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**SUBJECT:** Study on the functioning of the CTM System

**PURPOSE:** Information

**TABLED TO:** All Attendees



## Study on the functioning of the CTM System

### INTRODUCTION

The registration system for CTMs as operated by the OHIM in Alicante since 1996 has been an outstanding success.

The OHIM has experienced annual budget surpluses which, by the end of 2006, resulted in cash reserves of more than € 200 million, despite an initial reduction in fees in 2005. It was therefore proposed to set up a regular review procedure which would allow ongoing reductions in the filing, registration and renewal fees if the surpluses continued. However some of the EU Member States, who maintain national trade mark offices, were concerned about the effects of further OHIM fee reductions. Instead of agreeing to the review procedure, the Council of Ministers adopted a decision calling upon the European Commission to immediately propose one reduction of the fees but also to carry out a comprehensive study on the overall functioning of the CTM system. The Council Conclusions set out in the accompanying Press Release were adopted by the Competitiveness Council at its meeting on 21-22 May 2007.

Two of the requirements for the Commission study are that it should:

*“assess the coexistence of the Community trade mark system and national trade marks, including the territorial requirements for genuine use of Community trade marks;”* and

*“evaluate the effects of the Community trade mark system on its users, in particular on SMEs and start-up enterprises, and in particular with regard to competitiveness.”*

### FICPI POSITION

FICPI has been discussing this issue with a view to providing input to the study on the functioning of the CTM system. These discussions began at the Amsterdam Exco meeting where a workshop entitled “Finding the right balance in a regional trade mark system” took place. With 12 participants, from different parts of the world (from Europe to South America and North America), it was possible to make a first approach to different issues.

Further discussion is taking place within CET Group 9 and further developments are expected at the CET meeting taking place during the FICPI Seville Forum.

The discussion is presently at this point:



### **Genuine Use Of Community Trade Marks**

The question is whether it is fair that use in a single national market should be considered genuine use in the whole Community<sup>1</sup>. And if this was the spirit of the CTM system when created, if it was not use adapted to the “scale of the Community”<sup>2</sup>.

It is important to note that the “use rule” was one of the top reasons for users to use the CTM system.

It is a controversial issue but it is considered that some changes could be made on the use requirement<sup>3</sup> in order for the register to be more in accordance with the market.

### **List of Goods**

The system provides the possibility of applying for 3 classes with the basic fee. Users are encouraged to use Class headings, this being, probably, one of the reasons for having an increasing difficulty of clearing marks on the CTM system.

It is considered that abolishing this principle of having the right to 3 classes when applying for the mark for the basic fee, could help clearing the register.

### **Proof of Use / Intention to Use**

The discussion is whether demanding a periodic proof of use would not clear the register and would not make the system more fair. In Europe there is no tradition of proofs of use, this being a reason for not applying this criteria.

This would be a major change on the philosophy of the European tradition.

### **The effects of the Community trade mark system on its users, in particular on SME's and start-up enterprises, and in particular with regard to competitiveness**

The cost of a CTM is no longer a question for European applicants.

On the other hand the present number of CTM rights may now start to become a problem, since it is starting to be difficult to clear a mark.

It is clear that an increasing number of entities are choosing the CTM route instead of the national route, the balance being in clear favour of the CTM system.

### **The Future**

Some of the ideas that have been put forward by FICPI members as possible “working areas” for future review of the system were:

- Better training of examiners in order to increase quality on the examination;
- Application only covering one class and extra fees for each extra class;
- Good search system, both on a national level and Community level;
- Creation of a central database of trade marks (including Community and national trade marks).

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<sup>1</sup> See the Statement entered in the Minutes by the Council and Commission when the CTMR was adopted.

<sup>2</sup> See the first Preamble to the CTMR. Query also the effect of Art. 108(2) CTMR concerning conversion.

<sup>3</sup> Possibly based on the scale of economic activity achieved under the trade mark