EU Trade Mark Reform: Key Opportunities and Risks for Brand Owners

In December 2015, the European Parliament approved *Regulation (EU) 2015/2424*[1], (the "**Amending Regulation**") and *Directive (2015/2436)*. The new legislation, which is due to come into force on 23 March 2016, introduces a number of important changes to the existing EU trade mark legislation, in particular the existing Community Trade Marks Regulation (207/2009/EC) ("**CTM Regulation**") and the Trade Marks Directive (2008/95/EC).

The overarching aim of the reforms is to modernise trade mark systems across the European Union and to foster innovation and growth by making these systems more accessible and effective for businesses by lowering costs and increasing speed and simplicity. The reforms also include provisions designed to enhance brand owners' ability to tackle counterfeiting and will therefore be welcome news for sports brands, particularly those with broader EU and global trade mark portfolios.

This article offers an overview of some of the substantive changes to the EU-wide trade mark regime and examines the key opportunities and risks for sports brand owners in light of these reforms.

Overview of the new legislation

New terminology

The Amending Regulation implements a general update to European trade mark terminology, bringing it into line with the language of the Lisbon Treaty[2]. Community Trade Marks ("**CTMs**") will now be known as "European Union trade marks"[3] (**"EUTMs"**) and OHIM is replaced with a newly-established "European Union Intellectual Property Office" (**"EUIPO"**)[4]. Other than these new names, the changes in terminology will not have much practical impact.

Reduced fees

The Amending Regulation also introduces a new 'pay-per-class' fee structure[5], which is already in place in most EU member states, including the UK. Under the CTM regime, applicants were charged a basic fee for the first three classes of goods and services applied for, and a nominal fee for each class thereafter. The basic fee for an application is now €850 online for the first class, followed by a €50 fee for the second class, and €150 for each additional class thereafter. The rationale for this approach is 'de-cluttering' the register and discouraging the making of unnecessarily broad designations in applications.

The 'pay-per-class' system has the potential to increase the cost of some initial applications (particularly where the applicant is seeking protection across a wide range of classes, as is often the case for sports brand owners such as football clubs which apply their branding to a huge variety of merchandise). However, importantly, decreases in other fees (renewal fees, in particular, are substantially reduced), will reduce the overall cost of maintaining a portfolio.

Increased harmonisation

The new legislation introduces a more harmonised approach to trade marks in the European Union. This includes the harmonisation of filing dates and classification of goods and services. Further, the rights of licensees to take action for infringement of national marks will be harmonised, enabling licensees to sue for infringement with the proprietor's consent. Other changes include harmonisation of administrative revocation and invalidity proceedings at national level, meaning that applicants will no longer have to opt for the more expensive court proceedings when pursuing a cancellation.

Key opportunities and risks for brand owners

(1) Maximise access to enhanced rights in respect of counterfeits (Article 9)

Counterfeiting is a well-recognised problem in the sports industry. For example, a recent OHIM study estimated that sales of counterfeit sports equipment such as golf clubs, tennis rackets, balls etc. represented financial losses to the legitimate industry of €500 million and approximately 2,800 job losses[6].

More broadly, given the value attaching to sports brands (particularly in the context of commercial transactions such as sponsorship and merchandising deals), the ability to prevent third parties profiting from 'knock-offs' is integral to any business' brand protection strategy. Trade marks are a crucial tool in this respect, as well as being essential to maintaining brand quality and loyalty; they confer valuable proprietary rights on the owner and, to consumers, they represent *"a promise kept"*[7].

Under the existing CTM Regulation, brand owners have been faced with an obstacle to seizing counterfeit goods that pass through EU customs but do so only temporarily en route to a final destination in another jurisdiction. This difficulty stemmed from the CJEU's ruling in *Philips and Nokia*[8], concerning Regulation (EC) No 241/1999 and No 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights, in which the court held that:

> *"imitations of goods protected in the European Union… cannot be classified as 'counterfeit goods'… merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure."*[9]

This left brand owners powerless to seize infringing goods in transit through the EU unless they could show at least an intention to circulate those goods on the EU market. In practice this required evidence of sales or advertisements to EU customers or other correspondence demonstrating an intention to make such sales. Where the goods in question are destined for jurisdictions offering less stringent anti-counterfeiting measures, brand owners are faced with the dilemma of whether to pursue expensive and potentially fruitless enforcement routes in the foreign jurisdiction or do nothing and bear the losses and brand damage caused by the distribution of the infringing goods.

However, the new Article 9(4) confers upon proprietors a new right to seize goods which are in EU customs, even in the absence of any intention to distribute the goods on the EU market. This is aimed particularly at goods in transit and is the (arguably rather belated) response to the CJEU's ruling in *Philips and Nokia*.

This should provide a welcome opportunity for businesses to reinforce their brand protection strategies by utilising this new right. However, it is essential to note that the right to seize goods in this manner will fall away where *"the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination"*[10].

This proviso in the second paragraph of Article 9(4) means that brand owners should look to secure registrations in jurisdictions which it considers high risk in respect of the sale of counterfeit goods in order to ensure they can benefit from the maximum protection offered by the new EU legislation.

Leaving significant gaps in the worldwide protection of their trade marks will expose brand owners to the risk that counterfeiters will 'slip through the net' of Article 9(4) by selecting final destinations in which most brand owners are unlikely to have a valid registration or which lack a sophisticated and easily accessible anti-counterfeiting regime. For example, whilst most brand owners will consider securing trade mark registrations in the US, if goods are destined for less frequently protected jurisdictions such as Panama, notwithstanding Article 9(4) it will still prove difficult for a brand owner to seize infringing goods in European Union ports.

