Package to modernise the European Trade Mark System – Frequently Asked Questions

Brussels, 21 April 2015

See also IP/15/4823

I. What are trade marks, how do they work?

1. What is a trade mark and what are its functions?

Legally speaking, a trade mark is a sign which serves to distinguish the goods and services of one undertaking from those of another. As indicators of business origin, trade marks can take the form of words, logos, devices or other distinctive features.

A trade mark has three essential functions:
- it identifies the origin of goods and services
- it guarantees consistent quality by showing an undertaking's commitment to its users and consumers
- it is a form of communication, a basis for publicity and advertising.

2. Why register a trade mark?

A trade mark can become one of the most important assets of a company. They are instrumental to developing and empowering brands and associated products and services, by developing their image and perception. Trade marks enable businesses to build and develop long term marketing strategies, thereby enabling them to capitalise on their investments.

By enhancing brand loyalty, trade marks influence consumer decisions every day. A strong trade mark creates an identity, builds trust, distinguishes you from the competition, and makes communication between seller and buyer simpler.

Trade mark registration is one of the strongest ways to defend a brand; a way to ensure that no one else uses it. If you do not register your trade mark, others may do so and acquire your rights to distinguish their goods and services.

3. How are trade marks protected in the European Union?

In Europe, trade marks can be registered at national level at the industrial property (IP) offices of Member States, or at EU level as a Community trade mark (CTM) at the Office for Harmonisation in the Internal Market (OHIM) in Alicante. Under the overall system, national and Community trade marks coexist and the same sign may be registered as a Community and/or as a national trade mark. The CTM system consists of one single registration procedure which grants to its owner an exclusive right in the 28 Member States of the EU.

National trade mark registration in the EU Member States has been harmonised for over 20 years and the Community trade mark was created more than 15 years ago.

The European Union trade mark legislation consists of the Trade Mark Directive (2008/95/EC) and the Community Trade Mark Regulation (207/2009/EC):
- The Directive ensures that national trade marks are subject to the same conditions when registered at Member States’ intellectual property offices and enjoy the same protection.
- Alongside and linked to those national systems, the Regulation created the first EU-wide intellectual property rights, the Community trade mark, which is granted by the EU Trade mark Agency, the Office for Harmonisation in the Internal Market (OHIM), in Alicante, Spain.

4. How many trade marks are there in Europe?

The demand for trade mark protection is high, as demonstrated by the filing statistics at national offices and OHIM, as well as the number of trade marks in their registers:
- 519,667 trade mark applications per year (overall; 2013 figures):
- 116,979 CTM applications at OHIM
5. Why do EU (Community trade marks) and national trade marks coexist?
The principle of coexistence is fundamental for the effective and efficient functioning of a trade mark regime that meets the requirements of companies of different sizes, markets and geographical presence. While SMEs have become important users of the CTM system, they still regularly tend to prefer national systems because they usually don't need their trade mark to be protected at EU level. Indeed, for SMEs and local companies, national trade marks would generally better meet their business needs. Moreover, while the CTM would be a natural choice for companies with activities on an EU scale, for those who may not obtain a CTM due to its unitary character, national trade marks provide the indispensable alternative. The existence of 28 trade mark registers, covering different geographical areas, increases the availability of and the opportunity for IP protection. Also, the limitation of the geographical scope diminishes the vulnerability of trade marks registered locally vis-à-vis subsequent applications inasmuch as any trade mark has to be genuinely used (in the relevant territory) to enjoy legal protection. Accordingly, the duality of the trade mark system in Europe offers users a number of choices.

II. What are the main reasons for change?
- National trade mark registration in the EU Member States was harmonised 20 years ago and the unitary Community trade mark was created more than 15 years ago. Since then, there have not been any major modifications. The business environment, however, has changed significantly over the past two decades.
- The harmonisation effort at the time has been limited (focused on a restrictive number of substantive rules), formal requirements and procedures left non-harmonised.
- There is inconsistency between the two legislative instruments, the Trade mark Directive and the Community Trade Mark Regulation.

III. What are the components of the agreed modernisation package?
The package concerns two instruments:
1. A recast of the 1989 Directive (now codified as 2008/95/EC) approximating the laws of the Member States relating to trade marks:
   - At present, the Directive ensures that national trade marks are subject to the same conditions when registered at Member States’ Industrial Property offices and enjoy the same protection. Apart from modernising current provisions, and adding other rules of substantive law, inter alia, concerning the protection of geographical indications, the commercial exploitation of trade marks (e.g. licensing) and the registration of collective marks, the recast Directive will in future also align important procedural aspects of the registration procedure (e.g. filing date requirements, requisite standards for the designation and classification of goods and services, opposition and cancellation procedures before the national IP offices).

1. A revision of the 1994 Regulation (now codified as 207/2009/EC) on the Community trade mark:
   - Alongside and linked to the national trade mark systems, the Regulation created the first EU-wide unitary IP right, the Community trade mark (CTM) - in future to be referred as 'European Union trade mark' (EUTM) - which is granted by the EU trade mark Agency in Alicante, Spain, currently called 'Office for Harmonisation in the Internal Market' (OHIM) and in future named 'European Union Intellectual Property Office'. Beyond the modernisation and streamlining of existing provisions, the revised Regulation will, inter alia, include a new set of rules allowing for the registration of certification marks at EU level, a legal base to foster convergence projects between the Agency in Alicante and national IP offices, and list in an annex all the amounts of fees to be paid in future to the Agency.

