

The EU Trademark reform package

SUMMARY

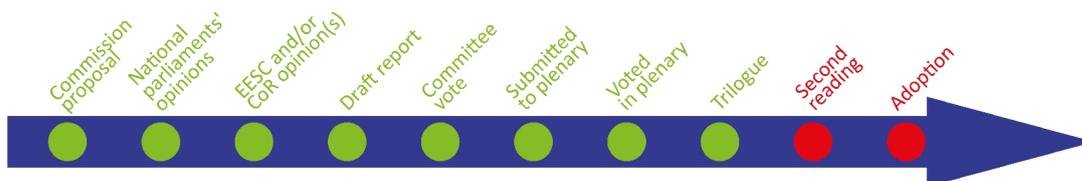
The Commission, the Council and the European Parliament (EP) have reached a second-reading agreement on the trademark reform package. Following the Legal Affairs Committee reports adopted on 3 December 2015, the EP plenary is set to approve the amended legislation and the renaming of the Office for Harmonization in the Internal Market (OHIM) as 'European Union Intellectual Property Office'.

In March 2013, the Commission presented a package of proposals for amending the Trademark Regulation and the Trademark Directive as well as for adjusting the fees payable to OHIM. The Commission's main objective in proposing this reform was to make the EU trademark system more accessible, efficient and less costly for business.

The new legislation specifically aims at simplifying, accelerating and harmonising trademark application procedures; at increasing legal certainty by clarifying some provisions; at ensuring better coordination between the EU trademark agency and national offices for the purpose of promoting convergence of practices and common tools; at putting the legislation into line with the Lisbon Treaty; and at updating the governance rules of the EU trademark agency.

Proposal for a Regulation of the European Parliament and of the Council of 27 March 2013 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Proposal for a Directive of the European Parliament and of the Council of 27 March 2013 to approximate the laws of the Member States relating to trade marks (Recast)

<i>Committee responsible:</i>	Legal Affairs (JURI)	COM(2013) 161 final and
<i>Rapporteur:</i>	Cecilia Wikström (ALDE, Sweden)	COM (2013) 162 final of 27.3.2013
<i>Next steps expected:</i>	Second reading in plenary	<i>procedure ref.:</i> 2013/0088(COD) and 2013/0089(COD) Ordinary legislative procedure



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Introduction

In March 2013 the Commission presented a reform package, including proposals for amending the **Trademark Directive** [codified](#) in 2008 and the **Trademark Regulation** [codified](#) in 2009, as well as for repealing the [Commission Regulation](#) on the fees payable to the Office for Harmonization in the Internal Market (OHIM). The Commission's main aim in proposing this reform was to make the EU trademark system more accessible, efficient and less costly for business.

Context

Trade marks' main role is to guarantee the origin of goods or services. Trade marks ensure market transparency and protect both consumers, who know precisely which products they are buying, as well as companies, which can better avoid consumers confusing goods or services offered under their brand with other products due to misleading practices from competitors. Trade marks are also increasingly used by companies for providing marketing messages to consumers via their brands. The current legal framework for trade marks in the EU is based on the coexistence of national trademark systems and unitary Community Trademark legislation, as interpreted by the Court of Justice (CJEU).¹

Existing situation

The purpose of the Trademark Directive was to harmonise conditions of national trademark protection. However, under the current legislation, approximation of national laws is limited to those national provisions of law which most directly affect the functioning of the internal market (e.g. identification of those signs which can be subject to trademark protection, grounds for refusal or invalidity). Issues of procedural law are left to the Member States who therefore remain, for instance, free to fix the provisions of procedure concerning the registration and the revocation and the invalidity of trade marks acquired by registration.

Furthermore, the Office for Harmonization in the Internal Market (OHIM) was set up to be responsible for registering and administering the Community Trademark (CTM) conferring protection in all Member States. The Trademark Regulation lays down applicable substantive rules (definition of trade mark, grounds for refusal of registration, scope of protection) and also procedural rules (registration, renewal, revocation, declaration of invalidity, as well as appeal proceedings). Detailed procedural rules are laid down in an [implementing regulation](#) (1995), a [regulation](#) on OHIM's rules of procedure (1996) and a [regulation](#) on [fees](#) payable to OHIM (1995).

