be established separately for each Member State, it would become extremely difficult to obtain a CTM registration for such trade marks. In addition, applying a country-by-country assessment does not comply with the general principle of unitary rights, which conceives the European Union as one territory (single market).

81 The Study therefore proposes that instead of following a scheme of compartmentalization, the assessment of acquired distinctiveness should focus on the European Union as a whole. Furthermore, in accordance with the spirit underlying Article 6^{quinquies} C Paris Convention, it is proposed that the length of time of an unchallenged and substantial use of a sign should be taken into account for the establishment of acquired distinctiveness.

(d) Bad faith as an additional ground for refusal

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

82 The Study has not found evidence that to include applications filed in bad faith in the catalogue of absolute grounds for refusal would yield specific benefits to the users. The majority of comments emphasized that examination of bad faith usually involves quite complex assessments, and that most frequently, offices have to rely

on information provided by aggrieved parties in order to address the issue properly. It is therefore not proposed that bad faith should be examined ex-officio by OHIM as an absolute ground for refusal. However, the Study recognizes the importance of bad faith as an obstacle for protection. It therefore proposes with regard to the TMD that bad faith becomes a mandatory ground for refusal or cancellation (see already above).

5.2 (6) Use requirement (Article 15 CTMR)

To what extent has the current system with regard to the user requirement, including the 5 years 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 arising between them?

- 83 The question of whether a three year period should apply for the use requirement instead of the current five years was addressed in the Allensbach survey and produced a rather clear vote in favour of maintaining the present rules (55 percent of proprietors; 54 percent of agents). It is nevertheless remarkable that 40 percent of all agents were in favour of a change (proprietors: 28 percent), with the percentage rising to 45 percent for agents with a medium level of OHIM activities.
- 84 The results of the survey demonstrate that opinions are divided on the issue whether the use requirement in its present form efficiently reduces the number of protected trade marks. The issue is closely connected with the topic of “cluttering”, which is also judged very differently by representatives of stakeholders, especially among the legal profession.
- 85 The Study addresses the issue, including the difficulties to find conclusive evidence on one or the other position, in Part III Chapter 1 D III. While the Study does not propose any substantial changes concerning the use requirement in its present form, it does suggest a number of measures against the risk of cluttering, such as an additional class fee for each class (as compared to the current fee system for OHIM which includes three classes in the basic fee), some adaptations as regards the use of class headings, and the general requirement that registration of a trade mark requires an intent of use, even though that intent must be realised only after the expiry of the grace period.
- 86 The Study also considered the introduction of a declaration of use, which would clearly be effective in reducing the number of registered trade marks which are not actually used. However, no reliable statistics are available showing the number of trade marks which remain unused after the initial five-year grace period. Furthermore, such a declaration, which currently is required in only very few countries, and in none of the Member States of the European Union, would increase the burden on trade mark proprietors as well as on the trade mark offices. The introduction of such a use declaration should remain an “ultima ratio” option if the number of unused trade marks remaining in the registers would create serious problems.

5.2 (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 of users?

- 87 According to the Allensbach survey, about a fifth of all proprietors (19 percent) consider the current system of an optional search comprising 11 Member States as useful; only 11 percent do not regard it as useful at all. Among agents, the opinions are more evenly divided: 21 percent say that the search is useless, and 23 percent consider it as useful. The large majority in both groups (46 and 48 percent) agree with the statement that the search would only be useful if it included many more countries. The survey did not include a question on price; however, given that the fee of € 132 due for an optional search is rather modest, it is rather unlikely to have a negative influence on users' estimation as to the usefulness of the service.
- 88 The conclusion from this is that the support among users for the search system in its present form is rather weak, with a significantly higher potential for endorsement if the system became more comprehensive and attractive.
- 89 The Study does not propose any changes.

(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?

- 90 The Allensbach survey shows strong support by proprietors as well as by agents for maintaining the mandatory search in the OHIM registry: 64 percent of proprietors and 57 percent of agents are in favour of the current system, compared to 18 percent of proprietors and 26 percent of agents being in favour of an optional search. Even if these figures are aggregated with those who do not consider searches as useful at all (6 percent of proprietors and 12 percent of agents), the result remains clear.
- 91 With users' preferences being so strongly in favour of the present system, the Study does not see a basis for proposals to abolish the mandatory search.

