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Delegations will find attached a proposal from the Commission, submitted under a covering letter from Mr Jordi AYET PUIGARNAU, Director, to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

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Brussels, 27.3.2013  
SWD(2013) 96 final

**COMMISSION STAFF WORKING PAPER**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT**

*Accompanying document to the*

**Proposal for 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**

**and the**

**Proposal for a  
DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
to approximate the laws of the Member States relating to trade marks (recast)**

{COM(2013) 161 final}  
{COM(2013) 162 final}  
{SWD(2013) 95 final}

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**1. CONTEXT**

In Europe, a trade mark 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 Harmonization in the Internal Market (Trade Marks and Designs) in Alicante ('OHIM').

Since the 90s, when the trade mark acquis was created, neither the TM Directive nor the CTM Regulation have been subject to any major modification. The business environment, however, has changed significantly over the past two decades.

**2. PROBLEM DEFINITION**

The two main problems identified relate first to the divergent provisions of the existing regulatory framework and, second, to the low level of cooperation between trade mark offices.

First, the Directive does not cover procedural aspects at all, the level of harmonisation as to substantive law (including optional provisions) is insufficient, and there is only a vague legal basis for cooperation between the OHIM and national IP offices in the CTM Regulation.

Second, in order to achieve and ensure complementarity and interoperability between the CTM and national systems, OHIM and national IP offices need to cooperate closely. However, besides missing a clear legal basis, there are two other drivers hindering cooperation. These drivers are the insufficient technical facilities (IT equipment) of national offices, and the fact that they do not possess the necessary financial resources to develop, launch and run, in the long term, common tools, e.g. joint trade mark databases with online search facilities.

The above problems have a series of significant adverse consequences for industry. These deficiencies not only limit accessibility to the systems of trade mark protection, involve a great deal of legal uncertainty, and put the complementary relationship between the CTM and national systems at risk, but also distort the level playing field for companies, with further negative consequences on the competitiveness of the EU.

Without appropriate changes, the current sub-optimal conditions for European businesses and the under-developed complementarity between the trade mark systems are likely to worsen.

There have been some promising attempts to find practical solutions for facilitating cooperation between OHIM and national IP offices, notably within the context of the OHIM Cooperation Fund. However, this experience has revealed the clear shortcomings of the current framework for cooperation, and demonstrated the limits of cooperation based on voluntary arrangements.

Therefore, despite existing cooperation initiatives, sustainable benefits are not secured, and the benefits of the existing cooperation initiatives will represent a cost if the situation continues as it is.

As a result, the further IP offices fall behind in terms of efficiency, the less attractive they become *vis-à-vis* the CTM system, with the risk that trade mark owners cease to use them altogether, opting for a CTM instead. In the long run, this may threaten the viability of national systems, contrary to the goal of preserving national trade marks alongside CTMs in a system of harmonious and complementary coexistence.

### **3. SUBSIDIARITY**

Article 118(1) TFEU allows the establishment of measures for the creation of unitary IP rights to provide protection throughout the EU, including the setting up of centralised Union-wide authorisation, coordination and supervision arrangements. The adoption of measures for the approximation of the provisions laid down by law, regulation, or administrative action in Member States, which have as their object the establishment and functioning of the internal market, is provided for by Article 114 TFEU.

The CTM is a self-standing EU intellectual property title. Only the EU legislator is entitled to make necessary modifications to the Regulation in order to improve and streamline the CTM system. The same applies for necessary amendments of corresponding provisions which are already part of the TM Directive.

Moreover, as the identified problems do not allow a level playing field for EU companies (with further negative consequences on their competitiveness), it is advisable to adopt measures that can improve the functioning of the Internal Market. Such measures, aiming at extending the current level of approximation through the TM Directive, can only be taken at EU level, particularly given the need to ensure coherence with the CTM system.

Finally, as OHIM is a regulatory agency of the EU, a solution for the unfavourable framework conditions impeding effective cooperation with national offices can also only be found at EU level.

#### 4. OBJECTIVES

The general objective of the review is to modernise the trade mark system in Europe, thereby enhancing EU companies' competitiveness through improving accessibility of TM systems (decreased costs; increased speed and predictability), providing legal certainty for all businesses in the EU, and ensuring coexistence and complementarity between EU and national systems.

The specific objectives are to increase convergence of the TM Directive with the CTM Regulation, and to increase the level of cooperation between OHIM and national IP offices.

Finally, the operational objectives are to achieve greater approximation of trade mark procedures and substantive issues, provide an adequate regulatory incentive for cooperation, build technical cooperation capacity at national TM offices, and to secure long term financing for cooperation activities.

#### 5. ANALYSIS AND COMPARISON OF POLICY OPTIONS AND THEIR IMPACTS

The policy options were considered for each of the operational objectives and measured against the criteria of effectiveness (achievement of objectives) and efficiency (time needed, overall cost and proportionality).

