

6 May 2011

Comments to the Study on the Overall Functioning of the European Trade mark System of the Max Planck Institute

Summary

The Max Planck Institute Study is a long, detailed document. It has not been possible in the short time the Study has been published to discuss in detail all its findings and recommendations with users. Therefore, the fact that this document does not comment on a part of the study or a particular recommendation does not mean that we agree with it.

We consider the most important elements of the Study to be:

- That the unitary character of a Community Trade Mark (**CTM**) should be preserved;
- That there is continuing transparency in the trade mark system, including in the implementation of the compromise solution – we would like to see a bi-annual review;
- That no substantial changes are needed to the Community Trade Mark Regulation (**CTMR**) or Trade Marks Directive (**TMD**), although amendments in relation to goods in transit would be appropriate; and
- We realise that the Study is only one of the elements that the Commission will take into account, and we would like to take the opportunity to remind the Commission of the issues raised in our 12 April 2010 response (points 28-38) that we consider to be of import to users of the system, including
 - streamlining of conversion procedures (29)
 - system of precedents (30)
 - harmonisation of enforcement practice, unfair competition law, design law and customs practices (31)
 - specialist chamber of the General Court (32)
 - procedures at the Court of Justice (33)

We would be happy to discuss any aspect of the below, or our earlier submission.

General comments

First, before commenting in detail on the Study, we make the following general comments. Throughout the recommendations made by the Max Planck Institute, it suggests that interpretation of the CTMR and TMD be “clarified” by adding material to the Preambles. We do not support this approach.

Whilst we appreciate that the Regulation and Directive are to be interpreted in line with the Preambles, the Court of Justice has in many instances provided its interpretation, and so the incorporation of text from Court of Justice decisions into the Preambles serves no additional purpose.

In addition, it is unlikely that any addition to the Preambles would be in exactly the same words as used by the Court of Justice. This may lead to a reinterpretation of areas of law that are now tolerably clear, or at least referrals to the Court of Justice to reinterpret the CTMR and/or TMD in light of the newly inserted Preambles. This would be, in our view, very destabilising for users of the system and of limited or no value in terms of clarity.

In each case where the Max Planck Institute suggests insertion of words into the Preambles, we would not support such a recommendation.

Second, we agree with comments in the Study that full coherence must be achieved between the CTMR and the TMD: in our submission, 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. Coherence includes making optional provisions in the TMD mandatory.

Further, we also support coherence between trade mark law and the regulations on the protection of geographical indications and designations of origin for agricultural productions and foodstuff (Regulation EC 510/2006) and on spirit drinks (Regulation EC 110/2008).

Likewise, it is essential that coherence is achieved between trade mark law and those regulations affecting other legal fields that closely interact with trade mark law, such as the regulation of marketing practices, particularly Directive 114/2006/EC concerning comparative and misleading advertising and Directive 29/2005/EC on unfair commercial practices (UCP directive). We agree that a common legal ground for all possible modes of trade mark uses should be provided under the umbrella of trade mark law to the extent that it could enhance harmonisation and legal certainty and thus avoid 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.

PART I – INTRODUCTION	1
<i>A. Definition of the mandate</i>	<i>1</i>
I. Purpose of the Study	1
II. Tasks and evaluation questions	1
<i>B. Method used</i>	<i>2</i>
I. User survey	2

12

We note that the response rate to the Allensbach survey was 8,3%, which must be considered quite low. We believe that many recipients of the survey did not fully understand what they received or how to answer. Furthermore, we note the comment in the Study that many responses asked for increased services. We would venture to say that those responses were perhaps not given in full awareness of the consequences such increase of services would imply – both in terms of costs and in terms of delays.

II. Statements of user associations	3
-------------------------------------	---

III. Information from the national trade mark offices	3
IV. Legal Analysis	4

PART II - FACT FINDING 5

Chapter 1 - Interviews with, and information from, national trade mark offices	5
<i>A. General remarks</i>	5
<i>B. Organizational and financial structure</i>	5
I. General status	5
II. Financial structure	5

1.3

We note that 15 national offices run on the general budget of their governments, which must be kept in mind when deciding how to fund projects and otherwise distribute funds at national level.

III. Organizational structure	6
IV. Number of employees	6
V. Scope of activities	7
<i>C. Statistical developments</i>	8
I. General comment	8
II. Number of trade mark applications	8
III. Number of classes in the application	11
IV. Number of renewals	12
V. Number of oppositions	12
VI. Number of conversions	12
<i>D. Issues of trade mark procedure</i>	13
I. Average time of registration procedures	13

We note the considerable differences in average time of regulation procedures at national level. We would encourage an open debate to analyse how and why these differences occur with a view to discussing how harmonisation could best be achieved.

II. Time limits for keeping seniority files	14
---	----

We note the considerable differences in seniority procedure at national level. Harmonisation is to be encouraged.

III. Three or one class system	14
IV. Class headings	14
V. Genuine use	16
VI. Ex-officio examination	18

1.42

We note that 12 national offices conduct ex-officio examination of relative grounds. We would encourage harmonisation on this point so that offices only conduct absolute grounds examination.

VII. Opposition	20
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1.45

We note that not all offices offer opposition procedures. We encourage harmonisation on this point so that all offices offer genuine, administrative oppositions procedures.

1.46

We note the significant variety, however, we are unsure about the ‘average time for opposition proceedings’. We would like to see a comparison of average time for decision-making in opposition proceedings rather than a comparison of total opposition proceeding times. We are not sure what we are looking at in table 3.

VIII. Cancellation proceedings	21
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1.47

We note that a number of offices do not offer cancellation proceedings, but that these are available only at court. We encourage harmonisation on this point so that cancellation proceedings are available both at offices and before courts in all member states.

IX. E-filing	21
<i>E. Existing cooperation and potential for enhanced cooperation with OHIM</i>	23
I. Extent of taking into account OHIM Examination Guidelines	23
II. Cooperation with OHIM	23

1.71 – 1.79

We note the information on the accounting mechanisms at national level. As mentioned above, this data must be kept in mind when deciding how to fund projects and otherwise distribute funds at national level.

III. Other comments	30
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Chapter 2 - Statements of user organizations	31
---	-----------

<i>A. General position regarding the coexistence of the trade mark systems in Europe</i>	31
<i>B. National trade mark systems</i>	32
<i>C. National offices and cooperation with OHIM</i>	34
<i>D. Community trade mark system</i>	35
I. Substantive law issues	35
II. Procedural issues	37
III. Fees and fees structure	38

Chapter 3 - Allensbach Survey	38
--------------------------------------	-----------

<i>A. Evaluation of the CTM system and OHIM's performance</i>	39
<i>B. Reactions to proposed changes of the CTM system</i>	40
<i>C. Opinions on the OHIM fees</i>	40

Chapter 4 - INNO-tec	41
-----------------------------	-----------

<i>A. Assessment of the administrative procedures at OHIM</i>	41
<i>B. Competition between OHIM and national trade mark offices</i>	42
<i>C. Applicant strategies within the CTM system</i>	43
<i>D. Conclusion</i>	44

PART III - LEGAL ANALYSIS	45
----------------------------------	-----------

Chapter 1 - General aspects of European trade mark law	45
---	-----------

<i>A. Coexistence</i>	45
-----------------------	----

<i>B. Principle of unitary character and impact on CTM protection</i>	48
<i>C. Coherence</i>	49
I. Coherence between TMD and CTMR	49
II. Coherence with adjacent areas	50
<i>D. Trade Marks and Competition</i>	50
I. Principle of Undistorted Competition	50

We note the Max Planck Institute’s concerns with respect to ‘undistorted competition’. Whilst we fully support free competition and encourage our members to prefer distinctive trade marks, we feel that the Study generally does not take the problem of look-alikes and market realities sufficiently into consideration.