After 20 years of implementation, the European Commission decided to assess the overall functioning of this dual trademark system. In 2011, a [study](#) by the Max Planck Institute for Intellectual Property and Competition Law, ordered by the Commission, concluded that the harmonisation of the main substantive provisions of national trademark law and their interpretation by the Court of Justice had considerably reduced

the risk that trade marks filed in different Member States are assessed differently from jurisdiction to jurisdiction. However, the study also called for more harmonisation, inter alia by expanding the scope of the Trademark Directive and by making its optional provisions mandatory. Furthermore, the study emphasised the need for more coordination between OHIM and the national trademark offices. Other [scholars](#) have also been very critical of the CJEU rulings which expanded trademark rights to include exploitation rights without sufficient policy reasons, thereby limiting the use of trade marks for instance for purposes of parody.²

The changes the proposal would bring

With the new trademark reform package, the Commission's objective was not to end the dual system in place but to propose a targeted modernisation of existing legislation.

Adapting EU trademark terminology to the Lisbon Treaty

The agency set up in 1994 was named '*Office for Harmonization in the Internal Market*'. The name was dictated by the fact that, because of the lack of an explicit legal basis in the Treaties for the creation of unitary pan-European intellectual property titles, the first Trademark Directive was adopted with the sole aim of harmonising national trademark legislation. However, [Article 118\(1\)](#) TFEU, introduced by the Lisbon Treaty, now provides a [legal basis](#) allowing for the creation of a unitary pan-European title and registration system. Therefore, the Commission proposed to adapt the terminology to the Lisbon Treaty, which entails the replacement of '*Community trade mark*' by '*European Union trade mark*' and changing the name of the '*Office for Harmonization in the Internal Market*'.

Further harmonising substantive and procedural trade mark rules

The proposal aims at significantly increasing the extent of harmonisation of national trademark laws. The new legislation would facilitate the registration of a new type of trade mark by removing the traditional requirement that a trade mark should be represented graphically, as this creates some legal uncertainty for the registration of non-traditional marks which cannot easily be depicted. Common substantive and procedural rules will be introduced concerning, inter alia, the registration of certification marks at EU level, the admissibility of trademark protection (i.e. for comparative advertising), the fight against counterfeit goods in transit in the EU, trademark clearance as well as trademark application and revocation (e.g. grounds for refusal, filing date, classification of goods and services).

Enhancing cooperation between offices and changing the registration fees structure

The implementation of the dual trademark system has shown that ensuring the coexistence and complementarity between national and EU trademark registration systems requires greater cooperation between the EU agency and the national offices. To that end, the new legislation identifies the main areas for cooperation (e.g. development of common search tools and databases) and provides a legal basis to better organise cooperation between the agency and the Member States. It further amends the European agency governance rules and sets up a funding mechanism enabling the agency to finance those common projects.

Finally, trademark registration fees will undergo significant changes as a result of the new legislation. A more flexible and tailor-made fee structure will be established for European Union trademarks, in order to better meet the needs of users (in particular of the SMEs) and reduce the fees payable to the EU agency.

Preparation of the proposal

The Commission trademark reform package was based on the [Study on the Overall Functioning of the European Trade Mark System: Background, Findings, Proposals](#), prepared by the Max Planck Institute for Intellectual Property and Competition Law. According to the [impact assessment accompanying the proposal](#), the main problems of the existing regulation were the heterogeneity of the business environment in the trademark field, the lack of procedural aspects in the Trademark Directive, the optional character of some provisions of that Directive and the insufficient level of cooperation between national trademark offices.

Advisory committees

The [European Economic and Social Committee](#) largely supported the reform proposed by the Commission in its opinion. The [European Data Protection Supervisor](#) issued several recommendations to better guarantee individuals' right to privacy and data protection in the processing operations included in the two proposals.

Parliamentary advice

Parliament's Impact Assessment Unit made an [initial appraisal](#) of the Commission's impact assessment in July 2013, noting that it is consistent with the proposal package. In September 2013, the EPRS published a briefing on [Trademark law in the European Union: Current legal framework and proposals for reform](#).

Legislative process

Parliament: First reading

In January 2014 the Legal Affairs Committee (rapporteur: Cecilia Wikström, ALDE, Sweden) adopted two reports on the draft [Regulation](#) and the draft [Directive](#), recommending some amendments to the proposed trademark legislative package. Amendments were proposed, inter alia, to ensure freedom of expression, modify rules on counterfeit goods in transit in the EU, change the terminology used to designate the trademark agency, and tighten the rules on the cooperation between national and EU trademark bodies and the rules on the registration fees.

The EP plenary endorsed both JURI reports by a large majority and adopted its positions on the [draft regulation](#) and on the [draft directive](#) in first reading on 25 February 2014 including several amendments to the Commission's proposal.