(c) Demand for additional or different services

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

- 92 Whereas it can be expected in general that that users would react positively to the offering of additional services by OHIM, the answer to this question cannot be unanimous. As far as high-quality search reports within the framework of the existing mandatory search system are concerned the search techniques could be developed by OHIM so as to offer reports comprising an assessment on the relevance of the hits. The feasibility and desirability of other options depends very

much on the specifics of the services rendered, and the price that would be charged. It also needs to be considered that offering such services would place OHIM in direct competition with private business, which might raise concerns from their side.

- 93 Being aware of all that, the Study nevertheless proposes that OHIM should be given the possibility to conduct pre-filing searches against payment of a special fee. Also in that regard, cooperation with national offices could be envisaged, not least with those which have already gained experience in the field.

5.2 (8) Examination of relative grounds

(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?

- 94 The question whether users would prefer OHIM to perform an ex-officio examination of relative grounds for refusal formed part of the Allensbach survey. Nearly one half of proprietors (48 percent) express preference for such a system, whereas only 27 percent would like to keep the current system of examination upon opposition. The figures are particularly high for proprietors with a medium level of OHIM activity (53 percent) and for SMEs (51 percent), whereas highly active proprietors and LSEs were much less attracted by a change of the system (22 percent resp. 35 percent). Geographically, the support for ex-officio examination is highest in the new Member States (61 percent). Remarkably, however, the proposal also found approval in countries with a tradition of examination upon opposition only, like Germany (47 percent) and France (53 percent), with the latter percentage even exceeding that of the UK (51 percent).
- 95 For agents, the picture is different. Only 35 percent would like to switch to ex-officio examination, compared to 55 percent who prefer to keep the system as it is. Not surprisingly, the opinions in favour of change are highest for agents with low OHIM activity (51 percent), and also for agents from the UK (57 percent), followed by agents from newly acceded Member States (49 percent).
- 96 The positive perception of ex-officio examination for earlier rights is probably influenced by the presence of such practices in many national systems, as well as by the expectation that control of conflicting rights could easily, and inexpensively, be exercised by public authorities.
- 97 The Study takes the view that the opinions expressed do not justify a departure from the current approach to earlier rights. The current system – no ex-officio refusal but official search for earlier CTMs and optional search for national marks – is the result of a compromise reached before the CTMR was adopted. It was accepted at the time, and still is accepted now, that OHIM (or for that matter national offices) is ill equipped to evaluate the realities of conflicts between trade marks ex-officio, notably whether these earlier marks are actually in use, the more so as OHIM would have to take into account not only earlier CTMs but also earlier

national marks. Also, the perception prevailed that protecting existing trade marks against “encroachment” by later marks was an obligation of the proprietors of the earlier rights, rather than a public authority.

(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?

- 98 On accelerated procedure, the picture offered by the Allensbach survey is rather clear: neither proprietors (50 percent vs. 32 percent) nor agents (51 percent vs. 40 percent) would welcome the introduction of such a novel feature. The Study does not make any proposals in that direction.

5.2 (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?

- 99 The Allensbach survey shows a clear preference of users for maintaining the present pre-registration system: 55 percent of proprietors and 68 percent of agents are in favour, whereas only 14 percent resp. 19 percent vote for a change. Whereas changes are endorsed more frequently among LSEs and proprietors as well as agents with high OHIM activities, this does not change the overall picture which favours the current system throughout all groups. The Study does not propose any changes.

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

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

- 100 Most stakeholder associations were in favour of attempts to clarify the relationship between well-known and reputation marks, without offering specific views on the outcome of such an endeavour. Based on the jurisprudence of the ECJ as well as on the WIPO Recommendation Concerning Provisions on the Protection of Well-Known Marks (1999), the Study proposes that a mark fulfilling the criteria for extended protection based on reputation should at the same time also be considered as well-known in the meaning of Article 6^{bis} Paris Convention. Such marks should therefore attract protection against likelihood of confusion as well as against unfair use of, and detriment inflicted on, their reputation or distinctive

character, irrespective of whether they are registered or not in the territory where protection is sought.

