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STANDING COMMITTEE OF THE EFTA STATES

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SUBCOMMITTEE I ON THE FREE MOVEMENT OF GOODS

EEA EFTA Comment

on the European Commission's proposal for a new Trade Mark Directive (COM(2013) 162 final)

1. INTRODUCTION

1. The EU Commission issued its proposal for a new Trade Mark Directive on 27 March 2013. The proposal is available at http://ec.europa.eu/internal_market/indprop/tm, together with the proposal for a new Trade Mark Regulation, the Working Paper Impact Assessment as well as prior studies on the overall functioning of the European Trade Mark System.
2. The EEA EFTA States welcome the Commission's proposal for a Directive of the European Parliament and of the Council to approximate the law of the Member States on trade marks.
3. This position document reflects the views of all the EEA EFTA States on the proposal for a new Trade Mark Directive, except where clearly stated otherwise.

2. GENERAL REMARKS

2.1. GENERAL REMARKS CONCERNING CHAPTER 3 ON PROCEDURAL RULES AND ARTICLE 41 ON EX OFFICIO EXAMINATION

4. Chapter 3 of the proposal is related to procedural rules before the national trade marks offices. The proposal would imply an alignment of the procedural rules in trade mark registration cases. There is a wide divergence between national rules and procedures and the rules and procedures applied by the OHIM (Office of Harmonization for the Internal Market). In such a landscape, users have to deal with a wide variety of procedural rules, thus creating a great deal of legal uncertainty and limiting accessibility. According to the proposal, one of the main reasons for aligning the

procedural rules is that the existence of the dual system of national trade marks and trade marks protected at EU level creates a need for harmonised procedural rules.

5. Since only national systems exist in the EEA EFTA States, the situation in these States is different than in the EU. Applicants only need to deal with the procedural rules of the national authority in question, as opposed to in the EU where applicants potentially need to deal with different procedural rules for national authorities and the OHIM. The EEA EFTA States hold the view that there is no necessity to align procedural rights of national offices. Consequently, the EEA EFTA States do not support the inclusion of this chapter in a Directive text. If these rules and other non-EEA relevant elements of the proposed Directive remain in the final version, it will be necessary to adopt an adaptation text that excludes these parts from being incorporated into the EEA Agreement.
6. One of the proposed procedural provisions is that offices shall limit their ex officio examination to absolute grounds of refusal. Liechtenstein supports this position. However, the national offices of Iceland and Norway are required by law to examine on relative grounds.
7. Accordingly, the EEA EFTA States have diverging positions on the proposed provision to limit national offices' examination to absolute grounds of refusal, and the following position (paragraphs 8-13) is only supported by Iceland and Norway.
8. The proposal is based on two lines of arguments for excluding offices from conducting ex officio examination on relative grounds. First, it is held that this is in line with the current Regulation, and that the ex officio examination on relative grounds creates several unnecessary barriers to the registration of trade marks. It leads to superfluous expenses and delays, and applicants are prone to fall victim to extortion. Furthermore, it is held that it leads to artificial disputes.
9. Secondly, it is emphasised that legal uncertainty is created as the ex officio examination is limited to earlier registered trade marks, and does not involve examination against inter alia reputed trade marks. Therefore, an application that passes the ex officio control may still fall victim to opposition on the basis of a trade mark with reputation or on the basis of an unregistered well-known trade mark.
10. An assessment of the need for aligning procedural rules was made in the Max Planck report. On the issue of examination on relative grounds, the report concluded that no attempts should be made to impose one common examination system simply because of the deep-rooted divergences of attitude towards such examination. National offices in the EU are almost split in half on whether they examine on relative grounds or not, and there are also differences as to the scope of examination. Furthermore, the report emphasises that the positive view taken by many national offices that relative grounds examination is particularly helpful for SMEs and provides an efficient bar against cluttering of the register, was also shared by a substantial number of trade mark proprietors. In the public consultations before the adoption of Norway's Trademarks Act of 2010, this position was also strongly shared by the users of the Norwegian trade mark system.

