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EU trade mark law reform

BACKGROUND

Reform of EU trade mark law has been in discussion for some years following a consultation of the trade mark profession and review of the functioning of the trade mark system in the EU by the Max Planck Institute (“MPI”). The MPI published its report in 2011 and various iterations of a new CTMR and TMD have been issued since then.

These are now in almost final form and it is expected that the EU Parliament will vote on the reforms in September 2015 and the EUTMR will be implemented shortly afterwards; probably within the first 6 months of 2016. Member States will have a period of 3 years in which to implement most of the provisions of the new TMD into national law¹.

PURPOSE

The main objective of this overhaul of EU trade mark law 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”. There is a need to modernise the trade mark registration system to make it more streamlined, consistent, user friendly, publicly accessible, up to date and adapted to the Internet era.

TERMINOLOGY

References to the Community are replaced by European Union, so Community trade marks, or CTMs, will now be known as European Union Trade Marks, so we will have to get used to referring to them as EUTMs instead.

OHIM (which stood for the Office for Harmonization in the Internal Market) also gets a name change to the more intuitive European Union Intellectual Property

Office or EUIPO. We refer to the new Regulation on EUTMs as the EUTMR throughout.

KEY CHANGES TO EU TRADE MARK LAW

We set out below the changes to the existing CTMR and TMD which are likely to be of most interest to brand owners, although these are not exhaustive. We do not comment specifically on elements of the Directive which are already incorporated into UK law but which are now mandatory for other Member States, such as providing an administrative procedure for cancellation proceedings where these have previously been available only through the Courts, and providing for protection of trade marks at national level for trade marks with a reputation in the Member State concerned.

¹ Member States will have 7 years in which to implement Article 47 of the new TMD
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Non Traditional Marks

- **Revision to requirement for graphic representation²** - The requirement for trade mark applicants to file a graphic representation of the mark has been abolished and replaced with a requirement that the sign applied for “*be represented on the register in a manner which enables the competent authorities and the public to determine the precise subject matter afforded to its proprietor*”.

This is intended to provide a system which is more flexible and enables marks to be represented in any appropriate form using generally available technology. Sound and motion marks, for example, could be filed using sound and video files.

In theory this should make it easier to file so-called non-traditional trade marks and it is of note that colours and sounds are now specifically included in the non-exhaustive list of signs of which a trade mark may consist. However, whilst this amendment may assist in the administrative process of filing non-traditional trade marks, it is clear from the preamble to the revised Directive and CTMR that signs must still meet the “*Sieckmann*”³ criteria and must therefore be represented in a manner which is clear, precise, self-contained, easily accessible, intelligible, durable and objective.

- **Absolute prohibition on characteristics with a technical function⁴** - Article 7(1)(e) CTMR contains an absolute prohibition (which cannot be overcome by providing evidence of acquired distinctiveness) for signs which consist exclusively of the shape which results from the nature of the goods; or is necessary to achieve a technical result, or which gives substantial value to the goods.

This provision has been extended to apply not only to shapes, but also to signs which consist of any other characteristic.

The provision is aimed at the public interest issue not to allow the indefinite protection of exclusive rights in technical solutions, such as extending the rights of patents and registered designs.

Not only is this provision likely to make it much more difficult to protect nontraditional trade marks, even where they have clearly substantial acquired distinctiveness, but it also may impact on more mainstream marks.

Reproduction of marks in dictionaries⁵

If the reproduction of a trade mark in a dictionary or similar reference work gives the impression that the name is generic in relation to the registered goods or services, the publisher must, as soon as possible, ensure that the trade mark is accompanied by an indication that it is a registered trade mark.

This provision was in the CTMR but is now incorporated into the new TMD and will assist the owners of national trade marks in preventing the dilution of

² Article 4 EUTMR; Article 3 new TMD

³ Case C-273/00

⁴ Article 7(1)(e) EUTMR; 4(1)(e) new TMD

⁵ Article 10 CTMR; Article 12 new TMD

their marks, and avoid third parties relying on dictionary entries in invalidity claims brought against national registrations.

Rights conferred without prejudice to prior rights⁶

Neither the CTMR nor the TMD has, to date, contained a clear rule stating that the trade mark proprietor cannot successfully invoke his rights against the use of an identical or similar sign which is already the subject of an earlier right. However, in line with Article 16(1) of the TRIPS Agreement, Article 9(2) of the EUTMR and 10(2) of the new TMD provide that the enforcement of rights conferred by a registered trade mark should be without prejudice to rights acquired prior to the filing or priority date of the trade mark.

This is to ensure legal certainty and full consistency with the principle of priority, under which an earlier registered trade mark takes precedence over later registered trade marks.