In our opinion the so-called look-alikes and me-too products combined with market realities e.g. the power of the retailers, are getting in the way of free competition rather than enhancing it.

We will continue to give our full support to the development of tools like TMView and other free Internet tools that will give businesses the means to ensure that unintentional infringement is avoided.

II. Trade marks and free competition 52

1.30

We agree that the “condition is largely met where (fantasy) word marks” are concerned, i.e. coined words and other distinctive trade marks, and that “such signs are regularly in infinite supply, so that no barrier to entry for others will ensue”.

However, we disagree that ‘signs consisting of colours *per se*’ or shapes are by definition non-distinctive. This must be a case-by-case decision and not a general assumption. We do, of course, agree that descriptive words and designations that do not qualify as trade marks should not be protected without proof of acquired distinctiveness.

<i>III. Accessibility of trade mark protection</i>	53
<i>E. Impact of different interests involved in trade mark law</i>	55
I. Background and problems	55
II. Evaluation and proposal	57

1.47

If a trade mark is distinctive, there is, and should be, no “call for an evaluation of trade mark issues in the light of all interests involved”.

1.48

If a trade mark is distinctive, there is no need to ‘keep it available in the interest of the competitors’ who are free to chose a different distinctive trade mark. This principle should also apply to shapes.

1.50

We feel that the Max Planck Institute goes too far when it states that “the scope of protection conferred on a mark must also rest on a balance of interests which includes those of proprietors, consumers and competitors”. If the Study were to discuss the interests of third parties generally, we would be less concerned, but we do not believe that an office should take into account the interests of “competitors” when examining an application for absolute grounds.

<i>F. Jurisdiction</i>	59
<i>G. Impact of International law</i>	60
I. Background	60
II. Competence	61
H. Markets	61
Chapter 2 - Common issues for TMD and CTMR	65
<i>A. Signs capable of being registered</i>	<i>65</i>
I. Current law	65
II. Case law	65
1. Capability to distinguish	65
2. Graphical representation	65
III. Opinions	66
IV. Issues	66
1. Capability to distinguish	66
2. “Sign” vs abstract concept	67
a) Structure of the requirement	67
b) Means of representation	67
V. Proposals	67

2.14

We agree that a mark’s ‘capability to distinguish’ is to be considered as “the essential criterion for protection and not as an obstacle”.

2.15

We support the idea to improve the possibility for registering non-traditional trade marks. The time may have come to delete the requirement of graphical representation as suggested in the Study.

Graphical representation is still appropriate for more “traditional” trade marks such as word marks, device marks, logos and three-dimensional marks.

Consideration should be given as to how olfactory and taste marks and other non-traditional marks could best be represented so as to be sufficiently clear to third parties, such as by chromatograms for olfactory marks and sonograms for sound marks. These could be complemented with a description, such as “the smell of ripe strawberries” in the case of olfactory marks and by a sound file representing the sound itself (as is the current practice before OHIM) in the case of sound marks.

While the various requirements requested by the Court of Justice in the *Sieckmann* case may be used as guidance for revising the CTMR and TMD, different and less strict defini-

tions could be used. For instance, a description such as "the smell of ripe strawberries" might be sufficient to represent an olfactory mark.

In any case, the same requirements should be defined in both the CTMR and the TMD so as to avoid any lack of harmonisation. For instance, sonograms are not accepted as a means of sufficient representation of sound marks before some national offices, whereas they are accepted by OHIM if complemented with a sound file. Harmonisation should be achieved in the future.

<i>B. Shape of product marks</i>	68
I. Current law	68
II. Case law	68
1. Distinctiveness, descriptive character	68
2. Permanent exclusion from protection	69
III. Opinions	70
IV. Issues	70
1. Registration requirements for shape of product marks (and colours <i>per se</i>)	70
2. Permanent exclusion from protection	72
a) Application to shapes only?	72
b) Functional and value-conferring shapes	72
V. Proposals	73

As mentioned above, we believe that signs consisting of colours *per se* or shapes may be perceived by the consumer as indications of origin and may be inherently distinctive. It must be a case-by-case evaluation and not an automatic assumption that these types of signs are non-distinctive.

It is true that 'shape of product' marks may be protected through design rights, but it does not make them non-distinctive as such.

We would like to mention that packaging is often recognized as an indication of the source and that packaging should therefore be differentiated from the shape of a product. For instance, the particular shape of containers for beverages, such as bottles, are likely to be seen as a trade mark if the shape deviates sufficiently from other shapes on the market.

As highlighted above, we are looking for ways of handling the issue of look-alikes, which is a serious problem in many member states where there are no laws in place that deal appropriately with unfair practices.

<i>C. Disclaimers</i>	74
I. Current legislation	74
II. Case law	74
III. Opinions	75
IV. Issues	75
V. Proposals	76

We support the proposal that it is prescribed in the provisions on absolute grounds for refusal that member states shall not be allowed to request disclaimers and that applicants

may file disclaimers on a voluntary basis. The provisions should be the same in the CTMR and TMD in order to further harmonisation.

<i>D. Loss of distinctiveness and acquired distinctiveness (relevant date)</i>	77
I. Current law	77
II. Case law	77
III. Opinions	78
IV. Issues	78
V. Proposals	79

2.60

We read the proposal to say that the assessment of acquired distinctiveness must be done at the filing and at the time of the decision to register, and we wonder if this means that it must be done twice in some cases, e.g. where the time to register is very long as it is in some member states. If this understanding is correct, it sounds very burdensome and unpractical, both for the applicant and for the offices.

A registered right is valid as from the filing date, and we would think that this would be the right time for assessing acquired distinctiveness. In some exceptional cases it is possible that acquired distinctiveness has “disappeared” as an effect of some change in the market, and we feel that these exceptions would be better addressed through a cancellation action either at the office or before the courts on a case-by-case basis.

2.61

As far as we understand the proposal, it suggests that it should be possible to amend the filing date. Again, we believe that this could create a very uncertain situation, especially for third parties trying to establish the priority of a right. We think that it would be wiser to refuse the application, and then the applicant could chose to re-file when acquired distinctiveness could be properly proven (which would then obviously not be an act of bad faith).

<i>E. Use requirement</i>	79
I. Current law	79
II. Case law	80
1. Substantive law	80
a) Use of the mark in the course of trade	80
b) Use of the mark as a mark	80
c) Use of the mark as registered or of an acceptable variation	81
d) Use for the goods or services for which the mark is registered	81
e) Use of the mark by the proprietor or with his consent	82
f) Use in the Community or in the respective Member State	82
g) Use and starting date of “grace period”	83
h) Genuine use	83
2. Procedure	84
3. Bad faith	84
III. Opinions	85
IV. Issues	85
1. General remarks	85
2. Requirement of use	86
a) Multiple registrations of similar marks	86

b) Use for the registered goods or services	87
c) Grace period	87
d) Genuine use	87
e) Procedure in national systems	88
3. Intent of use	88
4. Bad faith	88

We note that the Study seems to view re-filing of unused trade marks as always done in bad faith. We would like to point out that this conclusion is too simple. In fact, an original intention to make use of a trade mark might have changed (e.g. because of a business decline), and it is later decided to start the same or a different project with the same trade mark again. Re-filing the trade mark is connected with costs and there might be good reasons for such an investment, other than bad faith.