##### 5.1. Approximation of trade mark laws and procedures

**Option 1** (base line): There would be no further harmonisation, despite the apparent need for further alignment of the heterogeneous legal framework.

**Option 2** (partial approximation): The approximation of national laws and their coherence with the CTM system would be expanded to encompass (i) the alignment of the principal procedural rules with the CTM Regulation, (ii) the alignment of further substantive law aspects addressed in the CTM Regulation, and (iii) the reduction of optional provisions in the TM Directive, in line with the CTM Regulation. It is considered that this limited alignment exercise would be feasible for Member States and could be done within a reasonable period of time. Since the achievement of the identified objectives would be highly uncertain, if the approximation was carried out on a voluntary basis (sub-option 2a), it appears appropriate to pursue the harmonisation by a legally binding instrument (sub-option 2b).

**Option 3** (full approximation): The approximation would be based on option 2 but includes all remaining aspects of substantive trade mark law and procedures. The approximation would be either voluntary (3a) or mandatory (3b). However, the analysis of existing problems has not demonstrated an apparent need for a full scale approximation of all trade mark provisions. Moreover, Member States do not seem to be ready for such an extensive move. As a result, option 3 would be disproportionate to the actual needs and its political feasibility highly uncertain.

**Option 4** (single rule book): National trade mark laws would be entirely replaced by a single rule book setting uniform rules across the EU. As a result, all national offices would apply identical provisions. However, even more than option 3, this option would be clearly disproportionate and is to be discarded upfront.

## Objective 1 – approximation of trade mark laws<sup>1</sup>

	Effectiveness	Efficiency			Overall
	Greater approximation of TM laws and procedures	Time needed	Overall cost	Proportionality	
<b>1. Baseline</b>	0	0	0	0	0
<b>2. Partial approximation</b>					
2a. Voluntary	?	--	-	+	-
2b. Mandatory	++	+	-	+	++
<b>3. Full approximation</b>					
3a. Voluntary	?	--	--	-	-
3b. Mandatory	++	--	--	--	+/-
<b>4. Single rulebook</b>	++	--	--	--	+/-

The selected option 2b is expected to have an overwhelmingly positive effect on all **users** of the trade mark system, especially SMEs. In the long term, it would contribute to improving the efficiency and effectiveness of procedures at **national IP offices** and eventually lead to significant cost savings. Finally, it would be clearly beneficial to **OHIM**, considering the idea of taking the CTM system as a benchmark, and the Office's task of supporting and coordinating efforts in converging practices and tools with national offices. Moreover, one of the priority harmonisation measures, the introduction of the "one-class-per-fee" system, will be accompanied by an appropriate adjustment of CTM application, renewal and class fees, which will additionally benefit **users**.

### 5.2. Missing clear legal basis for cooperation

**Option 1** (base line): No specific legal basis for cooperation would be provided.

**Option 2:** A clear legal basis would be established allowing OHIM and national offices to cooperate (optional cooperation) with the aim of harmonising practices and developing common tools and databases. Given its non-binding nature, it cannot be expected that all offices would take part.

**Option 3:** National offices and OHIM would be obliged to cooperate (obligatory cooperation). The cooperation objectives would be clearly specified in order to allow monitoring of their achievement. As a result, participation of all offices would be ensured and it would become easier for them to justify, to their budgetary authorities, the allocation of

<sup>1</sup> Score system: positive effect: from slightly positive (+) to strongly positive (++); negative effect: from slightly negative (-) to strongly negative (--); uncertain result: (?); no impact: 0.

resources for common projects with other IP offices, and easier for OHIM to internally validate its expenditure on cooperation activities.

### Objective 2 - providing adequate legal basis for cooperation

	Effectiveness	Efficiency			Overall
	Greater incentive for cooperation	Time needed	Overall cost	Proportionality	
<b>1. Baseline</b>	0	0	0	0	0
<b>2. Legal basis for optional cooperation</b>	?	+	+	?	?
<b>3. Legal basis for obligatory cooperation</b>	++	+	+	+	+

The selected option 3 would ensure full participation in the process of converging practices and developing common tools, and would thus meet the expectations of **users**. For **national offices**, the selected option would lead to significant gains in efficiency and cost in the medium to long term. National offices would be able to build on the experience gained in the context of the OHIM Cooperation Fund, and further develop the existing framework which would facilitate a smooth transition. **OHIM** clearly demonstrated its capacity to deal effectively and within a short timeframe with such large scale cooperation projects and will also be able to draw benefits from the common projects.

### 5.3. Cooperation capacity building regarding technical facilities

**Option 1:** Would leave it for each IP office to procure and develop the required facilities.

**Option 2:** Would make it possible that the required facilities and tools are accessible to IP Offices within a framework of voluntary cooperation.

**Option 3:** Would ensure that the required facilities are accessible through an obligatory cooperation framework. Only this option would guarantee that all offices benefit and commit to the development of common tools and databases.