This means that the owner of a later filed European Union Trade Mark (“EUTM”), for example, may not prevent the use of an earlier identical or similar registered mark, or unregistered mark in which there are protectable rights.

Infringing Uses

- **Use as a company name⁷** - Use of the registered mark as a trade name or company name is now specifically included in the examples of infringing uses, as well as using the registered mark in comparative advertising in a way which does not comply with the Comparative Advertising Directive (2006/114/EC) (see below).
- **Preparatory acts⁸** - Trade mark owners may also now bring infringement actions in relation to preparatory acts where there is a risk that packaging, labels, tags, security or authenticity features will be used in relation to infringing goods or services. This is to enable proprietors to fight counterfeiting more effectively.
- **Goods in transit** – In addition, EUTM owners may prevent third parties from bringing goods into the EU bearing the EUTM but which are not released for free circulation in the EU, including their placement in all customs situations such as transit, transshipment, warehousing, free zones, temporary storage, inward processing or temporary admission. This entitlement of trade mark owners will lapse if the holder of the goods involved in the subsequent customs proceedings provides evidence that the EUTM owner is not entitled to prohibit the use of the trade mark in the country of final destination.

This facilitates the seizure of counterfeit goods stated to be in transit, putting the onus on the holder of the goods to prove the goods are not infringing, rather than (in accordance with the CJEU decisions in *Philips* and *Nokia*⁹) the trade mark owner having to show that the goods were intended to be put on the market in the EU.

⁶ Article 9 EUTMR; Article 10 new TMD

⁷ Article 12(a) EUTMR; Article 10(3)(d) new TMD

⁸ Article 9(a) EUTMR; Article 11 new TMD

⁹ Cases C-446/09 C-494/09

If the seized goods are subsequently found not to infringe, the trade mark proprietor may be liable in damages.

- **Comparative advertising which does not comply with the Comparative Advertising Directive¹⁰** – This is now specifically included as an infringing act in Article 10(3)(f) of the new TMD. Note below, however, the provisions which allow use of a trade mark for the purpose of comparative advertising where it is compliant with the provisions of the Comparative Advertising Directive.

Sanctions for Infringement

The provisions in relation to sanctions for trade mark infringement other than an injunction have been amended so that in respect of all other sanctions, instead of applying the law of the Member State in which the infringement was committed, the EU Trade mark court may now apply measures or orders under the applicable law which it deems appropriate under the circumstances¹¹.

Limitations or Defences to infringement

- **Own name defence** - There is a significant change to the ability for a defendant in infringement proceedings to rely on the fact that it is using its own name (in accordance with honest business practices). This defence will now apply only where the defendant is a natural person.

Legal entities will no longer be able to rely on the fact that they are using their company name.

It is therefore more important than ever that businesses looking to expand into the UK or EU or to expand into new goods or services within the EU conduct the necessary clearance searches to ensure that their trading name will not infringe any third party rights.

- **Use of non-distinctive signs¹²** – The descriptive use defence has been extended to apply also to use of signs which are not distinctive.
- **Comparative advertising and referential use¹³** - Article 12 CTMR has been amended so that it provides a defence for any use of an EUTM for the purpose of identifying or referring to goods or services as those of the proprietor, in addition to use of an EUTM where it is necessary to indicate the intended purpose of a product or services, in particular as accessories or spare parts. In each case the use must be in accordance with honest business practices.

This provision allows, for example, fair comparative advertising and is similar to s. 10(6) of the UK Trade Marks Act 1994 – a section which was considered defunct in the light of the decisions of the CJEU in relation to comparative advertising and the provisions of the Comparative Advertising Directive¹⁴. The inclusion of this provision into the CTMR is interesting because s. 10(6) of the UK Act has been described as “a *pointless provision which should be repealed as an unnecessary*

¹⁰ 2006/114/EC

¹¹ Article 102(2) EUTMR

¹² Article 12(1)(b) EUTMR; Article 14(1)(b) new TMD

¹³ Article 14(1)(c) new TMD

¹⁴ Directive 2006/114/EC

*distraction in an already complicated branch of the law*¹⁵, because it is covered by the Comparative Advertising Directive.

However, comparative advertising is not the only use which would fall within the provision for referential use.

The recitals to the new TMD¹⁶ make clear that uses made by third parties to draw the consumers' attention to the resale of genuine goods that have originally been sold by or with the consent of the proprietor in the EU should be considered fair. Furthermore, uses made by third parties for the purpose of artistic expression should be considered fair, in each case as long as they are in accordance with honest practices. Such use could cover commentary and criticism and possibly provide a defence to parody which has not previously been available. The TMD "*should be applied in a way that ensures the full respect of fundamental rights and freedoms, and in particular the freedom of expression*".