Adapting the EU trademark terminology to the Lisbon Treaty

While the EP agreed with the Commission with the replacement of *Community trade mark* by *European Union trade mark*, the EP voted to use the name **European Union Intellectual Property Agency** instead of *European Union Trade Marks and Designs Agency* as proposed by the Commission. The EP thereby took the view that the name of the institution in charge of the EU trademark system should not only reflect the aspect of harmonisation of the internal market but should also reflect the broader tasks the EU agency already had, or could in the future be granted, in the field of intellectual property (for instance, the orphan works register and registration of geographical indicators).

Harmonisation of substantive and procedural rules

The Commission proposal did not address trademark-related concerns regarding the **freedom of expression**. In contrast, the EP called for an explicit derogation from trademark protection in order to allow the use of trade marks by third parties for

purposes of parody, artistic expression, criticism or comment. Similarly, the EP considered that the trademark proprietor should not be entitled to prohibit certain **uses in a commercial context** (e.g. comparative advertising, concerning resale of goods already sold by or with the content of the proprietor).

Some of the CJEU's decisions – especially the [L'Oréal case](#) (2009) – have met with criticism from academics³ who believe they curtail freedom of expression, both non-commercial (e.g. parody or critique of a trademark) and commercial (e.g. using comparison in marketing).

The EP also made several amendments to the Commission's draft proposals regarding **harmonisation of trademark registration**. In particular, it proposed to stipulate that the representation of a sign can be in any form so long as it uses generally available technology. It also wanted to include spirit drinks – listed in [Regulation \(EC\) No 110/2008](#) on geographical indications – as ineligible for registration. Furthermore, the EP called for the rules allowing trademark owners to prevent imports of **goods in transit** in the EU to be balanced with the interests of consumers.⁴

Furthermore, the EP made some amendments to the EU trademark **governance rules** and the proposed framework of **cooperation** between the European agency and Member States' offices. In particular, the EP asked for the involvement of representatives of the EP in the management board and in the appointment of the agency's executive director. Finally, the EP proposed the creation of a **mediation and arbitration centre** to help parties to resolve disputes independently of the trademark offices' decision-making process.

With regard to the **fees structure** which is an important element of the EU trademark system, the EP called for these to be directly regulated in the regulation and not by means of delegated acts.

Compromise between Council and Parliament

Within the Council, a common position was agreed by Member States in July 2014 following lengthy negotiations. After a number of informal trilogues, the Council endorsed most of the European Parliament's proposed amendments. The [Commission](#) supported the compromise reached, and on this basis, the Council adopted its [position](#) in first reading on the 12 November 2015. The main points of the compromise text include:

Adapting the EU trademark terminology to the Lisbon Treaty

The Council agreed with the Parliament on the adaptation of terminology to the requirements of the Lisbon Treaty, and in particular with changing the terms *Community trade mark* with *European Union trade mark* and with re-naming the *Office for Harmonization in the Internal Market* (OHIM) to *European Union Intellectual Property Office* (Office).

The compromise however arguably introduces some confusion with regard to the legal terminology used. The Commission regrets in its Communication [COM\(2015\) 0589](#) that the new name 'European Union Intellectual Property Office' does not represent the actual core activity and does not adequately reflect the fact that the 'Office' is legally an 'agency' of the EU. Also, this may raise risks of misunderstandings from the applicants since the Office has not been granted responsibility for all forms of intellectual property but will coexist with other institutions dealing with different IP rights such as the [European Patent Office](#).

Definition of trademark

The definition of a trademark has been expanded so that a sign can be represented in 'any appropriate form using generally available technology as long as the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective'. This will make it easier to register non-traditional marks, such as holograms. Grounds for refusal of trademark registration have been extended to cover designations of origin, geographical indications, traditional terms for wine, traditional specialities guaranteed and plant variety rights. Also, European Union trademark protection has been extended to cover the use of the mark in trade or company names.

Use of a trademark for commercial and non-commercial purposes

The Council opposed the EP's wish to create an exception to trademark protection when a third party uses the trade mark for certain non-commercial (such as for parody, artistic expression, criticism or comment) or commercial purposes (i.e. using the sign in comparative advertising or to draw consumers attention to resale of genuine goods). However, some clarifying language has been added in the preamble to safeguard the use of a trade mark by third parties for the purpose of artistic expression, which 'should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters', and to recall that the new legislation 'should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression'. With regard to use in comparative advertising, the text now clarifies that use of a mark in comparative advertisement is permitted provided it complies with the [EU Comparative Advertising Directive](#) (2006/114/EC).