5. Declaration of use	88
6. Other measures	89
V. Proposals	89
1. Multiple registrations	89

We support the addition of a sentence to Article 10 of the TMD and Article 15(1)(a) of the CTMR clarifying that 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	89
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We support the maintenance of the non-use grace period at five years. Given the absence of any evidence of “cluttering”, we do not see any need to reduce trade mark owner’s rights. Five years is an appropriate period of time in which to commence use for the majority of marks, and the defence of a reason for non-use subsists in other cases.

We note that the Max Planck Institute proposes that the grace period should begin for goods/services, which are allowed when the proceedings for those goods/services are terminated. We are worried that this will make the system more complicated, including making it more difficult for third parties to establish the use deadlines for the different goods/services. We would suggest having the grace period run when the proceedings are fully terminated for a designation. Obviously, it would be a big help if the date from when the grace period runs is easily identifiable in the database.

3. Genuine use	90
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For the reasons set out above, we do not support the insertion of language into the Preamble confirming the principles established by the Court of Justice. The issue of the territorial scope of use for CTMs is addressed elsewhere in our comments.

F. Well known and reputation marks	90
I. International law	90
II. Current law in the European Union	91
III. Case law	92

IV. Opinions	92
V. Issues	92
1. Relationship between well-known and reputation marks	92
2. Protection of well-known marks	93
VI. Proposals	94

We welcome the broadening of protection available for well-known marks and marks with reputation. Particularly, we welcome the recommendation to include dilution protection for well-known marks (that is, infringements caused by detriment done to or unfair advantage taken of the reputation or distinctive character of the well known mark). However, we urge some caution in relation to territorial applicability. If a mark is well known in one member state only, the ability to obtain an EU-wide injunction should be questioned.

For marks that are well known throughout the Community, it should not be necessary to prove that they are well known along political boundaries.

1. TMD	94
2. CTMR	94
<i>G. Exclusive rights, conflicts, infringement (Article 9 CTMR, Article 5 TMD)</i>	95
I. Current law	95
1. Conflict	95
2. Infringing acts	95
II. Case law	96
1. Double identity	96
2. Likelihood of confusion	96
3. Reputation marks	97
4. Use in the course of trade	97
5. Use as a mark	98
6. Prohibited acts: custom-free zones, importation, transit	101
7. Third-party liability	101
8. Non-trade mark use	101
III. Opinions	102
IV. Issues and conclusions	103
1. Trade mark functions	103
a) Double identity	103
b) Likelihood of confusion	105
c) Reputation marks	105
d) Conclusion	105
2. Conflicts	105
a) Double identity	105
b) Likelihood of confusion	105
c) Reputation marks	107
3. Infringing acts; forms of infringement	108
a) Infringement claims subject to earlier rights	108
b) Use in the course of trade	108
c) "Trade mark" use	110
d) Use of trade names	110
e) Custom-free zones; transit	111
aa) Custom-free zones	111
bb) Transit	111
f) Liability of legal persons for acts committed on their behalf	112
g) Preparatory acts	113

h) Third party liability (contributory or secondary liability; indirect infringement)	113
i) Right to prohibit non-trade mark use in special situations	113
V. Proposals	114
1. TMD and CTMR	114

We support the suggestion that the TMD and CTMR should, as far as possible, provide the same protection. Specifically, we support the making mandatory of provisions in the TMD, which are currently optional.

2. Preambles	114
3. Conflicts	116

We support the alignment of Article 40 TMD and Article 8 CTMR. Specifically, we support the making mandatory of protection of marks with reputation under the TMD.

Similarly, we support the making mandatory of the optional provisions of the TMD concerning the right to oppose or to obtain cancellation on the basis of rights other than registered trade marks.

4. Infringement	116
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We do not support the definition of trade mark infringement as including use for the purposes of distinguishing goods and services. As the Court of Justice has set out, whilst a trade mark has an essential function, it also has other (ancillary) functions. Any use that impedes any of these functions should, if other factors are met, constitute infringement.

We support a more robust approach to goods in transit through the territory of the EU. However, we do not support the suggested requirement that goods in transit should, for seizure, infringe both in the country of transit and the country of destination. As a practical matter, we believe that infringers will designate as the country of destination countries which do not have trade mark law or in which the trade marks for the goods being transited are not registered. The suggestion from the Max Planck Institute places an unnecessarily high burden on customs officials and trade mark owners not only to prove infringement under harmonised EU Law, but also in some, perhaps distant third country. It is well known that many goods are diverted, including for sale within the EU, rather than continuing on their journey to the country of destination.

We see no particular reason to limit interference with goods in transit to counterfeit goods. Infringing goods should not be within the territory of the EU.

We agree with the Max Planck Institute's comment that use of a mark in comparative advertising not complying with Community rules relating to such advertising should constitute trade mark infringement, if the requirements for infringement under trade mark law are met. We believe this summarises the current legal position.

We agree that infringement should cover preparatory acts, including, for example, the production of counterfeit labels. In many instances, this will be the easiest (and perhaps the only) opportunity in which to catch counterfeiters and infringers.

We agree with liability of legal persons for acts committed in their undertaking. In relation to third party liability, we would like to see further proposals made to establish third party liability for, at least, counterfeit goods, but also for trade mark infringing goods.

H. Limitation of rights

117

We support an appropriate balance between the interests of proprietors and those of consumers and third parties. The Study notes on the one hand that this could be achieved by strengthening and extending the limitations and exceptions to the rights conferred. Additionally, the Study contends that some modes of use such as use of a mark to identify goods and services as those of the proprietor (referential or nominal use) should not be considered as infringement, unless they do not comply with honest commercial practices. We note 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.

We do not support any strengthening or extension of the limitations and exceptions to the rights conferred. To preserve coherence and a proper balance between trade mark protection and the principle of free competition we believe that the scope of protection must continue to depend on the strength of the trade mark and the market recognition (economic significance) of the mark and that a protected sign may be used by competitors in the course of trade only where this is permitted by the current limitations provided by article 6 TMD and article 12 CTMR, and where such use is made in accordance with honest practices in industrial or commercial matters.

The principle of free movement of goods and services within the internal market is properly ensured by the current provisions on the exhaustion of rights (article 7 TMD, article 13 CTMR).

With reference to the “in the course of trade” criterion, we note that there is no proposal to have this criterion changed or substantively amended, apart from what concerns specific issues such as use of marks in custom-free areas, goods in transit and contributory liability. Based on the fact that the interpretation that a use may be found infringing if it produces a commercial effect in the territory where it conflicts with an earlier mark is generally accepted and applied by the courts, we agree that there is no need for a change in the provisions.

We note the Study says that to distinguish between use as a trade name and as a trade mark may not always be easy. We agree that use of a trade name may amount to use as a trade mark. It is a general principle of trade mark law that use of conflicting marks is pro-

hibited because the public must not be misled as to the source (or the links between the sources) from which the goods or services emanate. To avoid any confusion and/or association as to the source we agree that trade name use of a protected trade mark must be treated as an infringing act under article 9 CTMR and article 5 TMD. However we do not support (cf. our above comments on the infringement matters, re. point 4., page 116 of the report) the definition of trade mark infringement as including use for the purposes of distinguishing goods and services. As the Court of Justice has set out, whilst a trade mark has an essential function, it also has other (ancillary) functions. Any use, which impedes any of these functions should, if other factors are met, constitute infringement.

