

10 October

# AmCham EU's position on the European trademark package

## Introduction

The American Chamber of Commerce to the European Union (AmCham EU) has always recognised that intellectual property is the cornerstone of the EU economy and a key pillar of the knowledge-based society. Given that innovation is a key contributor to growth, it is more important than ever that the value of intellectual property is understood and protected. Any policy changes that result in the weakening of IP protection levels would reduce incentives to innovate and invest and have a detrimental effect on jobs and competitiveness in Europe.

AmCham EU therefore welcomes the opportunity to provide comments on the European Commission's package of proposals for a revision of the Regulation on the Community Trademark (CTMR), a recast of the Directive approximating the laws of the Member States relating to trademarks (TMD) and a revision of the Commission Regulation on the fees payable to the Office for the Harmonisation in the Internal Market (OHIM).

AmCham EU supports the overall objectives of this revision and welcomes the European Commission goals to:

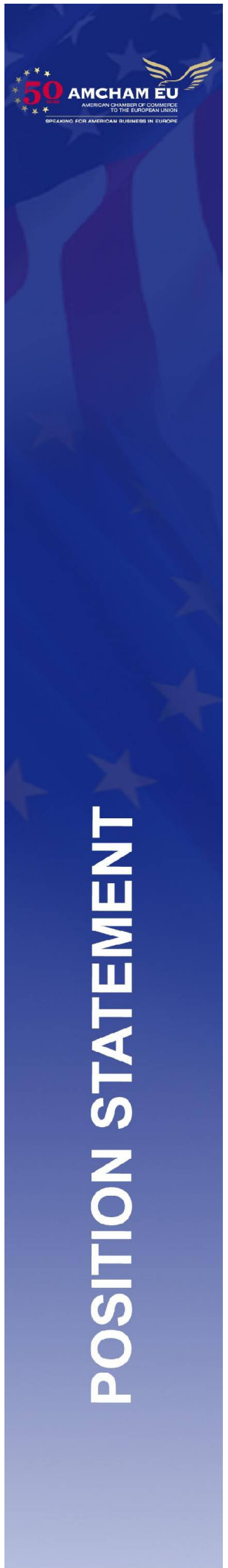
- Increase legal certainty by clarifying provisions and removing ambiguities;
- Provide greater alignment of the system's procedural rules; and
- Achieve greater harmonisation of national laws and procedures, thereby also making them more consistent with the Community trademark system.

While AmCham EU supports many of the changes proposed to both the CTMR and the TMD, the points below discuss some key issues and concerns regarding the Commission's proposals, as currently drafted. More details and recommendations for specific amendments are provided in our paper in the following order:

- I. Substantive issues;
- II. Enforcement;
- III. Financing; and
- IV. OHIM governance.

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## I. Substantive issues

### 1) Definition of a trademark

The European Commission's proposal intends **not to limit the definition of the brand to the requirement of graphic representation**, but it leaves the door open for the registration of an object if it allows for more precise identification of the mark and thereby serves the aim of enhanced legal certainty (e.g. a sound). The idea is not to go for a boundless extension of the admissible ways to represent a sign, but to provide for more flexibility in that respect while ensuring greater legal certainty.

AmCham EU recognises that the European Commission has improved the definition of a European trademark but it **still lacks the inclusion of 'models, patterns, devices and logos' in the definition**, as these are very commonly used features that enter into the making of a sign used as a trademark. The amendments could therefore take the following form:

#### Amendment to the Directive

##### Article 3, Paragraph 1 (Signs of which a trademark may consist)

Article 3, First paragraph	Article 3, First paragraph
A trademark may consist of any signs, in particular words, including personal names, designs, letters, numerals, colours as such, the shape of goods or of their packaging, or sounds, provided that such signs are capable of:	A trademark may consist of any signs, in particular words, including personal names, designs, <b>models, patterns, devices, logos</b> , letters, numerals, colours as such, the shape of goods or of their packaging, or sounds, provided that such signs are capable of:

#### Justification

Patterns, devices and logos are very commonly used features that enter into the making of a sign used as a trademark.

