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European Commission Proposes First Significant Changes to Community Trademark System in over 15 Years

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The European Commission recently issued draft legislation proposing to make the first significant changes to the European Union (“EU”) system of trademark protection since the establishment of the Community Trademark (“CTM”) system in 1998 (the “Commission’s Proposal”). If adopted, the proposed changes will have notable effects for brand owners in the areas of registration and opposition procedures and the fight against counterfeit goods, and will introduce a more flexible structure for registration and renewal fees. Member States will also be required to make changes in their national laws to harmonise procedures among Member States for examination, opposition, and cancellation proceedings.

Current System for Protection of Trademarks in the EU

In the EU, trademarks can be registered either at the national level with the industrial property offices of Member States or at the EU level as a CTM at the EU Agency – Office for Harmonization in the Internal Market (“OHIM”). The CTM system enables the trademark applicant to receive an exclusive right throughout all of the currently 27 EU Member States through a single registration procedure at OHIM. CTM registration is a natural choice for companies with EU-wide activities, whereas national registrations are preferred by smaller, nationally functioning entities.

Acts Subject to Change

The Commission’s proposed revisions to the EU trademark legislation consist of three parts. The first revises the Regulation 207/2009/EC on the European Community Trademark (the “Regulation”). The provisions of the Regulation establish the CTM registration system. The second piece revamps the 1995 regulation on trademark fees payable to the OHIM. The third is a recast of the EU Trademark Directive 2008/95/EC (the “Directive”). Under the Directive, national trademarks are subject to the same conditions and enjoy the same protections when registered at each of the Member States’ industrial property offices.

CTM Regulation Revision

Key areas of the Commission’s Proposal for brand owners are:

1. The proposal removes the requirement for a trademark to have **graphic representability**, replacing it with more flexible criteria as established by the Court of Justice of the EU in the *Sieckmann* case. The proposal will permit registration of sounds and other marks using new technologies. The requirement of graphic representability limits registration to conventional trademarks that are visually perceptible. For new types of trademarks, such as those which are perceived by the other senses (*e.g.*, sounds or smells), representation by other than graphical means allows for more precise identification of the mark.

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2. The one-month period for payment of CTM application fees will be abolished. The Commission's Proposal links the payment obligation to the filing of the application, so that applicants will be required to provide evidence that they have submitted their payment when filing their application.
3. The requirement for priority searches, which are conducted by OHIM and sent to applicants during the registration process, will be abolished. This change will speed up the registration procedure by eliminating the current one-month period between the notice to applicant of search reports and publication of the application. Applicants often had little interest in the results of trademark searches of national offices, and OHIM now offers a publically available search tool, TMView, intended as the platform for data from all 27 EU Member States in addition to the information available from OHIM and World Intellectual Property Organization (WIPO).
4. Any natural person or legal entity will be able to submit "observations" against a newly filed CTM application, explaining why a given trademark should not be registered ex officio. Such entities, unlike those filing oppositions after the publication of an application, will not be parties to the proceedings before the OHIM. The deadline for filing observations will continue to be at the end of the opposition period.
5. Several changes are intended to improve the fight against counterfeit goods. First, trademark owners will be given a broader right to prevent importation of counterfeit goods into the EU, ensuring that a trademark owner can prevent businesses – whether located in the EU or not – from selling counterfeit goods to private consumers, and discouraging the purchase and sale of counterfeit goods over the internet. In addition, the proposal provides owners of CTM registrations with the right to prevent third parties from bringing goods with counterfeit marks into the customs territory of the EU, even if the goods with counterfeit marks are not released into free circulation. This change is intended to address the heavily criticized judgment of the Court of Justice of the EU in *Philips/Nokia*, in which the in-transit movement of non-EU goods was held not to infringe trademark and other intellectual property rights under EU law and the Member States. The proposal aims to fill the gap in protection against counterfeit goods left by *Philips/Nokia*, effectively lowering the burden of proof imposed on rights holders. Finally, the proposal includes a rule allowing proceedings against the distribution of counterfeit labels and packaging that may subsequently be combined with infringing goods.
6. Protection of geographical indications under EU law will be given full effect as an absolute ground for refusal during CTM registration proceedings. Grounds for refusal will be extended to cover protected traditional specialties and wines.
7. As a consequence of the entry into force of the Lisbon Treaty, the terminology of the CTM Regulation is to be modified. This means changing "Community trade mark (CTM)" to "European trade mark (ETM)." Also, the OHIM name will be changed to "European Union Trade Marks and Designs Agency (EUTMDA)."

The proposed CTM Regulation will be transmitted to the European Parliament and the Council for adoption under the co-decision procedure. Most amendments of the CTM Regulation, if accepted, will become effective when it enters into force, most likely in mid-2014.

Commission Regulation Pertaining to OHIM Fees Also Subject to Change

Currently trademark applicants are asked to pay an application fee of 900 euro, which can be extended to three classes of goods and services. Under the proposed new structure, a one-class-per-fee system

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will apply, where a separate class fee is paid for each additional good or service class beyond the first. The new system will provide applicants with considerably more flexibility.

The basic official fee for CTM registration will be 775 euro for one class, 825 euro for two classes and 900 euro for three classes (plus 150 euro for the fourth and subsequent classes). Renewal fees will also be decreased, starting from 1000 euro for renewal in one class, 1100 euro for two classes and 1250 euro for three classes. The amendments to the Fees Regulation are expected to be adopted before the end of 2013.

Recast of the EU Trademark Directive

Proposed changes under the Directive will have a significant impact on certain national systems relating to: (i) establishment of administrative opposition or cancellation procedures in those EU Member States where such administrative procedures do not yet exist, and such cases are currently heard by civil courts, (ii) restriction of *ex officio* examination to absolute grounds in the EU Member States where relative examination is still conducted, and (iii) the introduction of a one-class-per-fee system.

The chart below reflects the current differences in these procedures among EU Member States and OHIM:

Issue	Yes	No
Availability of administrative opposition procedure	Austria, Benelux, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Latvia, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, OHIM	Malta
Availability of administrative cancellation procedure	Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Germany, Greece, Hungary, Ireland, Italy, Poland, Portugal, Slovakia, UK, OHIM	Benelux, Estonia, Spain, Finland, France, Lithuania, Latvia, Malta, Romania, Slovenia, Sweden
<i>Ex officio</i> examination of relative grounds during the process of registration	Cyprus, Czech Republic, Estonia, Finland, Greece, Ireland, Malta, Poland, Portugal, Slovakia, Sweden	Austria, Benelux, Bulgaria, Denmark, France, Germany, Hungary, Italy, Lithuania, Latvia, Romania, Slovenia, Spain, UK, OHIM
Existence of the one-class-per-fee system	Cyprus, Estonia, Greece, Ireland, Italy, Lithuania, Latvia, Malta, Portugal, Romania, Sweden, Spain, UK	Austria, Benelux, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Poland, Slovakia, Slovenia, OHIM

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The legislative proposals of the Directive will be transmitted to the European Parliament and the Council for adoption under the co-decision procedure. This proposal is due to be adopted by the Spring of 2014. Then all EU Member States will have two years to transpose the new rules of the Directive into their national laws.

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