I. Current law	117
II. Case law	117
1. Use of own name, descriptive use, indication of intended purpose	117
2. Exhaustion	118
3. Comparative advertising	119
4. Interrelations between conditions of infringement and limitations	119
III. Opinions	120
IV. Issues and conclusions, proposals	120
1. Article 12 CTMR and Article 6 TMD	120
a) Use of name or address	120

We support the limitation of the “own name defence” to natural persons.

b) Use of descriptive indications	121
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At present the two provisions are applicable primarily to those descriptive indications which would not be registered pursuant to article 3(1)(c) TMD and article 7(1)(c) CTMR (in the absence of acquired distinctiveness). The same exception should apply to signs or indications that are lacking any distinctive character. We read in the report that there appear that there are strong arguments in favour of allowing the free use of non-distinctive signs or indications. The same applies to exempting the use of descriptive indications from trade mark infringement claims. The suggestion is made that the scope of the two provisions 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. The provision of article 5(5) would be sufficient to prevent any abuse and it would be 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.

We strongly debate the above findings and we do not support allowing by statute the free use of non-distinctive signs or indications, beyond the current scope of the provisions of article 6 (1) (b) TMD and article 12 (b) CTMR. An indication that is clearly descriptive also lacks distinctiveness, but a sign that is not distinctive or is distinctive to a minor extent is not necessarily descriptive and may not accordingly fall within the scope of the said provisions. We likewise oppose the view that the scope of the provisions could be extended to

“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”.

c) Use to indicate purpose	121
d) Honest referential use	121

We agree that the use of a trade mark as an indication of the purpose of a product according to article 6 (1) (c) TMD is not limited to uses for accessories and spare parts (Gillette) and that it must be in accordance with honest practices, and that it may be prohibited otherwise, if 1) it is done in such a manner as to give the impression that there is a commercial link between the third party and the trade mark owner, 2) if it affects the commercial value of the trade mark by taking unfair advantage of its distinctive character or repute, or if it entails denigration or discrediting of that mark or 3) 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).

The Study suggests 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.

We do not consider such amendment necessary there is consistent case law that has provided uniform interpretation of both provisions. The referential use for purposes of comparative advertising finds a specific regulation and specific limits under the provisions of the Directive 2006/114 EC (article 4). 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.

With respect to uses for purposes of commentary and criticism, such as parodies, these being a particular form of criticism or comment, or uses of the mark for communication purposes characterised as free speech or in artistic works, insofar as these uses may not be considered as covered by the exclusive rights provided for in article 5 TMD and 9 CTMR, and would not generally constitute uses in the course of trade or profit-seeking uses - we do not support making any specific reference to them in the provisions on limitation of rights.

Constitutions, international laws and human rights treaties are the warrants for the right to freedom of expression. It is a fact that with the recent expansion of the increased protection of speech, including commercial expression, there may in fact be a growing number of potential conflicts between the right to trade mark protection as established by the governing trade mark law and unfair competition law and the right to freedom of expression. However, it may be found that there already exists sufficient tools to protect the trade mark rights against unfair or detrimental uses, such in cases of parodies (such as in domain names of Internet parody sites, in the title or content of books, in films, etc.) or non commercial and mixed commercial/non commercial speech, as they can be provided for under either the confusion or the dilution doctrines of trade mark law.

Adding a “fair use” limitation is too vague and would require a reinterpretation of areas of law that are now tolerably clear.

e) (Non)compliance with honest business practices

123

The Study suggests that article 6(2) TMD and article 12(2) CTMR be amended to state when use of a trade mark will not be considered as complying with honest business practices.

We consider that the interpretation of what does not constitute honest business practices is best left to the courts to decide. There is clear jurisprudence where interpretation of the notion of “honest business practices” has been provided (*BMW, Gerolsteiner Brunner, Gillette*). Any use of a sign in a trade mark function may amount to use in contrast with honest business practices, depending on the circumstances and facts pertinent to the case. These facts and circumstances must be assessed especially having regard to the uses prohibited according to the provisions of article 5 TMD and article 9 CTMR. If the restrictions deriving from these latter provisions did not apply, it would imply that the use was in fact lawful. Hence, providing a list of examples would not accordingly add any legal certainty in itself. It would rather require reinterpretation of areas of law that are now satisfactorily clear.

f) Fair Use?

123

We read in the report that the introduction of a general “fair use” clause could be contemplated, which would allow for flexibility in situations not previously envisaged by the 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 in 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.

As already pointed out above, we consider that adding a general “fair use” clause would not produce more legal certainty or flexibility; it would rather create a need for reinterpretation of areas of law that are now tolerably clear.

2. Exhaustion

123

Article 7 TMD and article 13 CTMR provide that due to the principle of exhaustion, 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. The principle does not apply where the proprietor has legitimate reasons to oppose the further commercialisation of the goods.

The present wording of both provisions only relates to the European Union market. We read in the report that 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 that is not an EU Member (Iceland, Norway, Liechtenstein). And that this follows from No. 8 of the Protocol 1 on Horizontal Adaptations

In the interests 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.

As the wording of both provisions refers to putting a product on the market under the trade mark in respect of which exhaustion occurs, 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 commercialised by the proprietor in the country of importation.

As noted above, we do not support the approach of adding material to the Preambles. Particularly in relation to exhaustion, there is significant Court of Justice case law that may be questioned if the legislation is changed.

<i>I. Further Defences (earlier rights, non-use, acquiescence, prescription, intervening rights)</i>	124
I. Current law	124
II. Case law	125
III. Opinions	125
IV. Issues and proposed solutions	125
1. Earlier rights	125
2. Non-use, intervening rights	125

We suggest article 11 (2) TMD being made mandatory.

3. Absence of distinctiveness, intervening rights	126
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The Study notes that there is no provision in the TMD as to the preclusion of cancellation against a CTM that has been registered even if it was lacking distinctiveness but which has become distinctive through use. The said provision is available according to article 52 (2) CTMR.

A corresponding provision should be also added to the TMD.

4. Absence of likelihood of confusion, absence of reputation; intervening rights	126
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The Study notes that neither the CTMR nor the TMD provide an answer to the question whether a later trade mark filed or registered at the time when the earlier trade 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.

5. Acquiescence	126
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We do not consider that any new provisions are necessary, as acquiescence is a defence both to invalidation and to infringement (article 54 CTMR and 9(1) TMD).

6. Prescription of claims	126
J. Trade Marks and GIs	127
I. Current law	127
1. Community Trade Mark Regulation	127
a) Specific conflict rules	127
b) General conflict rules	127
c) Collective marks	127
2. Trade Mark Directive	128
II. Case law	128
III. Issues	128
1. General remarks	128

2.305 and 2.306

We note that the correct Regulation number is 479/2008 and not 478/2008. However, Regulation 479/2008 has been repealed (with the exception of one article which is not relevant to the current examination) by article 3.1 of Regulation 491/2009, which states that “References to the repealed Regulation shall be construed as references to Regulation (EC) No 1234/2007”. This Regulation 491/2009 incorporated articles 44 and 45 of Regulation 479/2008 referred to in the report into Regulation 1234/2007, and said articles were in fact re-numbered in this latter Regulation as article 118l, and 118m, respectively.

2. Absence of “harmony” in the EU legislation protecting GIs	129
3. CTMR	129
a) Specific “reservation” of Regulation 510/2006	129

2.311

We agree that the specific reservation of Regulation 510/2006 in article 164 CTMR should be replaced by a general clause referring to EU legislation in general. Where regulations concerning GIs are constantly changing, to refer to a specific regulation that may be replaced by a later one may create confusion. As a result, we agree that a general clause referring to EU legislation would be appropriate.

We would like to recall that new proposals to amend the existing EU regulations on GIs are on the table, that WIPO is working on the amendment of the Lisbon Agreement and that WTO is trying to move forward with a multilateral register. These initiatives in the international GIs field might have an impact on the existing regulations in the short to medium term.

b) Specific exclusions in the CTMR	129
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2.312

Given the aforementioned nuances, we tend to agree with the issues raised in the Study concerning GIs and trade marks and the conclusions made. However, we consider that article 7(1)(k) should also be amended in the same way as that proposed for article 7(1)(j),

namely, to state expressly that it includes 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, as this is what it seems to derive from article 13(1)(a) of Regulation No 510/2010 and it is not currently expressly mentioned in article 7(1)(k).