(2) Secure (or enhance?) existing registrations (Article 28)

The CJEU's decision in *IP Translator*[11] changed the approach to interpreting the scope of protection afforded to trade marks for which only the relevant Nice Class heading (without further specification) was designated in the application. Previously, OHIM's practice had been taken to encompass the entire scope of goods or services falling under the relevant class. However, in *IP Translator* the court held in essence that such 'headline designations' could only be construed as protecting the relevant mark in respect of the goods or services covered by the literal meaning of those words. Thus a 'headline registration' in, for example, class 9, which covers –

> *"Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus"*

would be unlikely to encompass certain goods that are frequently registered in that class, such as mobile phone cases and covers.

The Amending Regulation[12] codifies the approach in *IP Translator* but, under Article 28(8), offers proprietors of marks applied for prior to 22 June 2012 a six month window of opportunity (until 24 September 2016) to make a declaration to EUIPO if their *"intention on the date of filing had been to seek protection in respect of goods or services beyond those covered by the literal meaning of the heading of that class"*.

An alternative to making an Article 28 declaration (by positively specifying goods and services which fall outside the literal meaning of the class heading) may be to surrender particular goods and services under Article 50.

This method exists under the current CTM Regulation and remains under the Amended Regulation. It enables owners to remove the 'headline designation' and replace it with a more precise list of the goods and services in the full alphabetical list which falls under the relevant class heading (provided at least one item is 'surrendered'). However, after 24 September 2016, a partial surrender would only be feasible if the more specific item falls under the literal meaning of the wording in the respective class. It is therefore imperative for brands to review CTM portfolios which pre-date June 2012.

At the time of writing, OHIM has yet to publish a formal communication on its approach to Article 28 declarations, although it has advised that guidance will be available by 23 March 2016 (the date on which the period for making an Article 28 declaration commences).

Whichever route is taken, proprietors have effectively been presented with two tools by which to define the scope of their portfolios. On the one hand, they have an opportunity to specify goods and services which will otherwise no longer be included within the remit of the relevant class heading, thereby enhancing their protection. On the other hand, they are being given the opportunity to surrender monopolies which are potentially within the scope of the original registration, thereby reducing the risk or a revocation action against their CTM registration for specific products or services in relation to which the mark is not in fact used.

Owners will need to consider not only the protections which they can safely surrender but they must also give careful thought to the goods and services for which their marks are, in truth, distinctive, as an unduly broad specification risks damaging the validity of the mark.

(iii) Consider applications for 'non-traditional' marks? (Article 4)

Traditionally, marks have been registrable only if they are capable of being *"represented graphically"*[13]. The *Sieckmann* criteria[14] further required that visual representation must be *"clear, precise, self-contained, easily accessible, intelligible, durable and objective"*[15]. The Amending Regulation removes this requirement for graphical representation and provides, in Article 4(b), that an EUTM may consist of any sign which is capable of:

> *"being represented… in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor."*

In principle, this new wording opens up the register to a wider range of 'non-traditional' marks. However, its practical effects should be assessed with caution in view of the wide range of marks that are already capable of registration through graphical representation.

Whilst the new wording will doubtless make for easier applications for marks such as sounds, motions, and 3D images, it is difficult to conceive of much that is truly incapable of some form of graphical representation under the current regime. For example, tunes and other sounds can be represented through musical notation or sonograms, 3D shapes (such as packaging) can be drawn, and movement marks can be set out in a series of stills.

The new wording will no doubt incentivise some creative applications but the wider commercial impact seems likely to be minimal. This may, however, prove an interesting area of development as technology continues to advance and brands embrace new types of consumer focussed content.

Comment

In the run-up to the introduction of the reforms, businesses will no doubt be looking to review their portfolios in order to maximise potential benefit and also to ensure that their rights remain fully protected. Brand owners will seek to close gaps in their foreign jurisdiction protections in order to obtain the maximum protection under the new Article 9 wording, and portfolios which pre-date June 2012 will be scrutinised with a view to reframing and defining the scope of protection.

Similarly, brand owners may wish to consider new registrations for non-traditional marks under the new Article 4 wording, which will make the representation of marks such as sounds, holograms, and possibly smells more accessible.

The ability to seize goods in transit under Article 9 is likely to prove particularly valuable to sports brands (such as clubs or apparel brands) whose marks are applied to a wide range of consumer products and are popular worldwide, making them vulnerable to counterfeiting in non-EU jurisdictions.

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1. Available at https://oami.europa.eu/ohimportal/en/eu-trade-mark-regulation
2. Treaty on European Union; Treaty on the Functioning of the European Union
3. Amending Regulation, Article 1
4. Amending Regulation, Article 2
5. Amending Regulation, Annex I
6. OHIM, "*The economic cost of IPR infringement in sports goods*", September 2015, available at https://oami.europa.eu/ohimportal/en/web/observatory/observatory-publications (viewed on 21 January 2016)
7. World Intellectual Property Office, online publication on "Sport and Branding", available at http://www.wipo.int/ip-sport/en/branding.html (viewed on 21 January 2016)
8. Joined Cases C-446/09 and C-495/09, Judgment of 1 December 2011
9. *Philips and Nokia*, op cit, para 79
10. Amending Regulation, Article 9(4)
11. Case C-307/10, Judgment of 19 June 2012
12. Amending Regulation, Article 28(2)-(5)
13. CTM Regulation, Article 4
14. Case C-273/00, '*Sieckmann*', judgment of 12/12/2002
15. OHIM, "*Guidelines for examination in the Office*", Part B, para 2.1.1; *Seickmann, op cit*, paras 46–55; Case C104/01, '*Libertel*', judgment of 06/05/2003, paras 28–29

This article originally appeared in Sports Law Administration & Practice February 2016 (Vol. 22, No. 7), on page 12.