### 2) Double identity and 'origin function'

The package as proposed would limit trademark protection in cases of identical marks and identical goods or services (so-called 'double identity') to cases where the 'origin function' of the prior mark is affected so that 'use affects or is liable to affect the function of the trademark to guarantee to consumers the origin of the goods or services' (Article 9 CTMR, Articles 10 and 11 TMD).

This proposal is causing great concern and would create legal uncertainty. Furthermore, it does not even cover clear cases of trademark infringement and parallel import cases where original goods have been brought to the market with the consent of the trademark owner only outside the EU.

The entrance of such goods into the EU could no longer be prohibited, since the 'origin function' in these cases would not be affected. For this reasons in

particular, the wording as proposed for trademark infringement in double identity cases is not justifiable, and the wording of these provisions in the current CTMR and TMD must remain unchanged.

**Proposal of a Directive**  
**Article 10, point 2a**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
<p>2. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trademark, the proprietor of a registered trademark shall be entitled to prevent all third parties not having his consent:</p> <p>(a) the sign is identical with the trademark and is used in relation to goods or services which are identical with those for which the trademark is registered <i>and where such use affects or is liable to affect the function of the trademark to guarantee to consumers the origin of the goods or services ;</i></p>	<p>2. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trademark, the proprietor of a registered trademark shall be entitled to prevent all third parties not having his consent:</p> <p>(a) The sign is identical with the trademark and is used in relation to goods or services which are identical with those for which the trademark is registered.</p>

*Justification*

Under the current texts a trademark owner can prohibit the use of a junior trademark where the signs are identical and the goods or services are also identical. By providing that a use of a junior trademark is infringing if it affects or is liable to affect the function of the trademark to guarantee to consumers the origin of the goods or services, the proposed amendments add a new condition. This eliminates the differences existing in the current legislation between the infringement by an identical sign for identical products and services and the infringement by similarity (identical or similar sign for identical or similar products and services) for which the likelihood of confusion must be established.

**Proposal of a Regulation**  
**Article 1, point 12 amending Article 9, paragraph 2(a)**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
<p>(a) the sign is identical with the European trademark and is used in relation to goods or services which are identical with those for which the European trademark is registered, <i>and where such use affects or is liable to affect the function of the European</i></p>	<p>(a) the sign is identical with the European trademark and is used in relation to goods or services which are identical with those for which the European trademark is registered.</p>



<i>trademark to guarantee to consumers the origin of the goods or services;</i>	
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### *Justification*

Under the current texts a trademark owner can prohibit the use of a junior trademark where the signs are identical and the goods or services are also identical. By providing that a use of a junior trademark is infringing if it affects or is liable to affect the function of the trademark to guarantee to consumers the origin of the goods or services, the proposed amendments add a new condition. This eliminates the differences existing in the current legislation between the infringement by an identical sign for identical products and services and the infringement by similarity (identical or similar sign for identical or similar products and services) for which the likelihood of confusion must be established.

### *3) Trademark with a reputation*

AmCham EU considers that the reputation of a trademark is not based on proving reputation in each of the Member States. Moreover, based on the ECJ Decision 'Pago v. Tirolmilch' (Case C 301/07 of 6 October 2009), a part of a territory of a Member State can be considered as a substantial territory of the Community.

## **Proposal for a Directive**

### **Article 5, paragraph 3 (a)**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
<p>3. A trademark shall not be registered or, if registered, shall be liable to be declared invalid:</p> <p>(a) if it is identical with, or similar to, an earlier trademark irrespective of whether the goods or services for which it is applied or registered are identical with, similar to or not similar to those for which the earlier trademark is registered, where the earlier trademark has a reputation in a Member State or, in case of a European trademark, has a reputation in the Union and the use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark;</p>	<p>3. A trademark shall not be registered or, if registered, shall be liable to be declared invalid:</p> <p>(a) if it is identical with, or similar to, an earlier trademark irrespective of whether the goods or services for which it is applied or registered are identical with, similar to or not similar to those for which the earlier trademark is registered, where the earlier trademark has a reputation in a Member State or, in case of a European trademark, has a reputation in <b>a substantial part of the territory of the Union, even if it is within only part of one Member State</b>, and the use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark;</p>

POSITION STATEMENT

### *Justification*

It should be made clear that a reputation in the Union is not based on proving reputation in each of the Member States.

