

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks'

COM(2013) 162 final — 2013/0089 (COD)

(2013/C 327/09)

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On 15 and 16 April 2013 respectively the Council and the European Parliament decided to consult the European Economic and Social Committee, under Article 114 of the Treaty on the Functioning of the European Union, on the

Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast)

COM(2013) 162 final — 2013/0089 (COD).

On 16 April 2013, the Bureau instructed the Section for the Single Market, Production and Consumption to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Hernández Bataller as rapporteur-general at its 491st plenary session, held on 10 and 11 July 2013 (meeting of 11 July 2013), and adopted the following opinion by 116 votes, with 2 abstentions.

1. Conclusions and recommendations

1.1 In view of the unquestionable economic value of trade marks and their positive effect on the functioning of the internal market, the current supranational legislative framework for their protection is manifestly inadequate. Nevertheless, the Proposal for a Directive is an improvement on the current situation, which is characterised by regulatory differences between the EU and national frameworks.

1.2 As a consequence, the EESC advocates strengthening the intellectual property rights inherent in the legitimate use of trade marks, supports, as far as possible, the EU registration of trade marks, and urges the Commission to support the Office for Harmonisation in the Internal Market (OHIM) in carrying out its oversight functions in relation to these rights.

1.3 In this regard, EU law confers on the proprietor of a trade mark both its exclusive use for profit-making purposes ("ius utendi"), and the possibility of preventing its use from being undermined by the actions of third parties through imitation or improper appropriation of their distinguishing marks ("ius prohibendi"). The EESC calls for preventative and compensation measures to tackle piracy, which undermines the competitiveness of European businesses.

1.4 However, the EU legislation in force does not precisely state the conditions in which the proprietor of a trade mark can take the relevant action to prevent that use.

1.5 In general, the entire process should complete the alignment of trade mark laws within the next few years,

culminating in the adoption of an EU trade mark rulebook, which should establish, inter alia, the creation of a flexible, uniform and cost-effective procedure giving interested parties the option to register trade marks on a voluntary basis and putting an end to current differences in the law.

1.6 The EESC should play an active role in the legislative process for adopting all legislation on intellectual property. It therefore regrets that it was not consulted on the proposal to amend the Regulation on the Community trade mark.

1.7 The EESC hopes that, in the future, there will be a system that ensures the uniform protection of trade marks for businesses and consumers.

2. Introduction

2.1 At international level, the law on trade marks is governed by the Convention for the Protection of Industrial Property signed in Paris on 20 March 1883, as last revised at Stockholm on 14 July 1967 and amended on 28 September 1979 ⁽¹⁾ (hereinafter the 'Paris Convention').

2.2 Under Article 19 of the Paris Convention, the States to which it applies reserve the right to make separately between themselves special agreements for the protection of industrial property.

⁽¹⁾ United Nations Treaty Series, Vol. 828, No 11851.

2.3 That provision served as a basis for the adoption of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, concluded at the Nice Diplomatic Conference on 15 June 1957, last revised in Geneva on 13 May 1977 and amended on 28 September 1979 ⁽²⁾. The Nice Classification is revised every five years by a committee of experts.

2.4 According to the database of the World Intellectual Property Organisation (WIPO), of the Member States of the European Union, only the Republic of Malta and the Republic of Cyprus are not party to the Nice Agreement, but nevertheless use the Nice Classification.

2.5 Trade mark protection is, quintessentially, territorial. That is because a trade mark is a property right that protects a sign in a defined territory.

2.5.1 In the Union's primary law, Article 17-2 of the European Charter of Fundamental Rights provides for the protection of intellectual property.

2.5.2 Furthermore, Article 118 of the TFEU states that, in the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.

2.6 Within the European Union, national and Community trade mark protection co-exist. A proprietor of a national trade mark can exercise the rights associated with that mark within the territory of the Member State under whose national law the mark is protected. A proprietor of a Community trade mark can do the same within the territory of the 28 Member States because the mark is effective throughout that territory.