- **Intervening rights as a defence to infringement** - Under Articles 17 and 18 of the new TMD and Article 13(a) EUTMR, the proprietor of an EUTM will not be entitled to prohibit use of a later filed EUTM or National registration in the EU where the later mark could not be invalidated:
 - (a) because the proprietor of the earlier mark has expressly consented to the registration¹⁷;
 - (b) because the proprietor of the earlier mark has previously sought to invalidate the EUTM on the basis of another mark and did not rely on the mark in question when he could have done so¹⁸;
 - (c) because the proprietor of the earlier mark could not have opposed the later mark at the time of filing on the basis that the earlier mark lacked distinctive character at the relevant time (see below);¹⁹
 - (d) as a result of acquiescence to the use of the registered mark for a continuous period of 5 years (unless the later mark was applied for in bad faith)²⁰; or
 - (e) where the earlier EUTM has been registered but unused for more than 5 years (and would therefore be liable to be revoked) – i.e. non-use²¹.

In those circumstances, the owner of the later registration cannot prohibit use of the earlier EUTM in infringement proceedings.

- **Proof of use**²² – In infringement proceedings the defendant may require the owners of EUTMs registered for more than 5 years to provide proof of use (or proper reasons for non-use) during the 5 year period preceding commencement of the infringement action.

¹⁵ By Jacob LJ in *O2 Holdings v Hutchison 3G Ltd* [2006] SWCA Civ 1656

¹⁶ Recital 25

¹⁷ Article 53(3) EUTMR

¹⁸ Article 53(4) EUTMR

¹⁹ Article 8 new TMD

²⁰ Article 9 new TMD; Article 54 EUTMR

²¹ Article 48(3) new TMD; Article 57(2) EUTMR

²² Article 17 new TMD

This brings infringement proceedings into line with oppositions and invalidity proceedings, where the applicant must provide proof of use of rights relied upon where they have been registered for more than 5 years.

It appears therefore that it will no longer be necessary to counterclaim for invalidity of the right in question in infringement proceedings; it will be necessary only to request proof of use. However, a potential defendant may still wish to file a counterclaim for revocation in order to invalidate the earlier right before use recommences.

Note that “use” specifically includes use of a mark differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, *regardless of whether or not the trade mark in the form as used is also registered*²³.

The date of commencement of the period of five years for the purposes of calculating non-use, must be entered in the register.

□ **No invalidity based on marks which lack distinctive character**²⁵

Trade mark proprietors will not be able to bring invalidity proceedings on the basis of an earlier mark if that earlier mark could not have been relied upon at the date of filing or priority of the later mark because the earlier mark:

- (a) was not inherently distinctive and had not acquired distinctiveness at the filing or priority date of the later mark;
- (b) was not sufficiently distinctive to support a finding of likelihood of confusion where the invalidity is based on Article 5(1)(b) of the CTMR; or
- (c) had not yet acquired a reputation where invalidity is based on Article 5(3)(a).

□ **No Seniority where national rights were vulnerable to cancellation**²⁴

Seniority claims under which the earlier rights of national marks are subsumed into the EUTM cannot be maintained where the earlier national right was vulnerable to an invalidity claim at the time it was surrendered or allowed to lapse. The invalidity or revocation of the national mark may be established after the event. Thus if a national mark for which seniority is claimed was vulnerable to cancellation for non-use at the time it lapsed or was surrendered, the rights cannot be maintained through seniority of the equivalent EUTM. Seniority will also lapse if the earlier national mark is revoked with effect from a date earlier than the priority or filing date of the EUTM. In accordance with the general principles of revocation for non-use, if use of the national mark recommences, the seniority claim will be unaffected.

□ **Observations**

Article 40 CTMR provided the ability for third parties to file observations following the publication of the application as to why a trade mark application should not be granted on absolute grounds.

²³ Article 15(1)(a) EUTMR; Article 16(4)(a) new TMD. This appears to be directed to the issues considered by the CJEU in the Specsavers case (Case C-252/12) ²⁵ Article 8 new TMD

²⁴ Article 34(3) EUTMR; Article 6 new TMD

This provision has been amended to enable observations to be filed at any time (not only following publication) and now provides a deadline of the end of the opposition period within which observations must be filed.

Third party observations shall be without prejudice to the ability of the EUIPO to re-open examination of the trade mark application at any time prior to registration on its own initiative.

ADMINISTRATIVE CHANGES

Some of the procedural matters contained within the Implementing Regulation (No. 2868/95) (the “Implementing Regulation”) have been subsumed into the EUTMR, such as the procedure in relation to

- claiming priority²⁵ □ claiming seniority²⁶
- dividing applications²⁷
- renewals²⁸
- surrender²⁹
- conversion³⁰
- form of decisions and communications of the EUTMR³³
- evidence ART 78 RULE 57 and
- notification article 79 rule 54.