11. Iceland and Norway have also considered the arguments concerning the drawbacks of full examination, in particular as to timeliness and artificial disputes. The issue of timeliness may be resolved by increased efficiency by the national offices. As to artificial disputes, this may be reduced by introducing a system of administrative cancellation proceedings, which is less expensive and quicker than court proceedings. Such a system was introduced in Norway in 2010 and in Iceland in 2012. Under such a system, a request for administrative cancellation could be based inter alia on non-use of an earlier trade mark or when there are reasonable doubts as to the existence of the earlier rights proprietor (the latter resolves the second issue concerning relative grounds mentioned in Box 2 of the Impact Assessment (page 22)).
12. As to the argument that an application which has undergone full examination may still be met by opposition based on reputed trade marks or well-known unregistered trade marks and that this leads to legal uncertainty, it must be noted that a registered trade mark may also be met by declarations of invalidity based on prior registered or unregistered rights. A certain degree of “legal uncertainty” is therefore inherent to the system. According to the experience of the national offices in Iceland and Norway, oppositions based on reputed or well-known rights are filed relatively seldom. The holders of such trade marks would presumably usually not be small or medium sized businesses, but large scale operators. Gaining reputation for a trade mark or making an unregistered trade mark well-known will normally require investment on a rather larger scale than is available to many small and medium sized enterprises. As the majority of users of the trade mark systems in Iceland and Norway are SMEs, who often want to know why they should get a trade mark in the first place, and whose trade mark is neither reputed nor well-known, this argument falls short of their needs. Providing for examination on relative grounds, on the other hand, does comply with the needs of these enterprises, by increasing value for money in filing a trade mark application. An applicant does not have to pay additional costs to private companies for search services, nor do they incur costs by having to file oppositions. All of this is to a large extent provided by the national authority as part of the application/registration fee. The proposal does not seem to take these positive aspects of examination on relative grounds into account.
13. There has not been any analysis of the needs of the users of the national systems in connection with the proposal. The Max Planck study primarily focuses on the needs of the users of the CTM system, not the needs of the users of the national systems.

2.2. GENERAL REMARKS CONCERNING CHAPTER 2, SECTION 5 ON TRADE MARKS AS SUBJECT OF PROPERTY

14. Chapter 2, Section 5 of the proposal deals with trade marks as subjects of property. The EEA EFTA States do not support including provisions on these subjects in the Trade Mark Directive. The regulation of trade marks as subjects of property may threaten the coherence of national procedural law and civil law, and make these rules more complicated, particularly to the extent that the rules deviate from common procedural and/or civil law principles. This may lead to challenges related to both implementation and application, as the rules have to be fitted into existing and much

more elaborate systems with a general scope of application. Furthermore, in the view of the EEA EFTA States, these provisions are not EEA relevant.

3. SPECIFIC REMARKS

3.1. REMARKS CONCERNING CHAPTER 2 – THE LAW ON TRADE MARKS

3.1.1. Remarks concerning Article 3 – Graphic representation

15. Article 3 of the proposal implies replacing the requirement of graphic representation with a requirement that a trade mark has to be represented in a manner which enables the competent authorities and the public to determine the precise subject of the protection afforded.
16. The EEA EFTA States are not opposed to replacing the requirement of graphic representability. The requirement of graphic representation does create certain problems, of which the most practical example would be in the case of sound trade marks, which are best represented through musical files. However, the EEA EFTA States are concerned that the current proposed text may lead to differences in interpretation and suggest to further refine the wording of the proposal, also keeping in mind that in some instances, offices might not be technically equipped yet to receive and process applications in the forms of musical files or other digital media.
17. If this provision is introduced, the EEA EFTA States suggest developing a Convergence Programme, or something similar, to align interpretation and practice. This could take place prior to the entry into force of the Directive.