2.7 The laws of the Member States relating to trade marks were partially harmonised by Council Directive 89/104/EEC of 21 December 1988, subsequently codified as Directive 2008/95/EC.

2.8 Alongside and linked to the national trade mark systems, Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, codified as Regulation (EC) No 207/2009, established a stand-alone system for the registration of unitary rights having equal effect throughout the EU. In that context the Office for Harmonization in the Internal Market (OHIM) was set up to be responsible for registering and administering Community trade marks.

2.9 Over recent years, the Commission has launched public debates on intellectual property, with the participation of the EESC, and in 2011 announced a review of the European trade

marks system, with a view to modernising it, both at EU and at national level, making it more effective, efficient and consistent as a whole.

2.10 In its Resolution on a comprehensive European anti-counterfeiting and anti-piracy plan, the Council called for a review of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights ⁽³⁾. The EESC hopes that improvements will be made to the legal framework to strengthen the protection of intellectual property rights by the customs authorities and to ensure adequate legal certainty.

2.11 The European trade marks system is based on the principle of coexistence and complementarity between Union and national trade mark protection.

2.12 While the Regulation on the European trade mark provides a comprehensive system in which all issues of substantive and procedural law are provided for, the Directive is limited to selected provisions of substantive law only, and the proposal therefore intends substantive rules to be essentially similar and procedural provisions at least to be compatible.

2.13 The objective of the proposal is to foster innovation and economic growth by making trade mark registration systems all over the EU more accessible and efficient for businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security.

2.14 This initiative to recast the Directive is driven by the following objectives:

- modernising and improving the existing provisions of the Directive, by amending outdated provisions, increasing legal certainty and clarifying trade mark rights in terms of their scope and limitations;
- achieving greater approximation of national trade mark laws and procedures with the aim of making them more consistent with the Community trade mark system, by:
 - a) adding further substantive rules;
 - b) introducing principal procedural rules into the Directive in accordance with provisions contained in the Regulation, including those where existing differences create major problems from the users' perspective, and where such alignments are deemed indispensable for creating a harmonious, complementary system of trade mark protection in Europe;
 - c) facilitating cooperation between the offices of the Member States and OHIM for the purpose of promoting convergence of practices and the development of common tools, by putting in place a legal basis for this cooperation.

⁽²⁾ United Nations Treaty Series, Vol. 818, No I-11849.

⁽³⁾ OJ L 196, 2.8.2003, p. 7.

2.15 On the one hand, the proposal for a Directive modernises and improves the existing provisions in relation to:

- defining the trade mark while leaving the door open to register matter that can be represented by technological means offering satisfactory guarantees;
- the rights conferred by a trade mark, provided for in Articles 10 and 11, on rights conferred without prejudice to prior rights; cases of double identity; use as a trade or company name; use in comparative advertising; consignments from commercial suppliers; goods brought into the customs territory, preparatory acts and limitation of the effects of a trade mark.

2.16 On the other hand, the proposal intends to achieve greater approximation of substantive law, through the protection of geographical indications and traditional terms; the protection of trade marks with reputation; stressing trade marks as objects of property, since they may be subject to transfers of right in rem, and the regulation of collective marks.

2.17 With regard to the alignment of principal procedural rules, it deals with designation and classification of goods and services; ex officio examination; fees; the opposition procedure; non use as defence in opposition proceedings; procedure for revocation or declaration of invalidity, and non use as defence in proceedings seeking a declaration of invalidity.

2.18 The proposal also intends to facilitate cooperation between offices. As a complement to the legal framework for cooperation proposed in the context of the review of the Regulation, Article 52 provides a legal basis to facilitate cooperation between OHIM and the intellectual property offices of the Member States.

3. General comments

3.1 The EESC welcomes the European Commission's Proposal for a Directive, which is particularly timely in a global economic context which is highly competitive and at a time of economic slowdown in Europe.

3.1.1 The trade mark contributes, on the one hand, to creating business value and customer loyalty, whilst, on the other, protecting consumers.

