Council of the European Union

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**COVER NOTE**

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| From: | Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director |
| To: | Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union |
| No. Cion doc.: | COM(2015) 589 final |
| Subject: | COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT pursuant to Article 294(6) of the Treaty on the Functioning of the European Union concerning the position of the Council on the adoption of a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, amending Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) |

Delegations will find attached document COM(2015) 589 final.

Encl.: COM(2015) 589 final

EUROPEAN
COMMISSION

Brussels, 24.11.2015
COM(2015) 589 final

2013/0088 (COD)

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT**

**pursuant to Article 294(6) of the Treaty on the Functioning of the European Union**

**concerning the**

**position of the Council on the adoption of a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, amending Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs)**

(Text with EEA relevance)

2013/0088 (COD)

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT**

**pursuant to Article 294(6) of the Treaty on the Functioning of the European Union**

**concerning the**

**position of the Council on the adoption of a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, amending Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs)**

(Text with EEA relevance)

## 1. BACKGROUND

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| Date of transmission of the proposal to the European Parliament and to the Council (document COM(2013) 0161 final – 2013/0088 COD): | 27 March 2013 |
| Date of the opinion of the European Economic and Social Committee: | 11 July 2013 |
| Date of the opinion of the European Data Protection Supervisor | 4 February 2014 |
| Date of the position of the European Parliament, first reading: | 25 February 2014 |
| Date of adoption of the position of the Council: | 10 November 2015 |

## 2. OBJECTIVE OF THE PROPOSAL FROM THE COMMISSION

Considered together as a package, the main common objective of the Commission proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 on the Community trade mark, amending Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) (COM(2013) 0161 final – 2013/0088 (COD)) (Proposal for a Regulation) and of the parallel proposal to recast the Directive is to foster innovation and growth by making trade mark systems in Europe more accessible, efficient and effective for businesses in terms of lower costs and complexity, increased speed, greater legal certainty and better protection against counterfeiting

Specifically, the Proposal for a Regulation aims at:

– streamlining procedures to apply and register an EU trade mark;

– modernising and improving the current provisions, by amending outdated provisions, increasing legal certainty by clarifying provisions and removing ambiguities.

– establishing an appropriate framework for cooperation between OHIM and national offices for the purpose of promoting convergence of practices and developing common tools;

– updating the governance of OHIM;

– adapting Regulation 207/2009 to the Lisbon Treaty;

– resolving key issues pertaining to the financial equilibriums within the EU trade mark system.

## 3. COMMENTS ON THE POSITION OF THE COUNCIL

### 3.1 General comments

The position of the Council reflects the provisional political agreement reached by the Council, the JURI Committee of the European Parliament and the Commission in informal tripartite discussions on 21 April 2015. This political agreement was confirmed by the Council on 13 July 2015. The adoption of the Council's first reading position and the plenary vote in Parliament mid of December 2015 should lead to the final adoption of the text in early second reading. Despite concerns related to certain budgetary aspects of the compromise, which are addressed in an annexed statement, the Commission supports the compromise reached, which improves the existing situation in particular in terms of trade mark law.

### 3.2 Comments on the amendments adopted by the European Parliament

*3.2.1. European Parliament amendments included in full, in part or in principle in Council's position at first reading*

The Council's position in first reading encompasses a significant number of amendments introduced by the European Parliament, including those required by parallel changes in Directive 2008/95.

In relation to trade mark law, The Council accepted to complement the transitional period in the Proposal for a Regulation which adjusts the specifications of EU trade marks filed before the change in classification practice in the light of the case law of the Court of Justice by providing safeguards to third parties that had filed trade mark applications in the meantime. The Commission can support this approach.

The Council also endorsed the Parliament's proposal to set the amount of fees payable to the OHIM which is currently addressed in Commission Regulation (EC) No 2869/95 directly in Regulation 207/2009 itself in the form of an Annex. This is acceptable for the Commission.

Concerning the role and functioning of OHIM, the Parliament's amendments broadly agreed by the Council include the change of name of the agency to "European Union Intellectual Property Office". While the Commission can accept this in the spirit of compromise, it is regrettable that the new name does not represent the actual core activity and does not

adequately reflect the fact that the "Office" is an "agency" of the EU. On the other hand, the Commission can endorse the idea supported by the co-legislators to set up a mediation centre within the agency, but similarly to the Council, prefers that its tasks do not extend to arbitration activities.

As regards the new cooperation framework between national intellectual property offices and the EU agency, the Council accepted to make this cooperation mandatory, however, by giving national offices the possibility to opt-out in certain circumstances. The Council also subscribed to the Parliament's request to ensure a close consultation of trade mark users on the projects developed in this context. In addition, the Council agreed to increase the maximum amount of budget allocated to this activity to 15% of the annual revenues of the agency, while the EP had supported an increase to 20%. The Commission fully endorses those adaptations.

With respect to the governance of the agency, while the Commission regrets that the Council followed the European Parliament's view and deleted the provisions in the Proposal for a Regulation allowing for the setting up of an Executive Board, it supports the new composition of the Management Board including a representative of the European Parliament.

*3.2.2. European Parliament amendments not included in Council position at first reading*

The co-legislators failed to agree on a new procedure to select and appoint the Director of OHIM, in line with existing practices in the vast majority of other EU agencies, and therefore deleted the provision in the Proposal for a Regulation. The Commission deplores this outcome, which should not be considered as a precedent for future reforms of other EU agencies.