3.1.2. Remarks concerning Article 4(1)(i) and (j) – Protection of designations of origin and geographical indications

18. The Commission suggests that trade marks shall be refused on the basis of absolute grounds if it cannot be used pursuant to EU legislation or international agreements. This applies in respect of designations of origin, geographical indications (GIs) and traditional terms for wine and traditional specialties. The provision would cover any future EU legislation including EU legislation on non-agricultural geographical indications.
19. In the view of the EEA EFTA States, this provision is only partly EEA compatible, and would only apply to the EEA EFTA States to the extent GIs are protected in these States. Agriculture, for example, is a subject outside the scope of the EEA Agreement, and agricultural GIs are not protected in all EEA EFTA States.
20. Furthermore, from a practical perspective, it is often difficult for a national trade mark office to find out which GIs are protected and what they are protected against (identity, likelihood of confusion, liable to be understood/perceived as, absolute protection regardless of the goods and services?). The EEA EFTA States suggest that

a database or directory of relevant legislation and lists of protected terms should be made available for national offices. This would also serve to make the provision more effective and to harmonise practice.

3.1.3. Remarks concerning Article 4(2) – Non-registrability in other Member States

21. The EEA EFTA States' understanding of the proposal is that a trade mark office would have to refuse a trade mark application based on absolute grounds existing in other Member States. This would entail a major change in trade mark practice throughout the EEA. Trade marks would have to be refused if, for example, they are descriptive in the language of a Member State other than the Member State where protection is applied for, disregarding whether or not the relevant public would understand this language and whether or not the applied trade mark would be perceived as descriptive, generic, deceptive, etc., according to the perspective of the public of that State. The protection of a national trade mark is territorially limited, and the flexibility for applicants to use terms which may, inadvertently or not, fall under absolute grounds in other jurisdictions, must be balanced against the need for keeping terms free for others. The current situation in the EEA EFTA States is perceived as fairly balanced, as it does not make it too difficult for applicants to come up with new trade marks. Hence, the EEA EFTA States do not support the proposed provision.
22. The proposal seems to address a problem which exists only at EU level, namely that of the *Matratzen* case (C-421/04, *Matratzen Conchord*). However, this is a CTM-specific problem, which does not exist at national level. The EEA EFTA States suggest that this problem be resolved in the new Trade Mark Regulation.
23. Furthermore, the EEA EFTA States find the relationship between Article 4(2)(a) and (b) uncertain. Reading Article 4(2)(a) alone, it seems that the grounds for refusal would apply to any ground listed in Art. 4(1), which includes inter alia descriptiveness, deceptiveness, generic signs and signs which are contrary to public policy or accepted principles of morality. Accordingly, if the trade mark is contrary to public policy in one EEA State, it would have to be refused in all other States. Article 4(2)(a) ends with a semi-colon, which suggests that it should be read on its own. However, another possible interpretation is that Article 4(2)(b) may be interpreted as a qualifier of 4(2)(a). Letter (b) states that the grounds for non-registrability only exist where a trade mark in a foreign language is translated or transcribed in any script or official language of the State where protection is applied for. The question then would be if trade marks should only be refused if both (a) and (b) apply.
24. Therefore, the EEA EFTA States not only object to the content of the proposed provision, but also have concerns that the current wording of the proposal is not sufficiently clear and precise.

3.1.4. Remarks concerning Article 4(3) – Bad faith

25. It is proposed to make bad faith an absolute ground mandatory for invalidity proceedings, but optional in respect of other proceedings, such as ex officio

examination and opposition. In the current Directive, bad faith as an absolute ground is optional.

26. The EEA EFTA States are of the opinion that bad faith should be a relative ground of refusal in all proceedings and accordingly, should be moved from Article 4 to Article 5. This would exclude the application of the provision on other possible instances of bad faith, such as filing recurrent trade mark application to avoid proof of use or instances of “misuse of the system”, as developed in particular by OHIM’s Board of Appeal. In the view of the EEA EFTA States, such issues are not really a matter of bad faith.

