Introduction

Step by step towards a solid trademark system for Europe

In partnership with MARQUES



Author
Diana Versteeg

Sustainable innovation and the protection thereof through intellectual property remains at the forefront of economic activity. Committed to its mission of being a trusted voice for brand owners, MARQUES has continued to ensure actively the proper protection of IP rights, primarily focusing on brand owners' interests in Europe and abroad.

A number of important developments are anticipated for 2014 and beyond, with one of the most prominent being the work of the European Observatory on Infringements of Intellectual Property Rights. The observatory's Multi-annual Plan 2014-2018 is an important guide to its activities, which will not only enhance and protect the value of intellectual property, particularly trademarks, but also assist brand owners with useful tools to enforce their intellectual property, such as the Enforcement Database.

Proper and principled administration of the national, regional and international trademark and design systems will also play a significant role for brand owners, as attempts to harmonise trademark law and practice across the European Union continue. Rights holders should continue to monitor cooperation projects and proposals for convergence of practices to ensure that harmonisation benefits both the large and smaller companies active in IP rights-intensive industries.

It is also evident that the European political and legislation process will continue during 2014 – and possibly beyond, if the EU trademark reform agenda is not concluded during the current Parliament, which is due to complete its mandate in June 2014. The European Parliament approved the reform package at the first reading, and at the time of writing, the text is being discussed in the EU Council, in which all member states are represented.

Trademarks are also the subject of political incursions as various governments attempt to restrict the full and unencumbered use of trademarks otherwise permitted by law. The slippery slope is becoming steeper. Rights holders need to be engaged and committed in the defence of their rights as the momentum for plain packaging initiatives picks up.

Research has shown that trademarks are crucial to European growth and development, and that consumers recognise the importance of trademarked goods and services. The observatory's recent IP Contribution Study shows that a large part of European industry is IP rights intensive and that IP assets need appropriate protection. In short, the IP

Contribution Study confirms that trademarks are a vital instrument for the economic health of Europe at both macro-economic and consumer level.

Rights holders should be more concerned than ever. We have arrived in an era where it is clearly no longer just about innovating, investing money and protecting and enforcing intellectual property. Companies now also need to consider and understand the wider political arena, and deal with fast-changing consumer perceptions and the online challenges presented by social media, which sometimes require a different approach.

In this context, MARQUES feels an added weight of responsibility to rights holders to ensure that their interests are well represented and voiced, however controversial a topic may be.

Demonstrating and communicating value and importance of trademarks

On the positive side of trademark law and practice, the observatory's studies have created a basis on which to build an awareness campaign for the true value and positive contribution that intellectual property makes to society. From this extensive research, we know that 50% of EU industries are IP rights intensive; one in three EU jobs relied on IP rights-intensive industries; and 39% of total economic activity (gross domestic product) in the European Union is attributed to IP rights-intensive industries, worth €4.7 trillion.

Further – and based on the Perception, Awareness and Behaviour Study of EU Citizens and Intellectual Property, launched by the observatory in order to understand the attitudes towards and levels of awareness of intellectual property – we know that 96% of Europeans agree that protecting intellectual property is important; 86% agree that protecting intellectual property contributes to improving the quality of products and services; 69% of citizens value intellectual property because it contributes to the creation of jobs and economic well-being; and 67% agreed that without IP protection, there would be economic chaos.

We also understand from this study that EU "citizens are convinced [IP] is an important pillar of the economic and social organisation of their country". Yet one-third of citizens tolerate infringing behaviour.

Rights holders and the associations that represent them need to take advantage of the observatory's studies and the economic recovery to reinforce the message that infringement damages both rights holders and society as a whole. We need not look far to find examples of countries without proper IP protection to see the resulting economic chaos, or to understand the devastating effects of counterfeit products on consumer health and safety. In the coming years it will be vital to build on the observatory's findings by proactively promoting the importance of intellectual property in general and trademarks in particular. User associations and their members must be actively engaged to assist in the creation and dissemination of campaigns that promote the value of intellectual property.