In addition procedural rules have been modernised to provide, for example, for issue or submission of documents electronically.

Fees

Reduced fees are a fundamental element of the EU trade mark reforms (not least owing to the considerable surplus held by OHIM). The fee reductions are said to lead to savings of up to 37% for businesses that seek protection for registered EUTMs beyond the initial period of 10 years.

³³ Article 75 EUTMR; Rules 52 and 55 Implementing Regulation

Classification

The new TMD and EUTMR now adopt the ruling in the IP TRANSLATOR case³¹.

The IP TRANSLATOR case arose from a UK application which adopted the class heading only of Class 41 of the Nice Classification, that is “*Education; providing of training; entertainment; sporting and cultural activities*”.

Following the UK practice that the class heading covered all services in the

²⁵ Article 30 EUTMR; Rule 6 Implementing Regulation

²⁶ Article 34 and 35 EUTMR, Rules 8 and 9 Implementing Regulation respectively

²⁷ Article 44 EUTMR, Rule 13(a) Implementing Regulation

²⁸ Article 47 EUTMR; Rule 30 Implementing Regulation

²⁹ Article 50 EUTMR; Rule 36 Implementing Regulation

³⁰ Article 113 EUTMR; Title IX Implementing Regulation

³¹ C-307/10 of 19 June 2012

class, the UKIPO rejected the application on the basis that “*translation services*” were included in class 41 (even though not mentioned in the heading) and the mark was descriptive of translation services so the mark must be refused.

Article 40 of the new TMD and 28 of the EUTMR provides that the goods and services for which protection is sought must be identified by the applicant “*with sufficient clarity and precision to enable the competent authorities and economic operators, on that sole basis, to determine the extent of the protection sought*”. Presumably economic operators means any person or entity whose use of the same or similar mark may be deemed to be “in the course of trade” and therefore who risks infringement of the registered mark, depending on the scope of protection arising from the specification of goods and/or services.

Following the CJEU decision in IP TRANSLATOR, general indications included in the class headings of the Nice Classification or other general terms may be used, provided that they are clear and precise.

Class headings but will now be interpreted as including all the goods or services clearly covered by the literal meaning of the indication or term, but no further.

Thus the Class 25 heading “Clothing, headgear, footwear” may be clearly understood. However, a literal interpretation of “*Education; providing of training; entertainment; sporting and cultural activities*” would not be generally understood to include translation services.

It is important that trade mark owners are careful to specify exactly the goods and services for which they are using or intend to use the trade mark and for which protection is required.

Implications for Existing EUTMs - Proprietors of EUTMs applied for before 22

June 2012 which are registered for entire Nice class headings may declare (within 6 months of entry into force of the EUTMR) that their intention on the date of filing had been to seek protection in respect of goods and services beyond those covered by the literal meaning of the heading of that class, provided that the particular goods or services designated are included in that Nice Class at the date of filing. The declaration must specify clearly and precisely the goods and services intended to be covered but which are not ascertainable from the literal interpretation of the Class heading. Without prejudice to the application of the provisions on non-use, the EUIPO will then amend the Register accordingly.

If a declaration is not filed within 6 months of entry into force of the EUTMR, the specification of the mark will be deemed to extend only to the literal meaning of the specification.

Consequences on infringement and opposition – Where the specification of goods and services of an existing EUTM is amended under the process described above, that will not enable the proprietor to prevent the use of the mark in relation to goods and services where the use commenced before the Register was amended and the use did not infringe the proprietor’s rights

based on the literal meaning of the specification of goods or services at that time.

In addition the EUTM proprietor may not oppose or apply to invalidate a later trade mark where the later trade mark was either in use or an application had been made to register the trade mark before the Register was amended and the use of the trade mark did not or would not infringe the proprietor's rights based on the literal meaning of the goods and services at the time.

Procedures for Revocation and Declarations of Invalidity

The UK and EUIPO each provide a means for applying to revoke or cancel UK trade mark registrations or EUTMs respectively through an administrative procedure in the UKIPO or EUIPO as appropriate. However, this is currently not the case throughout all the Member States of the EU. In some countries it is only possible to bring such proceedings through the courts which can result in disproportionately lengthy and costly proceedings.

Article 47 of the new TMD provides that Member States must now provide for an efficient and expeditious *administrative* procedure before their offices, for revocation or declaration of invalidity of a trade mark, which should provide a much more cost effective means of removing unused and invalid marks forming obstacles to registration from the registers.

Given the significant logistical issues in introducing these administrative processes, Member States have a period of 7 years from the entry into force of the new TMD in which to implement Article 47. **Further**

Information

This note is not exhaustive and relates only to some key changes. If you require further information or advice in respect of specific circumstances, please contact the author, Mary Bagnall.

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