### Objective 3 - Technical capacity building at national IP offices

	Effectiveness	Efficiency			Overall
	Greater security for obtaining facilities	Time needed	Overall cost	Proportionality	
<b>1. Baseline</b>	0	0	0	0	0
<b>2. Optional access to tools</b>	?	?	+	+	?
<b>3. Mandatory access to tools</b>	++	+	+	+	+

Under the retained option 3, **users** can be expected to face convergent and technologically updated IT solutions. This will result in increased accessibility, enhanced efficiency and reduced costs. **IP Offices** can benefit from enhanced cooperation thanks to improved access to IT development. The selected option would also benefit **OHIM**.

#### 5.4. Cooperation capacity building regarding funding

##### 5.4.1. Financing in general

**Option 1:** Each IP office and OHIM would bear the entire cost of their cooperation activities. This would prevent Member States from taking part in cooperation schemes, and, therefore, this option would fail to achieve the identified objective.

**Option 2:** Cooperation activities would be financed from the EU budget. However, it would be highly unlikely that a substantial contribution from the EU budget could be made available considering the current budgetary restrictions.

**Option 3:** Financing would be from the OHIM budget, using part of OHIM's annual revenue. An appropriate funding mechanism would be identified, including control mechanisms to guarantee that funds are only used for specific earmarked purposes, and subject to compliance criteria. OHIM has accumulated a substantial surplus which is already partly used for Cooperation Fund projects. Moreover, OHIM's annual budgetary results constantly exceed the operational expenditure of the Office. Hence, the new cooperation activities could either be financed from annual income and/or from the existing surplus, thus ensuring the availability of sufficient finances. The cost of cooperation activities between OHIM and national offices would amount to € 17 – 20 million a year which corresponds to about 10% of OHIM operational income. The budgetary forecasts show that option 3 would not cause an imbalance in the OHIM budget.

#### Objective 4 — Secure long term financing

Options	Assessment criteria			
	Effectiveness (achievement of objectives)	Efficiency		Overall assessment
	Greater security of financing	Time needed	Overall cost	
1. Financing from MS	0	0	0	0
2. Financing from EU budget	?	?	0	-
3. Financing from OHIM budget	++	++	0	++

##### 5.4.2. Financing from the OHIM budget – funding mechanism

The report analyses two possible funding models: funding via lump sums on the basis of agreed distribution criteria (3.1a) and project-driven funding based on grants (3.2a). Based on that assessment, the report finds the latter option to be fitter to achieve the identified objectives.

### Use of OHIM budget – funding mechanism

Options related to the financing from OHIM budget Funding mechanism	Effectiveness (objective: securing long term funding)	Efficiency		Overall assessment
		Accuracy of funding	Complexity and transparency	
1a. Lump sums based on distribution key	+/-	-	-	-
2a. Project driven funding based on grants	++	++	+	++

#### 5.4.3. Financing from OHIM budget – source of funding

Upon analysis of options, notably funding from OHIM operational budget (3.1b), from a specific OHIM income (3.2b) and by further using the accumulated financial reserve (3.3b), it appears most appropriate to finance cooperation activities from OHIM annual income as a whole.

### Use of OHIM budget – source of funding

Options related to the financing from OHIM budget Source of funding	Effectiveness (objective: securing long term funding)	Efficiency			Overall assessment
		Accuracy of funding	Relevance (source vs. purpose)	Risk for OHIM budget	
1b. Funding from operational budget	++	+	0	+/-	+
2b. Funding from specific income (renewal fees)	++	-	-	0	0
3b. Use of surplus (increase in allocation to the Cooperation Fund)	--	+	0	0	-

#### 5.4.4. Impacts of the selected option

Users would clearly benefit from results of the new cooperation scheme. Moreover, there would be no impact on them due to the use of OHIM budget to fund common projects with national IP offices. The fact that sufficient funds would be provided to finance the cooperation activities would allow **national IP offices** to participate in and commit to common cooperation projects on a long-term basis. The financing of the cooperation activities by **OHIM** would have a significant impact on its budget. It can be concluded that the OHIM budget would be able to take the additional expenditure related to funding of cooperation projects with national offices from its annual operational results, while taking into account the impact of the adjustment of OHIM fees due to the introduction of the "one-class-per-fee system". Accordingly, the selected option would not cause an imbalance in the OHIM budget.

## 6. MONITORING AND EVALUATION

Three years after the expiry of the transposition deadline, Member States could submit to the Commission a report on the implementation of the new provisions of the Directive. Based on these inputs, the Commission could draw up a report, including an assessment of the effectiveness of the measures taken. Furthermore, the cooperation activities financed from the OHIM budget would be checked and monitored in accordance with financial rules applicable

to the Office, notably as regards grant procedures. The progress in terms of convergence of practices and tools could be measured annually, on the basis of OHIM summary reports. Five years after the entry into force of the amendments to the CTM Regulation (and, if applicable, also the TM Directive), the Commission could review the new legal framework for cooperation, with particular attention to the funding mechanism for cooperation. The review should be based on annual summary reports prepared by OHIM.