Standardisation of trademarks and plain packaging policies

While the future presents opportunities to strengthen the value and importance of intellectual property, it also brings with it the need to defend the rights of rights holders in the face of unreasonable challenges. Intangible property is growing in both volume and value. The most valuable companies in the world – by market capitalisation or balance sheet – are those with significant intangible assets. More important, however, is that intangible property is also crucial in increasing the competitiveness of smaller and medium-sized companies. Any threat to undermine the value of intangible assets requires a robust response. Where advantage has been taken of technical deficiencies in IP law, such that intangible property is treated differently from tangible property, concerted lobbying will be required to put both forms of property on an equal footing. The coming months will probably see the World Trade Organisation (WTO) rule on a number of country applications against plain packaging imposed by Australia on tobacco companies, as well as balancing the impact of plain packaging at a social level. Several studies in this regard have already been undertaken and the former Australian health minister who promulgated the plain packaging legislation has described it as "an experiment". MARQUES takes the position that, despite the controversy of tobacco and health, the debate should be

kept as 'tobacco neutral' as possible. A balance must be found between any serious consumer health issues on the one hand and the right of brand owners to display a valid trademark on the packaging of a legitimate product on the other. Governments should be dissuaded from experimenting with legitimate property rights – intellectual or otherwise – and should take a moderate and balanced approach based on strong evidence.

Community trademark reform and enforcement issues

In July 2009 the European Commission launched a tender for the Study on the Overall Functioning of the European Trademark System, won by the Max Planck Institute, which published its final report in February 2011. The commission launched its proposal for revision of the directive and regulation in March 2013. Eventually, the Committee on Legal Affairs (JURI) adopted a report by Cecilia Wikstroem, on the basis of which it recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend a number of the commission's proposals, including on the question of goods in transit. Ahead of the vote in plenary session on the trademark package, the IP and business community called on the European Parliament to accept joint amendments of both the directive and the regulation tabled by members of the European Parliament Marielle Gallo and Bernhard Rapkay concerning the absolute necessity for European Customs to be able to control goods in transit, in preference to those proposed by JURI on the goods in transit provisions, as those measures would have substantially undermined the legal protection provided by IP rights and fundamental rights within the European Union. The European Parliament adopted the tabled amendments, representing a significant move towards a more principled and balanced trademark protection system. As adopted, the amended provisions will allow Customs to stop counterfeit goods even if their destination is a country outside the European Union, and will not affect the trade of legitimate goods under the European Union's WTO international obligations. Similarly, these provisions ensure that genuine generic medicines will reach their final destination. MARQUES and many other European and international IP and business organisations have welcomed the move and the political courage of Gallo and Rapkay, who sponsored the transit provisions as finally adopted by the European Parliament. With this vote, the European Parliament has sent a clear signal of its serious intention to stop counterfeits to protect consumers everywhere, and that the European Union should show leadership in the European and global fight against counterfeiting.

While rights holders wait for the Community trademark reform to be finalised, there remains an urgent need for clarification as to rights and responsibilities in relation to counterfeits and goods in transit. While the observatory is to be commended for its work in establishing the importance of trademarks and measuring awareness, rights holders must be sure that they have the tools to reinforce and protect their trademarks. The new EU Customs Regulation goes some way towards doing this, but there is still uncertainty in terms of goods in transit following the *Nokia* decision. Into this void comes the recent European Court of Justice (ECJ) decision in *Blomqvist v Rolex* (C-98/13, February 2014). This judgment was a surprising win for brand owners, as the ECJ held that the mere acquisition of goods by the purchaser and arrival of the goods at the EU border from outside the European Union were sufficient to afford the rights holder the protection of the Customs Regulation.

Overall, it is critical that the legislature supports rights holders with clear and unambiguous language in the recast Trademark Directive and Regulation in terms of counterfeit goods entering the European Union, whether in transit or not. MARQUES has made a number of submissions in this respect in answer to each drafting proposal, and will continue to take an active part in ensuring that rights holders receive the appropriate levels of protection, in line with the observatory's findings on the value of intellectual property.