For the benefits of the abovementioned changes see in detail also under the following point IV.
IV. What will the reform achieve?

The agreed package pursues two main complementary objectives:

- to **foster innovation and economic growth** by making trade mark registration systems all over the EU more accessible and efficient for businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security; and

- to **ensure coexistence and complementarity** between the trade mark systems, including greater cooperation between the EU trade mark Agency and national offices, with the purpose of converging office practices and developing common or connected databases and portals for consultation and search purposes.

Main features of the reform include:

a) Modernised provisions, such as to facilitate the registration of new type of trade marks (e.g. sound, motion or hologram marks) in the digital age, and thereby supporting corporate branding strategies;

b) Streamlined and harmonised registration procedures, including at national levels, which will, inter alia, make trade mark applications across the EU subject to the same filing date and other formality requirements, and permit businesses to easily oppose trade mark applications and to seek for revocation or invalidity of existing registrations directly before the national IP offices concerned without need to go to court (i.e. faster and less costly);

c) More effective means to fight against counterfeit goods, in particular when they are in transit through the Union territory so as to prevent that this territory and its transit routes are misused as central hub for the world-wide distribution of counterfeit goods

d) Enhanced legal certainty by removing ambiguities, clarifying trade mark rights in terms of their scope and limitations, including the introduction of a certification mark at Union level;

e) Legal and financial framework to foster cooperation between the Member States’ offices and the EU Agency for the purpose of converging examination practice across the EU and developing common search tools and databases;

f) More flexible and tailor-made fee structure for European Union trade marks to better meet user needs, implying significant savings as explained in detail below under point VI;

g) Improved efficiency, transparency and accountability as far the governance of the EU Agency in Alicante is concerned;

h) Strengthened co-existence and complementarity between the EU and national trade mark systems by providing legal base to offset Member States costs for their contributions to the efficient functioning of the EU trade mark system.

V. Who will benefit from the reform and how?

The proposals will be beneficial for users of either trade mark regime in Europe, i.e. for applicants for and owners of both the EU and national trade marks. It will improve access to trade mark protection for all companies, especially SMEs, regardless of their size, market and geographical presence. Proprietors of national or/and European Union trade marks will benefit from a more effective protection against counterfeiting.

As such, the package will contribute to increasing incentives for innovation, enhancing legal certainty and predictability, limiting the risk of litigation, and improving the level playing field for European business, thus enhancing the competitiveness and attractiveness of the EU internal market.

VI. How will the fees be affected?

Currently, at the EU Agency (OHIM) a trade mark application can cover up to three classes of goods and services for the same price. In the future, the Agency will have a fee structure where a separate "class" fee is paid for each additional product class applied for beyond the first and not the third.

This new system will be tailor-made and benefit SMEs who will no longer be obliged to pay for classes of goods and services they do not need. It will render trade mark protection cheaper and more accessible, as it will result in a proportionate decrease of the application fee and, in particular, of the renewal fees. The agreed changes will allow in particular businesses that seek to prolong protection of their registered European Union trade marks beyond an initial period of 10 years to benefit from savings up to 37%. Moreover, it will help to reduce the potential of congestion of the EU trade mark register by diminishing broad claims for goods and services not really required by the trade mark proprietor, and ensure a more balanced and harmonious trade mark system overall.

In addition to the above benefits resulting from the move to a "one-class-per-fee" system, businesses
will further profit from reductions of the fees for opposing an EU trade mark application, requesting the cancellation of a registered EU trade mark, and for filing an appeal against first instance decisions of the Agency.

The agreed major fee changes are reflected in the table below:

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<th>Current</th>
<th>New</th>
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<tbody>
<tr>
<td>Application fee (electronic filing)</td>
<td>900 (3 classes)</td>
<td>850 (1 class)</td>
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<tr>
<td>Class fees</td>
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<tr>
<td>2nd class</td>
<td>--</td>
<td>50</td>
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<tr>
<td>3rd class</td>
<td>--</td>
<td>50</td>
</tr>
<tr>
<td>4th and subsequent classes</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Total amounts</td>
<td>Application fee (1 class)</td>
<td>900</td>
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<td></td>
<td>Application fee (2 classes)</td>
<td>900</td>
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<td>Application fee (3 classes)</td>
<td>900</td>
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<tr>
<td>Renewal fee (electronic filing)</td>
<td>1350 (3 classes)</td>
<td>850 (1 class)</td>
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<tr>
<td>Class fees</td>
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<td>2nd class</td>
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<td>4th and subsequent classes</td>
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**VII. When will the package come into effect?**

The achieved political agreement on the trade mark package reached by the three EU institutions in the so-called "trilogue discussions" still requires to be formally confirmed by the European Parliament and the Council, which is expected in the coming weeks. After formal adoption of the package, EU countries will have to transpose the new rules of the Directive into national law within three years. As to the Regulation, most amendments will become effective with its entry into force, while the rest will only apply when the necessary secondary legislation is enacted.

MEMO/15/4824

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General public inquiries:

Europe Direct by phone **00 800 67 89 10 11** or by email