Furthermore, if a similar amendment is proposed regarding article 7(1)(j), not doing it in relation to article 7(1)(k) may create doubts as to how to interpret this difference, which should not exist if we consider the contents of article 13(1)(a) of Regulation No 510/2010.

An alternative option, which might be a more practical approach, could be to merge letters (j) and (k) of article 7.1 CTMR into one only letter that sets out the prohibition to register trade marks that infringe EU legislation concerning protected geographical indications and designations of origin.

aa) Wines and spirits – Article 7 (1) (j) CTMR	129
bb) Foodstuffs and agricultural products – Article 7 (1) (k) CTMR	130
cc) GIs as earlier rights	130
IV. Proposals	130
1. CTMR	131
a) Specific “reservation” of Regulation 510/2006	131
b) Specific exclusions in the CTMR	131
c) GIs as earlier rights	131
2. TMD	131
Chapter 3 - Functioning of the CTM system - Issues of substantive law	131
<i>A. Territorial aspects of genuine use</i>	<i>131</i>
I. Current law	131
II. Case law	132
III. Opinions	133
1. The Joint Statement	133
2. Coexistence with subsequent marks	134
IV. Issues	134
V. Analysis and conclusions	135
1. Criteria for assessment of genuine use	135
2. Coexistence with subsequent marks	136
VI. Proposals	139

3.30

We support the proposal.

3.31

We have serious reservations about this proposal. It would create more uncertainty than benefit to businesses, and it would be in contradiction with the unitary character of the CTM and the single market.

<i>B. Further territorial issues of CTM protection</i>	<i>139</i>
I. General remarks	139
II. Current law	140
III. Case law	141

1. Absolute grounds of refusal	141
2. Acquired distinctiveness	142
3. Relative grounds of refusal	142
4. Scope of protection	143
a) Likelihood of confusion	144
b) Enhanced distinctive character	144
c) Territorial extent of reputation	144
5. Scope of injunctive relief	144
IV. Opinions submitted	145
1. The unitary character	145

We support the principle of unitary character, and the corresponding principle of coexistence. We reiterate our support for maintaining national trade mark systems.

2. Acquired distinctiveness	145
V. Analysis and proposals	146
1. The unitary character as a principle	146

We support the proposal that unitary character be maintained. Again, we do not support amendments to the Preambles.

2. Absolute grounds of refusal	146
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We agree that there is no need to amend Article 7(2) CTMR.

3. Acquired distinctiveness	146
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3.74

We support the suggestion to make the assessment based on the market, which is the EU as the single market, and not every EU member state. For the purposes of proving acquired distinctiveness, we consider that the EU should be looked at as a market – and it should not be necessary to go from member state to member state to prove acquired distinctiveness. We accept that acquired distinctiveness should be considered to be present if distinctiveness can be shown for the majority of the markets making up the relevant territory (3.74).

4. Relative grounds of refusal	148
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We support the continuation of the principle of coexistence.

In relation to earlier rights of more than mere local significance, we do not support the view apparently expressed by the Advocate General in the BUD case referred to. We support the Study's proposal that an opponent to a CTM must be able to demonstrate that they have legal protection for the whole of member state for which it is claimed.

5. Scope of protection	148
a) Likelihood of confusion	148

We support the suggestion in the Study to leave it to the Court of Justice to develop case law in relation to this issue. We do not support adding to the Preambles.

b) Protection of trade marks with reputation	149
aa) Territorial extent of reputation	149
bb) Conflicts involving marks with a reputation	150

Again, we support the suggestion of the Study to leave it to the Court of Justice to develop case law in this regard. Amendments to the Preambles are not supported.

6. Fair use	151
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We agree.

7. Scope of injunctive relief	151
a) The right of the claimant to limit relief	151

We support the Study's suggestion that applicants for relief be able to limit the relief sought to certain territories of the EU.

b) Community-wide relief	152
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We agree with the proposal to amend Article 98(1) CTMR to read "within the territory of the European Union".

8. Prohibition of use	152
9. Conversion	153

It is proposed in the Study that, where a CTM is refused or cancelled on the basis of an earlier CTM, no conversion may be required, even in cases where these may not be a likelihood of confusion or a conflict in the particular member state in question.

The Study does not take into consideration that Court of Justice case law hints into a different direction. In case C-514/06 P (*ARMAFOAM/ NOMAFOAM*), paragraph 62, the Court of Justice pointed out that in a case where a judgment only stated a similarity of two conflicting CTMs perceived by the non-English-speaking public, this did not prevent the owner of the contested CTM from requesting the conversion of the CTM to one for a national trade mark to the extent to which that application concerns English-speaking countries. This decision questions the absoluteness of the Study's statement.

We believe that conversion should remain possible for the remaining member states if and insofar as the decision only states the grounds for refusal or cancellation with respect to some of the member states where certain requirements are fulfilled, for example where a certain language is spoken.

We are of the opinion that such a more flexible approach would not be contradictory to the principle of unitary character of the CTM, which we strongly support.

As to absolute reasons, Rule 45 (4) CTMIR explicitly points out that conversion is only excluded where these reasons are found to apply in the whole Community and, in its first sentence, in particular addresses the issue of different languages of the Member States. There is no reason why this should not apply with respect to relative grounds. So the wording of Rule 45 (4) second sentence should be amended in order to clarify that the exclusion of conversion only refers to the majority of cases where the earlier CTM is a relative ground for refusal that applies for all the Member States.

<i>C. Bad faith as absolute ground for refusal</i>	153
I. Current law	153
II. Case law	153
III. Opinions	153
IV. Issues	154
V. Conclusions	155

We do not support ex officio examination of bad faith by OHIM. We do not see how OHIM could be well placed to provide examination of bad faith grounds. Bad faith will often be the result of dealings between two parties – facts of which OHIM cannot possibly have knowledge. It would, in our submission, be rare that the facts behind a bad faith application are common knowledge amongst OHIM’s examiners, or readily available from public sources, such as the Internet.

<i>D. Civil litigation and jurisdiction</i>	155
I. Current law	155
II. Case law	156
III. Issues	156
1. Community trade mark courts	156
2. Threatened infringement	156
3. Declaratory actions	157
4. Scope of relief	157
5. Presumption of validity	157
IV. Proposals	158
1. Amendment of Article 95 CTMR	158
2. Threatened infringement	158
3. Declaratory actions	158
4. Scope of relief	158
5. Presumption of validity	158
<i>E. Remedies</i>	158
I. Current law	158
II. Case law	159
III. Issues	159
IV. Solution proposed	160

In our response to question 18 of the tender we have argued that there is no need to include the sanctions of the Enforcement Directive in the CTMR, as all the national trade mark systems for infringement protection should be already harmonized with the directive. Whilst we are not as such opposed to providing, in the CTMR, for all substantive and procedural remedies, we point to the fact that the problem rather seems to be that national practices continue to differ widely.

Chapter 4 - Functioning of the CTM system - Issues of procedural law 161

<i>A. Filing</i>	161
I. Current law	161
II. Case law	161
III. Opinions	161
IV. Issues	162
1. National filing	162
2. Filing requirements	162
3. Payment of fees	162
V. Proposals	162
1. National filing	162

As we have previously responded in connection with the Allensbach question 18, we agree with maintaining the possibility to file CTM applications with the respective national offices (the dual filing system). A time limit of one month seems appropriate.