In MARQUES's view, other major issues for users also need to be addressed within the European legislative trademark package, but these might not be taken up in the ongoing review due to significant resistance from a number of member states. As well

as administrative trademark opposition proceedings, national offices should work together to reach common ground for at least revocation proceedings for non-use. Similarly, consensus on the compulsory abolition of *ex officio* examination on relative grounds should exist, but this seems bound to remain optional. It is unfortunate that national IP offices do not see this as an opportunity to fine-tune their national trademark systems in order to remain useful systems alongside the EU trademark system. MARQUES continues to support the commission's proposal on this matter: it does not object to national IP offices wanting to continue conducting relative grounds searches, provided that their results do not hinder the applicant's decision to seek registration of its trademark. MARQUES also supports the commission's proposed new fee structure, including the change in the filing class structure, reducing the number of classes from three to one. As regards fees, the main point for MARQUES generally is that the fees and the fees structure are reviewed in an open and transparent manner in dialogue with interested parties, including users. MARQUES continues to ask for a reduction of the renewal fees so that the renewal fees do not exceed the filing fees.

Concern is raised, on the other side, on the proposal put forward in the EU Council's Presidency compromise proposal that a trademark can be refused if it is identical or similar to an earlier trademark, which was registered for identical or similar goods/services, even after the registration has expired for failure to renew for a period as long as up to two years. MARQUES does not understand the purpose of this practice, and has objected to it in strong terms. MARQUES views it as an obstacle for businesses to get on the market, and we can think of no good reason to put such practice in place.

MARQUES has a EU Trademark Reform Task Force that has been continuously working on this trademark system reform since its inception and whose submissions, including the latest comments to the Council Presidency compromise proposal of February 20 2014 can be found at www.marques.org/eutrademarkreform

Harmonisation

Harmonisation will continue to figure prominently on the trademarks agenda during 2014 and 2015. Given the priorities of the Office for Harmonisation in the Internal Market (OHIM) under its Strategic Plan, harmonisation is needed more than ever to ensure that trademark and design systems and procedural practices are aligned. MARQUES has constantly supported initiatives aimed at increasing harmonisation, and therefore has welcomed OHIM's endeavour to prompt a comprehensive convergence programme focusing on the convergence of practices among national IP offices, and involved both the offices and the relevant user associations. MARQUES has played an active role in a number of these convergence projects, some of which have now been successfully completed, such as those regarding the harmonisation of classifications and the interpretation of the scope of protection granted by the international class headings of the Nice classification, following the ECJ's *IP Translator* judgment.

However, MARQUES also strongly believes that the convergence programme's projects should aim to harmonise practices in areas where this is possible without legislative amendments, particularly in those areas that are of interest not only to IP offices, but also and at least equally to users of the trademark and design systems.

For instance, it has become clear that the manner in which applications for conversion of community trademarks are being handled at a national level is not harmonised. This gives rise to uncertainties in respect of the five-year grace period for non-use. In some countries, the conversion application is viewed as a new application and consequently the five-year grace period will be determined from the registration date of the 'new' application, and in this way the 'applicant' will benefit from another five years to begin use. In other countries, the conversion application will not be viewed as a new right and the use period will remain attached to the dates for the Community trademark. MARQUES is of the opinion that the latter is the correct point of view and therefore call for harmonisation on conversion.

MARQUES will remain vigilant and constructive in its participation and contribution to the harmonisation process to ensure that the perspective and interests of its members are fully represented. WTR

MARQUES
PO Box 10212, Leicester, LE41 9HG
United Kingdom
Tel +44 116 274 7355
Fax+44 116 274 7365
Web www.marques.org



Diana Versteeg
In-house counsel, Akzo Nobel NV
Chair of MARQUES Council
diana.versteeg@akzonobel.com

Diana Versteeg studied law at the University of Nijmegen, the Netherlands, graduating in IP law and European competition law in 1996. She started her career as a trademark attorney in private practice, followed by a career as an IP lawyer in an IP boutique law firm. Ms Versteeg has also gained extensive experience as in-house counsel, working for Royal Numico (now Danone), DSM and now AkzoNobel (since 2007). Ms Versteeg has been a member of the Legislation Committee of the Benelux Association of Trademark and Design Attorneys and lectured on the Madrid System to IP practitioners from 2008 to 2013.