3.1.5. Remarks concerning Article 5(3)(a) – Relative grounds for refusal or invalidity

27. Under national legislation in Iceland and Norway, non-registered reputed trade marks may also enjoy protection as a relative ground for refusal of an application. This is part of a well-functioning system in these States, which it is not desirable to change. Accordingly, Iceland and Norway can only support this provision if it is a minimum provision.

3.1.6. Remarks concerning Article 10(2)(a) – Cases of double identity

28. The proposal implies that the protection of double identity would be limited to the situations where use of the trade mark affects or is liable to affect the trade mark’s origin function. The CJEU has in several cases found that a trade mark has several functions.
29. The EEA EFTA States find it important that trade mark proprietors have protection in cases of double identity in respect of other functions than simply the origin function, and do not support the proposed change.

3.1.7. Remarks concerning Article 10(4) and 10(5) – Import and transit of goods.

30. Article 10(4) of the proposal implies that a proprietor may also be entitled to prevent the import of goods where only the consignor acts for commercial purposes. According to Article 10(5) of the proposal, a proprietor will be entitled to prevent transit of goods where the goods lack authorisation.
31. Paragraph 22 of the draft preamble indicates that the purpose of Article 10(5) is to combat counterfeiting, whereas paragraph 23 of the draft preamble, which seems to pertain to Article 10(4), refers to the act of infringing in general. Paragraph 24 states that in order to enable the proprietor to fight counterfeiting more effectively, they should be entitled to prohibit certain acts.
32. The EEA EFTA States do not support the proposals in Article 10(4) and Article 10(5). These issues are and should be governed by Regulation 1383/2003 concerning customs actions against goods suspected of infringing certain intellectual property

rights and the measures to be taken against goods found to have infringed such rights, which will be replaced in 2014 by Regulation 608/2013 concerning customs enforcement of intellectual property rights. These Regulations are not EEA relevant. Further, Article 10(4) and Article 10(5) may only be enforced in an expedient manner by the customs authorities, and do not belong in a directive on trade marks.

33. Regarding Article 10(4), the EEA EFTA States also find the scope of the provision unclear. Should Article 10(4) be understood as to mean that full infringement sanctions might be directed against the importer, acting as a private person, or simply that the goods are prevented from entering the territory and returned or destroyed? The first option would be inadequate. In most EEA States, acquisition and use for personal purposes is not considered an act of infringement. The reason for this has traditionally been that the exclusivity provided by industrial property rights only applies to trade and business.

3.1.8. Remarks concerning Article 16 – Proof of use

34. The EEA EFTA States suggest adding a new Article 16(4)(c) stating that a later registration of a trade mark should be identified with a prior registration of the same trade mark for the same goods and services if the new registration must be considered an evident circumvention of the requirement for proof of use. Such provision would harmonise the rules on identification, instead of leaving it up to each Member State to solve.

3.1.9. Remarks concerning Chapter 2, Section 5 – Trade marks as subject of property

35. The proposal implies an alignment of the law in Member States concerning trade marks as objects of property by introducing provisions in a specific section (Chapter 2, Section 5, Articles 22-25) in the Trade Mark Directive. The proposed Section 5 includes provisions on transfer, security rights, execution, bankruptcy proceedings and licensing. In the EEA EFTA States, these matters are mainly dealt with in general civil law and/or procedural law provisions, which are not harmonised within the EEA.
36. The EEA EFTA States do not support the introduction of specific rules on trade marks as subjects of property, and accordingly oppose the inclusion of the proposed Chapter 2, Section 5. If these provisions are kept in the final Directive, this part will not be EEA relevant.

3.2. REMARKS CONCERNING CHAPTER 3 – PROCEDURAL RULES

37. Liechtenstein does not support the opposition procedure as part of the administrative procedure of the national office. Accordingly, the position reflected in paragraphs 38-45 are only supported by Iceland and Norway.