### **Proposal for a Regulation**

#### **Article 1, point 12 amending the Article 9, point 2 (c)**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
(c) the sign is identical with, or similar to, the European trademark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the European trademark is registered, where the latter has a reputation in the Union and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the European trademark.	(c) the sign is identical with, or similar to, the European trademark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the European trademark is registered, where the latter has a reputation in <b>a substantial part of the territory of</b> the Union, <b>even if it is within only a part of one Member State</b> and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the European trademark.

### *Justification*

For the sake of legal certainty, the amendment refers to ECJ Decision 'Pago v. Tirolmilch' (Case C 301/07 of 6 October 2009) which states that 'Article 9(1)(c) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark must be interpreted as meaning that, in order to benefit from the protection afforded in that provision, a Community trademark must be known by a significant part of the public concerned by the products or services covered by that trademark, in a substantial part of the territory of the European Community, and that, in view of the facts of the main proceedings, the territory of the Member State in question may be considered to constitute a substantial part of the territory of the Community'.

## **II. Enforcement**

### *1) Goods in transit*

AmCham EU welcomes the European Commission's support for an efficient EU legislative and enforcement system that would prevent the transit of counterfeit goods at the EU's borders. This will enable better protection for EU citizens and reduce the flow of some potentially dangerous products to consumers in other countries. For clarification, it is understood that the goods in transit issue solely addresses the transit and trade of infringing goods. Article



9(5) of the Trademark Package does not empower an IP rights holder to enforce patent or design rights.

Under the current Regulation on Customs Enforcement of Intellectual Property Rights 1383/2003, customs officials are only permitted to detain counterfeit products transiting through the EU if it can be shown that these products are destined for the EU market. Therefore, identified counterfeit products in transit through an EU Member State to a third (non-EU) country are released back into commercial circulation even if it is evident that the goods are not genuine. This existing system is indeed inconsistent with the EU's strong position on protecting IP rights and counterproductive in stopping the trade of counterfeit goods, because transit itself is not defined as an infringing act under current EU law. These and more counterfeit goods are likely to enter the EU and remain in the internal market even if declared for transit. It is crucial that the European Commission's proposed changes to the CTMR and the TMD, modifying this system to forbid counterfeit goods destined for other countries to transit through EU Member States, is adopted.

As a result, AmCham EU supports the European Commission's proposal that entitles trademark rights holders to prevent third parties from bringing goods from third (non-EU) countries bearing an unauthorised trademark that is identical to the European trademark registered in respect of those goods, into the customs territory of the Union, regardless of whether they are released for free circulation. As the trademark rights holders do not have access to the transit zone, it is key that they benefit from the assistance of the relevant local law enforcement authorities in order to be able to prevent the bringing (and possibly remaining) of such goods into the customs territory of the Union. AmCham EU is therefore proposing an amendment to be inserted in the Article (9)5 of CTMR that would help trademark owners, with the assistance of the relevant local authorities, to prevent the bringing of such allegedly 'transiting' goods into the customs territory of the Union, thereby increasing the effectiveness of this provision.

Furthermore, as the European Commission explains in its explanatory memorandum, the purpose of this provision is to allow rights holders to prevent the entry of infringing goods into the customs territory of the Union 'regardless of whether they are released for free circulation.' Nevertheless, the wording of the provision as currently proposed seems to be more limiting: 'The proprietor of a European trademark shall also be entitled to prevent all third parties from bringing goods [...] into the customs territory of the Union without being released for free circulation there [...].' AmCham EU therefore proposes clarification of the language of the provision so to reflect the European Commission's intention, as set out in the explanatory memorandum.