Good in transit

With respect to goods in transit, the compromise text strikes a balance between the need to ensure effective enforcement of trademark rights and the necessity to provide safeguards in order not to unduly hamper the free flow of goods. The trade mark's owner therefore has the right to prevent third parties from bringing from third countries goods looking very similar to goods protected by an EU trade mark unless it is proved that the goods at stake can lawfully be introduced in the country of final destination (without prejudice to applicable international rules such as the World Trade Organization's rules on generic medicines).

Application for a European Union trademark

Furthermore, the possibility to file an application for a European Union trademark via the central offices of Member States has been abolished, and several technical provisions streamlined (e.g. concerning searches, publication of the application, and observations by third parties). National offices are asked to implement quick and efficient administrative procedures in cases of forfeiture or nullity of a trademark.

Governance of the European agency and cooperation between offices

With regard to the governance of the European agency, the Council agreed in particular that a representative of the EP should be included in the management board. The Council also agreed with the Parliament on providing a legal framework for cooperation between the Office and national offices to promote convergence of trademark practices and tools. The tasks of the Office are now defined in a comprehensive manner and the necessary legal basis for the Office to establish a Mediation Centre which could be used by any person for friendly settlement of disputes relating to EU trade marks and Community designs will be enshrined in EU law. As regards the new cooperation

framework between national intellectual property offices and the EU agency, the Council accepted to make this cooperation mandatory, giving, however, national offices the possibility to opt out in certain circumstances.

Fees

The Council agreed with Parliament on a new structure setting out a lower level of fees for applications for trademarks and renewals. The main features of the new fees structure is that it will be fixed directly in Regulation (EC) No 207/2009 in the form of an annex.

Significant reductions in fee levels are expected. According to the [European Commission](#), the agreed changes will lead to **savings of up to 37%, for businesses** that seek protection of their registered European Union trademarks.

Legal Affairs Committee's position on early second reading

On 3 December 2015, despite the co-legislators failed to agree on several points (e.g. the new procedure to select and appoint the director of OHIM) and concerns raised by the Commission related to budgetary aspects, the EP Legal Affairs Committee approved the Council's position at first reading without amendments. The trademark package is now due to be voted in plenary on 15 December 2015.

Stakeholders' views

Academic opinion

Scholars generally welcomed the trademark reform. For **Rebecca Wong** the proposed package rightly [addresses](#) some of the recommendations on trademarks made by the Max Planck study. She stressed that addressing the differences between national trade mark offices and OHIM is a good start in simplifying the trademark process. Furthermore, the clarifications on graphic representation in the context of non-traditional marks would increase certainty for trademark applicants, and open the door for an increase in the number of applications in this area.

Other scholars find the reform does not go far enough. **Annette Kur** [argues](#) that a more harmonised approach would have been desirable. She stresses in particular that use of trade marks for other purposes than to distinguish goods and services should not remain subject to different approaches in the EU (e.g. national regulations on unfair competition still differ), and that harmonisation of national laws with regard to protection of trade names is also needed.

Association' views

In a [joint letter](#) to the co-legislators, the main trademark associations, including the the **International Trademark Association (INTA)**, the **European Brands Association (AIM)**, and the **Association of European Trade Mark Owners (MARQUES)** strongly supported the compromise. They recommend however the co-legislators to, inter alia, provide Member States with the appropriate tools within the framework of the Customs Regulation, to properly fight against counterfeit transit goods, to fully associate trademark users with implementation of the legislation and to dedicate the current OHMI budget surplus (circa €500 million) to trademark-related activities.

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R. Wong, '[Legislative Comment EU Trade Mark Regulation 2014](#)', *Comms. L.* 2014, 19(2), 56-62.

Endnotes

¹ See A. Kur, 'Harmonisation of Intellectual Property Law in Europe: The ECJ Trade Mark Case Law 2008-2012', *Common Market Law Review* vol. 50 (2013), pp. 773-804.

² For an overview of the debate on the CJEU case law in trade mark, see R. Mańko, [Trademark law in the European Union Current legal framework and proposals for reform](#), EPRS briefing, 2013.

³ See J. Box, 'Trade mark law and the threat to free speech', *Intellectual Property Quarterly*, 2012, 4, pp. 289-310.

⁴ Based on the 2011 ECJE ruling in *Philips v. Nokia* ([Cases C-446 and 495/09](#)), European customs can check counterfeit goods transiting through the EU but only stop them if there is a risk of these goods entering the single market. This approach has been [criticised](#) since customs are in practice not able to fight against counterfeit goods transiting through the EU. The new legislation will allow customs to stop trademarked counterfeit goods even if destined for a country outside the EU.

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