3.1.2 The latter is very important here, for various reasons:

- firstly, because the protection of trade marks reduces search costs for consumers;
- secondly, because it guarantees them a consistent level of quality, obliging the producer to take care over the content of the product or service;
- thirdly, because it requires investment in improvement and innovation which increases the commercial confidence of consumers.

3.2 The Proposal for a Directive will very significantly improve the current legal framework in the legislations of the Member States, in three regards:

- simplifying systems for the registration of trade marks throughout the EU, with the resulting lower costs and faster procedures;
- the legal security resulting from greater complementarity between internal and supranational rules in this area, and from the coordination between competent authorities; and, finally;
- increasing levels of intellectual property protection, mainly by means of the clarification of the system for goods in transit, the inclusion of new criteria for registration, such as sound marks, and certain specifications on the protection of geographical indications and on non-EU languages, etc.

3.3 It also includes, in light of economic, commercial and legal developments, significant innovations, such as the definition of a trade mark, permitting representation by other than graphical means, permitting a more precise identification of the mark, and leaving the door open to register matter that can be represented by technological means offering satisfactory guarantees.

3.4 We welcome the intention to achieve greater approximation of substantive law, such as adding the protection of geographical indications and traditional terms, the protection of trade marks with reputation and the treatment of trade marks as objects of property, such as transfers or right in rem, and vital aspects of the commercial exploitation of trade marks. The Proposal for a Directive's inclusion of collective marks and guarantee marks will be very important for businesses and consumers.

3.5 Finally, the EESC welcomes the alignment of the principal procedural rules since this would establish common rules for the designation and classification of goods and services, in line with the principles established by the Court of Justice, and ex officio examination and the opposition procedure and the procedure for revocation or declaration of invalidity.

3.6 Furthermore, the Committee welcomes the fact that the procedure for drawing up the Proposal for a Directive has taken place with a high degree of publicity and with the participation of the relevant sectors of civil society.

3.7 However, the Committee has certain objections to the object and content of the proposal, without prejudice to the proposed amendment of Regulation (EC) No 207/2009, which established a stand-alone system for the registration of unitary rights, and which makes up a legislative package with the Proposal for a Directive.

3.8 In this context, the EESC wishes to express its surprise that the proposal to amend the abovementioned Regulation on the Community trade mark (COM(2013) 161 final of 27.3.2013) was not submitted to it for its advisory opinion.

3.9 Since this matter has a direct impact on the functioning of the internal market (Article 118 TFEU) and affects the level of consumer protection (Article 169 TFEU), a contextual and consistent interpretation of the provisions of the Treaties, which explicitly grants the EESC a consultative role in these areas, requires the mandatory participation of the EESC in the legislative process for adopting this act.

3.10 In this regard, EU law confers on the proprietor of a trade mark both its exclusive use for profit-making purposes ("*ius utendi*"), and the possibility of preventing its use from being undermined by the actions of third parties through imitation or improper appropriation of their distinguishing marks ("*ius prohibendi*"), Article 9 of Regulation (EC) No 207/2009.

3.11 However, the EU legislation in force does not precisely state the conditions in which the proprietor of a trade mark can take the relevant action to prevent that use.

3.11.1 Although the Proposal for a Directive significantly increases the number of situations in which the proprietor of the trade mark can prohibit its use by third parties (Article 10), establishing a new provision in this regard, i.e. infringement of the rights of the proprietor by use of get-up, packaging or other means (Article 11), or the improper use of a trade mark registered in the name of an agent or representative (Article 13), it falls to the court to determine the precise scope of the law in the event that the proprietor launches judicial proceedings.

3.11.2 It will therefore be for each judicial body to establish whether or not there is a risk of confusion or improper appropriation of the protected mark by a third party, and in the event that there is, also to determine the compensation for the proprietor in accordance with the action brought.

3.11.3 Consequently, the proposal does not offer uniform protection for the rights of proprietors to use their trade marks or for consumers, when they are affected by the inappropriate or fraudulent use of a commercial trade mark.