(c) Appropriate relative grounds

101 ***To what extent have the relative grounds under articles 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?***

102 The question concerning examination of conflicts with non-registered marks and other signs used in trade received the clearest answer among all potential changes addressed in the Allensbach survey: 52 percent of proprietors and 68 percent of agents are in favour of maintaining the present system, whereas only 9 percent of proprietors and 11 percent of agents would prefer examination after registration, i.e. within cancellation proceedings only. Again, the latter figures rise in proportion with the intensity of OHIM activities, but this leaves the overall picture unchanged. The Study therefore does not make any proposal for narrowing the range of prior rights on which an opposition may be based, except that it is proposed to limit the rights that may be invoked to those with a nation-wide scope. The change proposed is not of major impact as it is currently the case that most unregistered rights actually are nation-wide in scope.

(d) Opposition period

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

103 The inclination towards changes is also rather small concerning the proposal to curtail the period for filing an opposition. One fourth (26 percent) of proprietors and agents are in favour of changing to two months, whereas 61 percent of agents and 47 percent of proprietors would like to maintain the present period of 3 three months. Among proprietors, the response is not much influenced by size or level of OHIM activity; however, agents with high OHIM activity endorse the proposal for change by a majority of 50 percent. The Study did not consider this as a sufficient basis for proposing any changes.

5.2 (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?

104 The surveys as well as the opinions submitted have shown general support for the current system, where an appeal must be filed within two months from notification of the contested decision and the appellant disposes of an additional two months for submitting the grounds of the appeal.

105 In view of these results and the clear user approach of this question the Study does not propose to change the current situation.

5.2 (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 the future?

- 106 The Allensbach survey generally reflects a very strong level of satisfaction among those agents and proprietors who are aware of the e-business tools offered by OHIM. This concerns in particular CTM online and e-renewal, where more than 90 percent of the answers express a very/fairly high degree of satisfaction. The lowest rates – which are still above 70 percent - are attained for MYPAGE (proprietors: 76 percent; agents: 72 percent), followed by CTM watch and EUROACE/EURONICE (proprietors: 84 percent resp. 79 percent; agents: 79 percent resp. 81 percent). The level of awareness is very to fairly high among agents, where – with the sole exception of CTM watch – a (strong) majority is aware of the different services offered. Contrary to that, a majority of proprietors is only aware of CTM Online (91 percent), the possibility of e-filing (88 percent), and, to a somewhat lesser extent, OAF (online access to all additional documents contained in a CTM file: 65 percent). For all other e-tools, the level of proprietors' awareness lies below 50 percent, with CTM Watch only being known to 34 percent.
- 107 Regarding future dealings with OHIM, a sizeable minority of proprietors (32 percent) and agents (24 percent) votes in favour of switching to electronic communication only, whereas 45 percent of proprietors and the absolute majority of agents (63 percent) endorse the view that OHIM should continue to develop its e-business tools, but should at the same time maintain traditional forms of communication. Only a small minority of proprietors (8 percent) and agents (7 percent) call for a halt in OHIM's efforts to further develop and expand its e-business tools.
- 108 Similar results were found by the EBTP survey, where a relative majority of 43 percent stated that both electronic and traditional communication media should be used, and an additional portion of 23,5 percent opined that traditional means of communication should be available, but that a higher fee might be charged on the users of such tools.
- 109 Whereas the figures indicate that in general, users are positively inclined towards OHIM's e-tools and will be responsive to further developments, time does not seem to be ripe for cutting off all forms of traditional communications.
- 110 Therefore, the Study takes the view that current traditional methods of communicating with OHIM, and of OHIM communicating with parties to its procedures, such as telefax or mail, should be maintained. OHIM should be encouraged to extend electronic communications beyond the current scope, in addition to the currently preferred methods of communicating by telefax.