2. Payment of fees	163
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We agree with the proposal to keep the time limit for payment of fees to one month. However, we would support OHIM if OHIM should decide not to commence examination of applications where the filing fee has not been paid.

<i>B. Classification</i>	164
I. Current law and practices	164
II. Case law	165
III. Situation in Member States	166
IV. Opinions of user organizations	166
V. User survey Allensbach	166
VI. Issues 167	
1. Principles 167	
2. Consistency 167	
3. Definiteness	168
4. Congestion	168
5. Changes over time	169
6. Class fees	169
7. Classification and scope of protection	169
8. Classification and use requirement	170
9. Procedure (CTM)	170
10. Procedure (TMD)	170
VII. Proposals	171
1. Consistency	171
2. Definiteness	171

We note that the Max Plank Institute is proposing that 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 proposed “prior agreement” is, in fact, not necessary. A change to a clear and harmonised legal situation should not be delayed. Also, it would be sufficient to define that the

terms used in the list of goods and service "mean what they say". There is seldom need for an applicant to cover all goods in a particular class, because the applicant will file based on business needs and should actually be encouraged to specify the goods of interest. We cannot therefore support the proposal.

3. Congestion	172
4. Changes over time	172
5. Class fees	172

As we have previously stated in our response to Allensbach question 40, we support the current system as it is. However, we would be willing to consider including only one class in the filing fee **if** the filing fee is lowered so that an application including 3 classes would be at the same fee as now.

6. Classification and scope of protection	173
7. Classification and use requirement	173

As we have previously indicated in our response to Allensbach question 22, we support the use of the classification as stipulated in the Nice Agreement.

We do not support OHIM's current practice of interpreting the class headings as a claim to all the goods or services falling within the particular class. In our opinion the goods or services must be included in the list in order for it to be included in the registration. Some terms will be broad and by themselves comprise a longer list of goods/services, however, we recommend to our members to include the specific goods/services of interest so as to be safe and to also consider limiting the list so as to avoid oppositions.

We would support efforts to create consistency in practice across the European Union in this respect, and a common approach to similarity of goods and services would also be most helpful.

<i>C. Seniority</i>	173
I. Current law	173
II. Practices of national offices and opinions	173
1. National offices	173
2. User organizations	174
3. User survey Allensbach	174
III. Issues	174
IV. Proposals	175
1. Substantive law	175
a) Approximation of priority and seniority	175

We agree with the approach taken. It seems sensible not to force CTM proprietors to surrender their national marks if they do not wish to do so. Being able to maintain the national mark seniority is based on will further give the proprietor a chance to "test" whether the seniority claim is actually accepted (e.g. in opposition proceedings based on the CTM).

b) "Triple identity"	176
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We agree.

c) Consequential amendments	176
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We agree.

d) Challenging marks providing the basis for a seniority claim	176
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We presume that the proposal concerns invalidation on grounds of non-use and agree.

e) Preambles of Regulation and Directive	176
2. Procedure	177
a) Rules 1, 8 and 28 CTMIR	177

We agree.

b) Examination of seniority claims	177
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As we stated in our response to the Allensbach question 25, we believe that OHIM should retain the current practice of verification limited to checking if both marks are identical.

c) Documents, database	177
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We would like to reiterate that it is important that details of the seniority claim are made available on the OHIM database. It could be done by including a link to the national seniority right, if possible. This would be a straightforward, quick and modern way for users to check the details of the claim.

3. Fees	178
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We are opposed to the introduction of a fee on seniority claims.

We are strongly opposed to the notion that the fee should cover the potential loss of fee income in case the national mark is not renewed. It is in contradiction with the purpose of the seniority claim, which is to “transfer” the priority date of a national registration to the new CTM and thus avoiding the renewal costs.

The national offices are obliged to maintain records of registrations forming the basis for seniority claims. However, only some fulfil this obligation. In fact, only some offices have used the opportunity for financial assistance for this purpose from the existing cooperation arrangements with OHIM. Furthermore, it has been mentioned that maintaining seniority claim records could form part of the basis for the future distribution of the 50% renewal fee. So introducing a fee for applicants to pay for adding a seniority claim to their right seems entirely inappropriate.

<i>D. Priority</i>	178
I. Current law	178
II. Case law	178
III. Opinions	179

IV. Issues	179
1. Time limits	179
2. Supporting documentation	179
3. Degree of examination	180
V. Proposals	180
1. Time limits	180
2. Supporting documentation	180
3. Degree of examination	181

As we have already indicated in our response to Allensbach 23, we support the current practice of OHIM, which is to simply record the claim. Having said that, it would be most helpful if the CTM database were to include a link to the priority right in question.

<i>E. Searches</i>	<i>181</i>
I. Current law	181
II. Positions	181
1. National offices	181
2. User survey Allensbach	182
III. Issues and proposals	182

As we have previously stated, we do not consider the national searches very useful, but we will not object to them remaining optional.

We have doubts, however, as to the benefit of expanding the role of the offices to include offering searches prior to filing or to provide watching services. Since an office cannot give advise or guidance to its users regarding specific trade marks other than in connection with handling applications and examinations, the search results and watching services would consist of lists of data of limited value to users, especially SMEs. We find that it is more useful for an office to focus on granting rights.

<i>F. Fees and fee structure</i>	<i>183</i>
I. Current law and facts	183
1. Legislation	183
2. Fee income and expenditure; surplus	184
3. Trade mark activity	185
II. Positions	187
1. User organizations	187
2. Allensbach survey	187
III. Issues	187
1. Level of fees	187
2. Level of individual fees	189
3. Class fees	190
IV. Conclusions	190
1. Level of fees	190

We agree that the overall level of fees must be sufficient to cover the expenses of the operations of the OHIM and to maintain an adequate reserve. This principle would apply to any office.

However, we do not agree that the expenses of the OHIM operations by nature include payments made by the OHIM to national trade mark offices (equal e.g. to 50% of the renewal fees).

We strongly object to the principle of “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 IPR granted by the OHIM”. The applicant should be free to choose between the different systems for protection of trade marks and designs. The choice should be made based on the business needs and should not be “steered” into one direction or the other by the size of fees.

We object to setting the fees at a level that would “lead to a permanent surplus”. This could be regarded as a hidden tax on business for no real purpose.

2. Level of individual fees

191

As we have previously stated, our main interest is to keep the OHIM’s budget in balance and to keep the OHIM financially independent.

Since the CTM examination procedure does not – and should not - include relative grounds, it is important to keep the costs of opposition and cancellation as a reasonable level, even if it means that the other fees are supporting these functions.

As we mentioned above, we support the current class fee system as it is. However, we would be willing to consider including only one class in the filing fee **if** the filing fee is lowered so that an application including 3 classes would be at the same fee as now.

We have noted that the Max Planck Institute finds it appropriate if the renewal fees were at twice the level of the application fees. We strongly disagree with that and see no reason for such an imbalance. Businesses will renew a registration if it is relevant to their business purposes and should not be “steered” in the proposed manner by a fee twice the size of the application fee. The risk is that some businesses, including SMEs who may not see the value of keeping the first filing dates, will not renew, but will re-file instead – leading to a drop in renewals.

<i>G. Costs</i>	192
I. Current legislation	192
II. Case law	192
III. Opinions	192
IV. Issues and proposed solutions	193
1. Costs and cost awards	193
2. Enforcing cost awards	193
V. Proposals	194

As we have previously explained, the main problem for us with the existing system is the difficulty in enforcing cost awards. The current regime is not fit for purpose. The amount of

the award does not justify the cost of recovery nor does it incentivise the potentially unsuccessful party to have more actively considered settlement early in the proceedings.