3.12 The complementarity between the supranational and national protection systems for the rights of trade mark proprietors therefore implies a clear risk in terms of whether this protection is as efficient and expeditious as possible, in line with the proposal's objectives.

3.12.1 Thus, for instance, there is no guarantee that internal differences resulting from the incorrect transposal of the provisions of Directive 2004/48/EC (on the enforcement of intellectual property rights) concerning protection measures will ensure:

- an end to the infringement, including the possibility of destroying the goods or the means of production or the application of fines;
- compensation for any harm or prejudice or the possibility of publishing the relevant judgment.

3.12.2 This legal uncertainty will be aggravated if the rights of a trade mark proprietor are infringed in a number of Member States.

3.13 This is compounded by the fact that the proposal sets out a number of provisions that make protection more complex.

3.13.1 Thus, for example, the third paragraph of Article 4 (grounds for refusal or invalidity), establishes that a "trade mark shall be liable to be declared invalid where the application for registration of the trade mark was made in bad faith by the applicant" and that "any Member State may also provide that such a trade mark shall not be registered".

3.14 Since according to the OHIM, absence of intent to use is not a ground for establishing bad faith, what authority will establish uniform criteria to enable the relevant assessors to determine whether there are other indications of bad faith?

3.15 This gap in the laws is paradoxical if compared with the new provision of Article 10(5) of the proposal, which entitles the proprietors of registered trade marks to prevent all third parties from bringing goods into the customs territory of the Union without being released for free circulation there. As a result, this proposal is not in line with the current case-law of the Court of Justice on goods in transit (Joined cases C-446/09 and C-495/09, Philips and Nokia), and any presumption or proof of good faith on the part of third parties is invalid⁽⁴⁾.

⁽⁴⁾ According to the Article 10(5) of the proposal: "The proprietor of a registered trade mark shall also be entitled to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Member State where the trade mark is registered without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trade mark which is identical to the trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark." In short, it is a matter of establishing a decisive mechanism to tackle the counterfeiting of goods produced outside the EU and preventing the interested parties from exploiting the legal fiction that goods in transit do not enter the customs territory of the EU.

3.16 On the other hand, the prevention and prosecution of these types of illegal commercial practices would undoubtedly be strengthened if the Proposal for a Directive established a specific legal basis authorising the European Commission to step up its action through cooperation with authorities in third countries where these business practices are widespread and systematic.

3.17 There are also shortcomings in the provisions of Article 45(1) of the proposal, which generally foresees that Member States shall provide for an efficient and expeditious administrative procedure before their offices for opposing the registration of a trade mark application on the grounds provided for in Article 5. There need to be more concrete provisions on the nature of this procedure and to legally establish the reasonable timeframe within which the relevant national authorities can take action, in line with Article 41(1) of the EU Charter of Fundamental Rights (right to good administration).

3.18 Similarly, the efficiency and predictability inherent in supranational protection of the rights of trade mark proprietors necessitates a revision of the content of other provisions of the proposal, such as Articles 44 and 52. With regard to Article 44, which establishes that the registration and renewal of a trade mark shall be subject to an additional fee (generic) for each class

of goods and services beyond the first class, a maximum rate needs to be established for these fees.

3.19 With regard to Article 52, which provides for cooperation between the Member States and the OHIM in order to promote convergence of practices and tools and achieve coherent results in the examination and registration of trade marks, a specific provision needs to be established, in compliance with Article 291 TFEU, granting the Commission implementing powers to adopt a binding "code of conduct".

3.20 Administrative cooperation between the OHIM and the national offices should be regarded as a matter of common interest, in line with Article 197 TFEU. It would be particularly worthwhile, in this context, to exchange information and staff and to promote training programmes, establishing a public budget for this purpose.

3.21 In general, the entire process should complete the alignment of trade mark laws within the next few years, culminating in the adoption of an EU trade mark rulebook, which should establish, inter alia, the creation of a flexible, uniform and cost-effective procedure giving interested parties the option to register trade marks on a voluntary basis and putting an end to current differences in the law.

Brussels, 11 July 2013.

The President
of the European Economic and Social Committee
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