3.2.1. Remarks concerning Article 31 – Ex Officio Examination

38. Iceland and Norway do not support the proposal in Article 41 that the offices should only examine on absolute grounds. The users of the trade mark systems in Iceland and Norway consider the system of full examination to be better than one without full examination, and also that full harmonisation is less important than having a good system. Reference is made to the General Remarks above.

3.2.2. Remarks Concerning Article 42 – Observations by third parties

39. The provision refers to Article 4 (absolute grounds), but not to Article 5 (relative grounds). However, considering that Iceland and Norway currently have ex officio examination on relative grounds, a reference to Article 5 would, in the view of Iceland and Norway, be appropriate.

3.2.3. Remarks concerning Article 45(1) – Opposition Procedure

40. In Article 45, it is proposed that only relative grounds as set forth in Article 5 should be possible grounds for opposition. Iceland and Norway currently offer the possibility of opposition on all grounds. This system is well-functioning, and the EEA EFTA States accordingly see no need to change it.
41. If the provision sets a minimum standard, Iceland and Norway see no problems with it.

3.2.4. Remarks concerning Article 45(3) – Cooling off

42. This proposed provision may be interpreted as making cooling-off obligatory. However, this depends on the interpretation of the term “shall be granted” and whether it involves a cooling-off period in a strict sense, or whether issuing new time limits would be sufficient.
43. Iceland and Norway do not support introducing an obligatory cooling-off provision, as long as it is possible for the office to issue additional time limits. Furthermore, in the view of Iceland and Norway, introducing an obligatory cooling-off provision would work contrary to the aim of achieving an efficient and expeditious procedure (cf. Article 45(1)).

3.2.5. Remarks concerning Article 46 – Non-use as defence in opposition proceedings

44. The Commission suggests implementing the possibility for the applicant to demand that an opponent show proof of use of the earlier trade mark invoked in the opposition proceeding.
45. Iceland and Norway support the proposed possibility to use non-use as defense in opposition proceedings.

3.2.6. Remarks concerning Article 47(3)(b) – Procedure for revocation or declaration of invalidity

46. The proposal limits the grounds for invalidity to registered trade marks, not including unregistered signs. The EEA EFTA States are of the opinion that it should be possible to invoke other earlier rights and in particular well-known trade marks as a ground for invalidity under this Article. To achieve this, the EEA EFTA States suggest that Article 5(4) or the whole of Article 5 is added as reference in Article 47(3)(b).

3.2.7. Remarks concerning Article 51(2) and (3) - Renewal

47. The comments regarding Article 51(2) and (3) are only supported by Iceland and Liechtenstein.
48. With respect to Article 51(2), it is to be pointed out that the right holder of a trade mark is responsible to exercise all rights and responsibilities. Part of the responsibilities is the renewal cf. Article 51(1) and therefore, belongs in the sphere of the private sector. State actions should be reduced to the minimum where – without interference – constitutional values are at stake. Iceland and Liechtenstein therefore suggest that the word “shall” be replaced with “may” in order to allow flexibility in this respect.
49. Pursuant to Article 51(3), the request for renewal shall be submitted within a period of six months ending on the last day of the month in which protection ends. Liechtenstein has a period of 12 months prior to renewal which ends on the day equal to the date of registration, not the last day of the month. As this system is successfully installed, this requirement should be understood as a minimum harmonisation only. In Iceland, the six months period prior to renewal ends on the day equal to the date of registration, not the last day of the month. This system is well-functioning and transparent. In view of the aforesaid, Iceland and Liechtenstein suggest that the wording of Article 51(3) be refined to allow more flexibility regarding the duration and end of the time period.

3.3. REMARKS CONCERNING CHAPTER 4 – ADMINISTRATIVE COOPERATION

3.3.1. Remarks concerning Articles 52 and 53 – Cooperation in the area of trade marks and other areas

50. The proposal includes mandatory provisions for cooperation between the offices and between the offices and OHIM. These provisions are not EEA relevant.
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