On the other hand, the Commission welcomes the fact that the Council did neither take on board the European Parliament's proposal to maintain the current provision in Regulation 207/2009 allowing the Director of the agency to make proposals to amend the Regulation, nor to formally attribute the nomination powers to the Director instead of the Management Board.

With respect to trade mark law, and in line with the approach taken on the proposal for a recast of Directive 2008/95, the Commission supports the Council's opposition to further complementing limitations of the effects of a trade mark as favoured by the European Parliament. It can however accept the final compromise of adding clarifying language in the relevant recital to address in particular the issue of fundamental rights and freedoms including artistic expression.

As in the case of the proposal for a recast of Directive 2008/95, the Commission further supports the Council's deletion of the relevant provision on the import of small consignments in the light of the case law of the Court of Justice.

**3.3 New provisions introduced by the Council and the Commission's position**

In line with the approach followed on the proposal for a recast of Directive 2008/95, the Council agreed on a compromise solution with respect to the provision on goods in transit, whereby the right to prevent goods being brought into the EU territory shall lapse if the declarant/holder of the goods is able to show before the competent court that the trade mark proprietor is not entitled to prohibit the placing of the goods on the market of the country of final destination. While preserving the core objective of the Commission's proposal to establish efficient and effective means to combat the ever-growing streams of counterfeit goods passing through the Union, this amendment strikes an appropriate balance between the

need to ensure an effective enforcement of trade mark rights and the political necessity to provide safeguards in order not to unduly hamper the free flow of goods in the rare situations where trade mark rights belong to different parties outside the EU. The solution proposed by the Council can therefore be endorsed by the Commission.

The Council adopted new amounts of fees payable to the OHIM (to be set in an Annex to Regulation 207/2009) with the aim of bringing renewal fees down to the same level of application fees. The Commission very much supports that approach, which would lead to savings of up to 37%, in particular for renewal fees of businesses that seek protection of their EU trade mark beyond an initial period of 10 years.

The Council added a new legal basis to offset Member States for costs incurred by their national offices as a functional part of the EU trade mark system. The Commission had originally only proposed a funding mechanism enabling OHIM to finance common cooperation projects by means of grants but can accept this amendment as part of the final compromise between the co-legislators.

The Council re-introduced a provision, originally proposed by the Commission and deleted by the European Parliament, which permits to transfer a budgetary surplus of the OHIM to the EU budget. While the Commission fully endorses the principle of such a transfer, it regrets that the conditions established by the Council are likely to heavily limit the scope of application of this new provision in practice.

Finally, the Council introduced provisions on the use of implementing acts and on the respective committee procedures for their adoption. In that context it was necessary to incorporate a large number of technical rules currently contained in Commission Regulation (EC) No 2868/95, Commission Regulation (EC) No 2869/95, and Commission Regulation (EC) No 216/96 in the text of the Regulation. The Commission regrets that from a practical point of view as this will require the use of the ordinary legislative procedure even for small technical changes.

## 4. CONCLUSION

Despite concerns related to certain budgetary aspects of the compromise, which are addressed in the annexed statement, the Commission can support the compromise reached, especially those changes which strengthen the position of trade mark holders and have the effect of providing greater legal certainty in the application of the law on trade marks.

## 5. STATEMENT BY THE COMMISSION

The Commission takes note of the agreement reached between the European Parliament and the Council on the reform of the EU trade mark system. In view of the added value of this reform for the users of the EU trade mark system, the Commission has decided to support it, as in balance, the overall agreement significantly improves the existing situation in particular in terms of trade mark law. This is despite its concerns on certain budgetary aspects of the agreement.

The Commission regrets in particular that the co-legislators have been unable to agree on one of the key elements of its proposal concerning the budget of the OHIM: the automatic review of the level of the fees in case of significant recurrent surplus and the automatic transfer of

such surplus to the EU budget. Indeed, while the level of the fees will be fixed in the EU trade mark regulation, the transfer of "substantive" surplus will remain submitted to the discretion of the Budget Committee of the OHIM (vote at 2/3 majority). The Commission recalls that such transfer would have taken place only after all types of use of the resources available as provided by the basic act have been satisfied, including the offsetting of central industrial property offices and other concerned authorities of Member States for the costs that they incur in ensuring the smooth functioning of the European Union Trade Mark System.

The Commission will continue to review the level of the fees charged by the OHIM in view of proposing to adjust them as closely as possible to the costs of the services provided to the industry and of preventing the accumulation of significant surpluses within the OHIM, in line with the rules applicable to all agencies which have been agreed with the European Parliament and the Council.

The Commission stresses that fully self-financed agencies, such as the OHIM, as well as Institutions and bodies with budgetary autonomy financed outside the EU budget, should support the full cost of their staff, including the costs for the schooling of the children of their staff in the European schools. In line with the principle of administrative autonomy, the Commission will pursue all appropriate means to ensure that these agencies, Institutions and bodies effectively bear such costs or that they refund the EU budget of these costs.

The Commission stresses that, as regards the procedure of pre-selection and appointment of the Executive Director, any upcoming reform of OHIM should fully align with the principles of the Common Approach.