We would like to see a costs system that does not discourage the filing of realistic opposition (and other *inter partes*) proceedings, but does act as an incentive for parties to reach agreement rapidly.

<i>H. Opposition and cancellation</i>	195
I. Current law	195
1. Overview	195
2. Opposition	195
3. Cancellation	195
II. Case law	195
III. Positions	195
IV. Issues	196
1. Opposition	196
a) Pre- or post-registration opposition	196
b) Grounds of opposition	197
c) Consent	198
d) Time limits	198
e) Separation of admissibility and substance	198
f) Identification of evidence	198
2. Cancellation	199
a) Grounds for revocation – generic indications	199
b) Separation of admissibility and substance	199
c) Res iudicata	199
d) Identification of evidence	199
e) Alignment with rules in opposition cases	199
V. Proposals	200
1. Opposition	200
a) Pre-registration or post-registration opposition	200
b) Grounds	200

We support the ability to third parties to oppose registration of a trade mark on the grounds of bad faith. This is currently the position in, for example, the United Kingdom. We do not see why rights owners should be made to wait for a bad faith application to register before being able to remove it from the Register. Bad faith oppositions should be available before OHIM and the national offices.

We understand the Study to be suggesting that an opposition cannot be based on a trade mark right acquired by the opponent after the date of priority of the mark being opposed. We understand that the Study’s suggestion may reflect German law. We do not agree with this proposal, which is contrary to the law in some other member states. An earlier right is an earlier right – it should not matter whether the earlier right was purchased for the purposes of the opposition, or had been in its owner’s hands for many years.

c) Consent	200
d) Time limits	201

We would wish to keep the system as is, i.e. with a 3 months opposition period.

Filing opposition against a CTM application entails a more complex decision than a national opposition, and there are many issues for the owner to consider. We realise that if the opposition period were to be shortened, all applications would proceed faster to registration, but we believe that the disadvantages for the potential opposers are more important than for the applicants in general. In fact, there seems to be agreement between the user organisations about the retaining of the current time limits. Whilst we are certainly not suggesting prolonging the examination period of CTM application, we must keep the possibility of the 6 months priority filings in mind.

e) Admissibility and substance 201

We believe that the parties should know about the admissibility of the opposition before they enter into settlement negotiations. If the verification of the existence of the claimed right is to be deferred to the main proceedings, there would be a risk that a costly decision making process in relation to the chances of winning the opposition and costly negotiations would be undertaken on incorrect assumptions.

f) Identification of evidence 201

We think that the proposal by the Max Planck Institute is very good and useful.

2. Cancellation	202
a) Grounds for revocation – generic indications	202
b) Admissibility and substance	202
c) Identification of evidence	202

Again, we think that the proposal by the Max Planck Institute is very good and useful.

I. Appeals	202
I. Current law	202
II. Case law	202
III. User survey Allensbach; user organizations	203
IV. Issues and proposed solutions	203
1. Time limits	203

We support maintaining the current time limits.

2. New facts and evidence 203

Even if the study only contains a brief outline of the problems that may arise in this context but we think that the conclusion is acceptable.

Although with the current rules – Article 76 (2) of the Regulation – uncertainties remain because the Office may or may not take new facts and evidence into account and it has to be asked when additional evidence has been presented "late", the current flexibility should only be changed if there were very strong arguments for either a more liberal or for an even stricter approach.

As there is the reasonable aim of an acceleration of the proceedings and a prevention of a delaying of the proceedings by the parties on the one hand, and the fact that the parties cannot be expected to foresee the possible relevance of any single detail of the background of the case and to take into account all possible aspects and problems on the other hand, it seems sensible not to change the current flexible approach.

3. Scope of review	204
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Again, we see no need to change simply for the sake of changing, and we support to keep the current regime.

4. Relation between first instance and second instance	204
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Chapter 5 - Madrid Agreement and Madrid Protocol implementation **205**

<i>A. Current law</i>	205
<i>B. Case law</i>	205
<i>C. Issues</i>	205
I. Opposition period	205
II. Reimbursement of part of the fee	206
III. Requirement of use	206
IV. Relationship between Madrid Agreement and Madrid Protocol	206
<i>D. Proposals</i>	206
I. Opposition period	206

Aligning the period as proposed by the Max Planck Institute seems sensible.

II. Reimbursement of part of the fee	207
III. Requirement of use	207

Again, we think that the proposal by the Max Planck Institute makes sense.

IV. Relationship between Madrid Agreement and Madrid Protocol	207
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PART IV - OHIM – FEES, TASKS AND MANDATE **208**

As a general comment, we note that the Study refers to the Council Conclusions of 25 May 2010 several times. We would like to recall the fact that user organisations warned against adopting Conclusions at that stage as they might have an undue influence on the objectiveness of the Study, which is precisely what is happening.

<i>A. Current law</i>	208
<i>B. Issues</i>	208
<i>C. Proposals</i>	209
I. Administration of the Community trade mark and design systems	209
II. Cooperation with national offices	210

We would like to recall our support to the Compromise Solution of September 2008. This support was given under specific conditions of which the most important one was transparency and consultation of users.

We continue to support the creation of the necessary framework for cooperation between OHIM and national offices, provided that it is transparently defined in consultation with the users and avoids any kind of diversion into national state budgets.

III. Harmonisation of practices and tools

210

We are particularly keen to see harmonisation of procedures, practices and tools across the EU and will continue to support activities in this direction.

We would favour increased efforts to harmonise registration and examination procedures, classification and use of class headings and opposition and cancellation proceedings.

IV. Enforcement

210

Although we appreciate the efforts that OHIM and national offices have made and will make to build on the expertise in the enforcement area, we continue to reserve our opinion regarding this proposal until we have more comprehensive knowledge and understanding of how the future plans and activities, i.e. regarding the Observatory, would fit in with the activities of other actors in the enforcement area.

V. Other activities

211

Even though it may appear superfluous, we stress the fact that new activities should not take away focus on the core business of the OHIM, including continued improvement in core business. If this condition is met, we would not be opposed to other activities like administration of the register for protected geographical indications.

However, we wish to raise reservations against a broad general clause, which would permit attribution of additional competences to OHIM by administrative agreement.

Experiences of such significant changes made merely by administrative agreement have not always been positive. A negative example of what can happen if legislation can be amended by administrative agreement can be seen in the changes to the European Patent Convention (EPC) with the "EPC 2000". The EPC 2000 introduced many changes into the EPC that facilitated further amendments in practice and reduced the hurdles to further substantive amendments. Changes were implemented to the disadvantage of the users (e.g. very restrictive rules on the filing of divisional applications), even without prior consultation of the interested circles.

As regards the possible creation of a certification mark at Community level, we would need to consider this further. However, we would like to point out that an owner of a collective mark has the option to set rules for quality etc. connected to the use of the collective mark.

Indeed an owner of a trade mark may chose to grant licences to the use of the trade mark whilst making stipulations for the quality. So we do not feel that the creation of a new type of right at the Community level is essential to business.

VI. Statutory basis for the distribution of OHIM funds to national offices	212
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PART V - HARMONISATION OF NATIONAL LAWS AND PRACTICES **213**

We repeat our general comment. We are in favour of full harmonisation of the CTMR and national laws. This means that we would generally be in favour of making the optional provisions of the TMD compulsory.