5.2 (12) Regime on costs

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

- 111 The current regime on costs is the result of compromise reached at the time of the adoption of the CTM and the CTMIR. A small increase in reimbursable costs was adopted in 2005. The current system takes into account the interests of applicants as well as of proprietors of earlier rights seeking to challenge CTM applications and registrations and any party wishing to obtain invalidation of a CTM on absolute grounds. The costs that are awarded the winning party are “capped” at levels allowing to limit the overall risk of filing a CTM or opposing an application to a reasonable level whereas they make it difficult for parties to recoup the costs they have to pay their professional representatives. For the moment, the Study does not propose any changes.
- 112 Difficulties have been encountered occasionally in collecting cost awards from unwilling or reluctant debtors, even though cost awards are enforceable decisions in all Member States. The Study suggests some amendments to Article 86 CTMR and initiatives to be taken by OHIM, national offices and NGOs to improve the situation.

5.2 (13) OHIM

(a) Role and mission

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

- 113 The primary task of OHIM is and should continue to be administration of the European Union’s trade mark and design system. There are a number of attendant tasks and mandates which should be made explicit, such as harmonizing national practices, furthering cooperation among national offices and with OHIM, including staff exchange, establishing common e-tools, such as common platforms, etc. Many of these tasks are already undertaken by OHIM without any specific legislative mandate.
- 114 As regards tasks or activities which are beyond the administration of trade marks and designs, there is a wide variety of tasks that could be envisaged. For example, administering the register for designations of origin and geographical indications, participating in the fight against counterfeiting and piracy, and many other “harmonization” activities, within and beyond the realm of intellectual property. The Study takes the view that for such additional activities a legislative change would be required.
- 115 The Study does not take a definite position on whether OHIM should actually be entrusted with activities and tasks beyond the field of trade marks and designs. Nevertheless, in view of the widespread nature of counterfeiting, which primarily relates to trade marks (piracy being used to denote copyright infringements), and the competence of OHIM and its staff, and the possibilities of creating additional competences, a role for OHIM in this area should be foreseen. This also applies

for the administration of the European Union's existing systems for registration of designations of origin and geographical indications.

(b) Fees and fee structure

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

117 The fees charged for trade mark activity have been reduced at two occasions, most recently by Commission Regulation 355/2009, by which principally the fees for filing and registration of CTMs were adjusted downward. At an earlier occasion, Commission Regulation 1618/2005 reduced, *inter alia*, the fees for renewal (from € 2500 to € 1500 for three classes). In principle there is agreement that in future an amount of fee income corresponding to 50 percent of the renewal fees should be distributed to the Member States. Other fees have remained unchanged since 1996, which means that in real terms the fees have become lower. Nevertheless, the Office continues to have an overall surplus in its budget, with currently some € 400 Mio being in reserve funds.

118 If one would take the mandate of the Regulation that the OHIM's budget must be balanced literally as meaning that the fee income must not exceed expenses, including a reasonable reserve, reducing the fees further would be mandatory. However, the Study takes the view that the fee income may be higher than expenses plus a reasonable reserve, and may take into account the value of the rights obtained by a CTM registration as well as concerns related to the coexistence of national systems and the CTM system.

119 Among the various fees, the current balance between the principal income-generating fees, namely application and registration fees and renewal fees, appears appropriate. The actual fee level must be set by the Commission in delegated legislation, but needs agreement of the Member States, a process which may take into account various considerations, including the "value" of the right granted by registration.

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

121 The current fee structure has remained substantially unchanged since the beginning of OHIM, except that the application and registration fees have been reduced, as have been the renewal fees, and that some fees have been abolished altogether, such as the fee for recording a transfer. The fees for an opposition, invalidation or revocation, or for an appeal have remained unchanged.

122 The Study takes the view that there is no need to change the overall fee structure, and notably that there is no need to adjust the fees for an opposition, cancellation, or appeal.

123 The Study also takes the view that a separate application and renewal class fee should be payable for each class beyond the first (and not the third as is currently the situation), not for purposes of adjusting any imbalances in the fee structure,

but rather for purposes of reducing unwarranted claims for goods or services not really required by the proprietor of the mark.

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