#### **Proposal for a Regulation** **Article 9(5)**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
(5) The proprietor of a European trademark shall also be entitled to	(5) The proprietor of a European trademark shall also be entitled, <b>with</b>

prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trademark which is identical to the European trademark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trademark.	<b><i>the assistance of the relevant local authorities</i></b> , to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union <b><i>regardless of whether they are</i></b> released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trademark which is identical to the European trademark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trademark.
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**Proposal for a Directive  
Article 10(5)**

<i>Text proposed by the Commission</i>	<i>Amendment</i>
(5) The proprietor of a European trademark shall also be entitled to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trademark which is identical to the European trademark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trademark	(5) ) The proprietor of a European trademark shall also be entitled, <b><i>with the assistance of the relevant local authorities</i></b> , to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union <b><i>regardless of whether they are</i></b> released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trademark which is identical to the European trademark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trademark

*Justification*

In order to increase the effectiveness of the provision, trademark owners would need the help of the relevant local law enforcement authorities (e.g customs, police) to be able to prevent the bringing of such goods into the customs territory of the Union, since trademark owners do not have access to the transit zone. In addition, to ensure a correct interpretation of the provision, the language should be clarified so as to allow the right to prevent the bringing of goods into the customs territory of the Union regardless of whether they are released for circulation or not.

## 2) Preparatory Acts

Neither the Regulation nor the Directive currently contains provisions allowing proceedings against the distribution and sale of labels and packaging or similar items that may subsequently be combined with illicit products.

AmCham EU therefore supports the European Commission's proposal enabling a trademark owner to take action against dealings in packaging, labels and similar items where there would be an infringement of trademark rights if such components were combined with goods. The proposed provision would contribute in an efficient and effective way to the fight against counterfeiting.

In its explanatory memorandum, the Commission explains this provision as providing the basis to bring proceedings against counterfeiters who distribute or sell 'labels and packaging or similar items.' However the text of the proposed provision mentions 'get-up,' which is a legal term of art not applicable in all EU jurisdictions and of 'packaging or other means' only. To ensure that this provision has practical effectiveness, AmCham EU proposes a clarification of the wording used to describe the labels, packaging and other items to ensure that the more common packaging elements and components used by counterfeiters in their infringing activities are expressly dealt with in the provision.

### Proposal for a Regulation Article 9a

<i>Text proposed by the Commission</i>	<i>Amendment</i>
Where it is likely that <b><i>the get-up</i></b> , packaging or other means to which the mark is affixed will be used for goods or services and the use in relation to those goods or services would constitute an infringement of the rights of the proprietor under Article 9(2) and (3), the proprietor of a European trademark shall have the right to prohibit the following:  (a) affixing in the course of trade a sign identical with or similar to the European trademark on <b><i>get-up</i></b> , packaging or other means on which the mark may be affixed;  (b) offering or placing on the market, or stocking for those purposes, or importing or exporting <b><i>get-up</i></b> , packaging or other means on which the mark is affixed.	Where it is likely that packaging, <b><i>labels, tags, security features, authenticity devices or any other materials</i></b> to which the mark is affixed will be used for goods or services and the use in relation to those goods or services would constitute an infringement of the rights of the proprietor under Article 9(2) and (3), the proprietor of a European trademark shall have the right to prohibit the following:  (a) affixing in the course of trade a sign identical with or similar to the European trademark on packaging, <b><i>labels, tags, security features, authenticity devices or any other materials</i></b> on which the mark may be affixed;  (b) offering or placing on the market, or stocking for those purposes, or importing or exporting packaging, <b><i>labels, tags, security features,</i></b>



	<i>authenticity devices or any other materials</i> on which the mark is affixed.
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### *Justification*

In order to increase the effectiveness of the provision, the wording used to describe the labels, packaging and other items should be clarified to ensure that the more common packaging elements and components used by pirates and counterfeiters in their infringing activities are comprised in the provision.

AmCham EU would like to underline that there is an inconsistency between the French and English translations in Recital 24 of the Directive. For greater clarity, the text in English could be amended by referring to 'all' preparatory acts, rather than 'certain' which does not appear at all in the French version ('les actes préparatoires').