Chapter 1 - Harmonisation within the scope of the TMD **213**

<i>A. Article 3 (2) TMD – Absolute grounds for refusal</i>	213
I. Current law	213
1. TMD	213
2. CTMR	213
II. Implementation into national law	213
1. Article 3 (2) (a)	213
2. Article 3 (2) (b)	214
3. Article 3 (2) (c)	214
4. Article 3 (2) (d)	214
III. Case law	215
IV. Issues and proposals	215

As mentioned above, we are in favour of having ‘bad faith’ as a ground of opposition.

<i>B. Article 4 (4) TMD – Relative grounds for refusal</i>	215
I. Current law	215
1. TMD	215
2. CTMR	216
II. Implementation in national laws	216
1. Article 4 (4) (a) TMD	216

We agree, but would like to suggest including the cases where products and services are also similar so as to be aligned with Court of Justice case law.

2. Article 4 (4) (b) TMD	217
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We agree.

3. Article 4 (4) (c) TMD	217
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We agree.

4. Article 4 (4) (d), (e) and (f) TMD	217
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We agree.

5. Article 4 (4) (g) TMD	217
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We disagree as we see the provisions as different and not referring to the same issue.

6. Article 4 (5) TMD	218
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We agree.

III. Issues and proposals	218
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<i>C. Article 5 (2) and (5) TMD</i>	220
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We agree.

<i>D. Article 9 TMD - Limitation of rights by acquiescence</i>	220
I. Current law	220
1. TMD	220
2. CTMR	220
II. Implementation in national law	221
III. Case law	221
IV. Proposal	221

We agree.

<i>E. Articles 10, 11 TMD – Start of grace period, sanctions for non-use/non-use defence in administrative proceedings and infringement proceedings</i>	221
<i>F. Article 15 TMD</i>	221
I. Current law	221
1. TMD	221
2. CTMR	222
II. Implementation in national law	222
III. Proposals	222

Chapter 2 - Harmonisation beyond the scope of the TMD 223

<i>A. Assignment, rights in rem, levy of execution, insolvency, licensing</i>	223
I. Current law	223
1. TMD	223
2. CTMR	224
II. Case law	224
III. Opinions	225
IV. Issues and proposed solutions	225
1. Transfers and assignment	226
2. Recording of transfers and assignment	226
3. Licenses	227
4. Rights in rem, levy of execution, insolvency	227
V. Proposals	227
<i>B. Protection of non-registered trade marks and other signs used in the course of trade</i>	227
I. Current law	227
1. TMD	227
2. CTMR	229
II. Case law	229
III. Opinions	229
IV. Issues	230
<i>C. Trade mark procedures (registration, opposition, cancellation)</i>	231

I. Current law	231
1. TMD	231
2. National law	231
II. Opinions	232
III. Conclusions and proposals	232

As we have already mentioned, we support efforts to harmonise practices on classification and class headings.

PART VI - COEXISTENCE AND COOPERATION	234
Chapter 1 – Coexistence	234
<i>A. Present situation and trends</i>	234
<i>B. Genuine use</i>	235

1.4

As you know, we agree it would be inappropriate to link ‘genuine use’ to the frontiers of Member States.

1.5

We agree that ‘genuine use’ should not be used to “regulate” the coexistence between the systems.

1.6

However, we disagree with the proposal to limit the right of the CTM owner, as we have already indicated above. Apart from the fact that it would be inappropriate to limit the rights in this way and that it would constitute a contravention of the unitary character and the single mark, we also think that it is inappropriate to seek to ‘support the coexistence’ by limiting the rights of the CTM owners.

<i>C. Fee structure</i>	235
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1.7

We would disagree if the fees/the fee structure were used to ‘maintain and adequate balance between the trade mark systems and the CTM system’.

1.8

We would also disagree if the fees and the fee structure were used to ‘control the coexistence’.

<i>D. Usage of 50 percent of renewal fees</i>	236
I. Current situation, Council conclusions	236
1. Current situation	236
2. Council conclusions	236
II. Available amounts	238
1. Renewals	238
2. Renewal fees	239
III. Distribution	240

As a general comment we would like to draw to your attention that fees should be paid for “services rendered”, and this principle should also apply to the distribution of the 50% renewal fees. There seems to be general agreement on this, however, it is not mentioned in the Study. Furthermore, there should be some form of mechanisms of control and accounting of how the money is spent and what services/how the services are rendered. We would wish to reiterate our concern regarding the financial situation of the majority of offices that are financed on state budget. We support the Cooperation Fund, and one reason for our support is the fact that there is control and transparency on how the money is spent, i.e. that is goes into specific projects and do not disappear into State budgets.

1. Minimum amount for each Member State 240

It is probably logical to everyone, but we would like to state that the ‘minimum amount’ should never exceed the actual 50% of a year’s renewal fees.

Even though we would wish to see the distribution based on “services rendered”, the minimum amount could be half of the 50% and then distributed in equal shares to each office. The other half could be proportionate amounts, see below.

2. Proportionate amount to each Member State 241

We would have liked to see more specific proposals for how the money could be distributed based on work done for the CTM rather than national applications. As suggested by the Study, it should be considered to distribute the renewal fees according to specific numbers, like the number of CTM renewals and of CTM applications filed from a Member State, the number of oppositions filed based on a CTM in a national office and other specific data. The distribution according to ‘number of CTM applications’ would encourage a national office to inform their users of the benefits of trade mark protection, whilst the ‘number of oppositions’ would be payment for actual work done – given the situation, something we would consider quite fair.

We would encourage initiatives to explore ideas for distribution based on data and numbers of actual activities.

3. A simulation 241
4. Manner of distribution 243

We agree with the points made by the Study. It should be ensured that the money is spent in the interest of the users and not diverted into State budgets.

5. Objectives 243

1.34

We completely disagree with the notion 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.’

The renewal fees, the Cooperation Fund and the remaining surplus must first of all be used in the interest of the users. This may mean that national offices are kept operational, infrastructure is improved, staff are educated, etc. since – depending on how it is done - this will be in the interest of the users, but it is not the starting point.

1.36

We believe that the activities resulting from the use of the 50% renewal fees must be approved and reported to a body that does not have a vested interest as the direct recipients of the money. It would appear that OHIM’s Administrative Board and Budget Committee may not be the appropriate bodies as the member states chose to send national office staff as their representatives. On the one hand the national office staff assisted by the users are clearly the experts in the field, but it is unfortunate to have national office staff put in a conflict of interest situation.

We believe that it is important that the Court of Auditors plays an active role.

Chapter 2 - Cooperation	244
<i>A. Cooperation and coherence</i>	244
I. Guidelines	245
II. Classification	245
III. Examination	245

Whilst we agree with the thinking in the previous points, we have severe reservations with respect to the suggestion that the offices should be given time and be allowed to raise objections against the applications of another office. It would bring more problems than it would solve, and there would be a risk of prolonging the examination period without much benefit compared to the downsides.

We are fully in favour of informal discussions and open structured discussions on decisions and other initiatives that would promote and improve harmonisation and consistency, but we much prefer the ways found through the Cooperation Fund. We would suggest that creating common guidelines of examination would be a better way forward as well as some of the ideas suggested in 2.10.

IV. Joint activities	245
<i>B. Enforcement</i>	246
I. Context	246
II. Involvement of IP offices in enforcement activities	247

We note that the responses revealed extremely divergent conditions (2.24) and that the majority of offices would be restricted by the existing legal framework insofar as becoming involved in enforcement activities (2.25).

We agree that the steps should be cautiously developed (2.31) in close dialogue with the users, and we could also see that OHIM could be a centre of information and training, of coordination and of developing new ideas and concepts (2.34) – especially since there seems to be a lack of coordination at Commission level.

PART VII - CONCLUSIONS

251

We believe that we have already commented on the issues raised in the conclusions and also refer to our responses to the Tender.