### **Proposal for a Directive Recital 24**

(24) In order to enable proprietors of registered trademarks to fight counterfeiting more effectively, they should be entitled to prohibit the affixing of an infringing trademark to goods and <i>certain</i> preparatory acts prior to the affixing.	(24) In order to enable proprietors of registered trademarks to fight counterfeiting more effectively, they should be entitled to prohibit the affixing of an infringing trademark to goods and <i>all</i> preparatory acts prior to the affixing.
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### *Justification*

The reference to 'certain' preparatory acts is source of legal uncertainty. There is a problem in translation between the English and the French languages. The French version of the text actually states 'the preparatory acts'.

## **III. Financing aspects**

AmCham EU welcomes the efforts of the European Commission to recognise the importance of a balanced budget for OHIM.

### *1) Fees and surplus*

AmCham EU supports the rationalisation of the CTMR fee structure (one fee for one class of goods/services). However, further consideration on the amount of renewal fees should be taken into account. **The renewal fee of a CTM should not be higher than the one to register a new CTM.**

According to article 144 (2) CTMR, the amounts of the fees shall be fixed at such level as to ensure that the revenue in respect thereof is in principle

sufficient for the budget of the agency to be balanced while avoiding the accumulation of significant surpluses. The proposal also foresees a review of the level of fees by the Commission, in case of a recurrent significant surplus. If this review would not lead to a reduction or modification in the level of fees in order to prevent the further accumulation of a significant surplus, the surplus accumulated after the review would have to be transferred to the budget of the Union.

The current proposal foresees a possible shift of fees from OHIM to the general EU budget, which would be a form of indirect taxation that cannot be accepted by right holders paying their fees for services being delivered by OHIM.

AmCham EU strongly opposes any transfer of accumulated surpluses to the EU budget as currently proposed. Trademark holders are paying fees for protecting their innovations and IP assets.

For self-financed EU agencies like OHIM, the fees should be set at a realistic level, as recognised also in the common approach between the EU institutions of 19 July 2012 regarding their financing covering costs and expenses but not generating substantial income. In addition, the common approach does not foresee a transfer mechanism for self-financed agencies to the EU budget in case of a surplus. Accumulating surpluses must be avoided through a regular and appropriate mechanism of fee review and the Commission should make proposals in this direction.

## *2) Cooperation and convergence programmes*

AmCham EU welcomes the acknowledgment by the European Commission of the success of the cooperation fund and convergence programmes by proposing a funding mechanism from OHIM's budget with an allocation limit for national IP offices related to defined projects for the benefit of the European trademark system as a whole and not simply as a way to absorb funds contributed by users through fees. The cooperation between OHIM and national trademark IP offices is legally anchored in Articles 123 (b) and 123 (c) CTMR. Users should be closely involved in the definition and implementation of these projects and key performance indicators for monitoring the functioning of the programmes and projects as well as the distribution of the funds should be applied. The distributed funds to national IP offices should be directly linked to specific trademark related cooperation projects.

## **IV. OHIM governance**

AmCham EU considers that the OHIM has been functioning efficiently since its creation so would not support any major changes that would undermine this.

The status of OHIM as a self-financed agency should be taken into account and strictly maintained in any governance reform. The presence of users (which represent all different kind of industries) in the governing bodies of OHIM should be safeguarded as it was identified in the past and still is beneficial for the overall functioning of the European trademark and design system.

Powers additionally transferred from OHIM to the Commission via delegated acts (cf. CTMR, Article 127b(2)(c) and 127b(3)) limit the well-working independence of OHIM. Control has been successfully executed by the current Administrative Board (to be renamed as Management Board according to the proposal). Any additional layers, as the proposed Executive Board, will create conflicts of interests and will lead to less transparency with respect to the OHIM activities.

Finally, AmCham EU would not recommend changing the name of the responsible EU Agency to 'EU Trademark and Designs Agency'. The current name of the agency (OHIM) is widely recognised globally and has been in use for 20 years. Furthermore, it is also currently responsible for for the Observatory which addresses other IP rights e.g. copyrights so it is not limited to trademarks and designs.

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*AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €1.9 trillion in 2012 and directly supports more than 4.2 million jobs in Europe.*

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POSITION STATEMENT