



# Something's changing with trademarks...

Ourania Vrontou, Christodoulos G. Vassiliades & Co LLC, examines the call for modernization in the European Union and the impact on legislation in Cyprus.

**U**ndeniably, the great budget surplus at the Office for Harmonization in the Internal Market (OHIM) had sparked a great deal of discussion. Since when money is involved a great deal is usually at stake, the Council, in 2007, considered it useful to emphasize the need for an overall assessment of the functioning of the trademark system.<sup>1</sup> This assessment was carried out by the Max Planck Institute for Intellectual Property and Competition Law on behalf of the Commission.<sup>2</sup>

Admittedly, the assessment established what was already obvious: the trademark system was a successful venture, without serious functional or procedural problems. Still, like every system it was in need of modernization. This modernization came via two proposals for amending the Directive to approximate the law on Member States relating to trademarks<sup>3</sup> and the Regulation on the Community Trademark.<sup>4</sup> Prima facie, the new proposals effect a rather conservative modernization on the overall functioning of the trademark system. Nonetheless, the former's impact on both national as well as European practices is sweeping.

This article presents the main provisions of the newly-proposed trademark regime and discusses their impact on Cyprus legislation.

## The proposals<sup>5</sup>

Changes are attributed to their aims. The aim of both proposals is to 'foster innovation and economic growth by making trademark registration systems all over the EU more accessible and efficient for business.'<sup>6</sup>

So what is changing?

**"Lisbonising" terminology:** It is proposed that OHIM be re-named as the 'European Union Trademarks and Designs Agency'<sup>7</sup> and the Community trademark (CTM) be changed to the 'European Trade Mark'.<sup>8</sup> Both, OHIM and CTM have been established, determined and maintained by the European Union (EU). Thus, just as the latter are reflected in OHIM's new name proposal, it would be more precise for the 'European Trademark' to be renamed into 'EU Trademark' so as to reflect the same; despite the fact that the proposed name already denotes—more or less— the latter's function as per such, i.e. a trademark protected in Europe.

**Re-defining trademarks:** The graphic representation requirement is proposed to be abolished. The idea, as the proposal states, is 'to provide for more flexibility in that respect while ensuring greater legal certainty.'<sup>9</sup> Nonetheless, this writer is not of the opinion that technological advancements have reached that state in which they are able to guarantee the effectiveness of what is being proposed.<sup>10</sup>

## Crusade against counterfeits

**Goods in transit:** Goods in transit were a big problem, especially after *Philips/Nokia*<sup>11</sup> and the free circulation condition. The new proposal empowers rightholders to prevent any third country third party entering into the customs territory of the EU, without authorization, any trademark which is essentially identical to a registered trademark protected within the European market.

Such provision is an indisputable win against counterfeits. Still, the manner in which the rights holder may enforce this protection is not being specified. This is aptly noticed by the ICC which has justifiably suggested the addition of "with the assistance of the relevant local authorities" in the final draft.<sup>12</sup>

**Preparatory acts:** The abolishment of the 'free

## Résumé

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Christodoulos G. Vassiliades & Co LLC is one of the leading law firms in Cyprus, offering a variety of commercial and corporate services since 1984, with seven affiliates around the world, including Russia and China. The firm's Intellectual Property Department, founded in 2008, currently accommodates a large number of portfolios for predominant clients of national and international reach.

circulation' requirement is complimented by the provision on Preparatory Acts, defined as the 'distribution and sale of labels and packaging or similar items which may subsequently be combined with illicit products'.<sup>13</sup>

Since counterfeits have become a major problem this addition is welcomed.

**Consignments from commercial suppliers:** The last arrow in the right holders' quiver is the prohibition of entry in the European market of counterfeited goods, even if the consignee is not acting in a commercial capacity. This provision targets sales of counterfeits taking place over the internet. The inclusion of such a provision in the proposal is very important, however, a specific action context needs to be established.

### The IP Translator era

It is indeed the case that *IP Translator* is here to stay. All applications submitted must have clear and precise goods/services description. Marks applied for protection before June 22, 2012 are given the opportunity to define the scope of their protection within four months from the entry into force of the Regulation. Whether this is fair is yet to be determined. Such practice is definitely prone to exploitation. This is because the initial scope of protection will inevitably be adapted to present business-targets, thus claiming protection for goods/services beyond those covered by the literal meaning of the heading of that class – provided that the former are included in the class description list.<sup>14</sup> Unfortunately, there is no win-win solution; the only alternative is to set the timeframe to a no longer than a year limit.

### Fees

The CTM was considered to have one main advantage: its fee. This will now be reduced even further in order to tackle OHIM's surplus. The number of classes included in the basic fee will be reduced from three to one per application in an effort to make sure that applicants will restrict the goods for which they apply for protection strictly to their business needs.

Further to that, 10% of OHIM's yearly income "may" be diverted into National Offices in the form of grants to finance cooperation projects and guarantee the parallel development and co-existence of European and national trademarks. How parallel this development will be is a question to be seen.

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### Managing the system: how much is too much?

Starting off with the simple amendments, the President of OHIM will be re-named as the Executive Director. To be absolutely honest the latter may better reflect the function of this position, since the supervision and oversight abilities of the Management Board will be enhanced to a great extent.<sup>15</sup>

The Management Board may be assisted by an Executive Board which will, *inter alia*, advise the Executive Director in the execution of their duties. The Executive Board "may" take over considerable functions 'with a view to reinforcing supervision of administrative management'.<sup>16</sup>

In essence an Executive Board seems to be for the Executing Director what the shadow was to Peter Pan in the well-known fairy tale.

### The Directive

The great majority of the Directive's proposed provisions coincide with those of the Regulation. Nonetheless, there are certain aspects that need to be addressed:

**Ex-officio examination – strictly absolute:** This is considered as one "big" albeit "necessary" leap needed to establish further harmonization of the laws of Member States on trademarks. Absolute grounds are efficient and effective. With this provision in place, everything else falls into place as well, since absolute and relative grounds of refusal are properly distributed to the proper actors.

**The double identity requirement – strictly mono-functional<sup>17</sup>:** The new Directive proposal essentially restricts the function of a trademark to one of origin, which is far from reality. Nowadays, trademarks are marketing tools, reputation marks, goodwill representations, quality and experience certificates and proof of existence. Though the former will convey simplicity and certainty, are the former really what the proposal is all about?

**Rights in rem:** Trademark protection conferred on the proprietor a right to exclude any third party from using the protected trademark in that particular class of goods/services for the period in which the latter's protection subsists. This is now changing, since the Directive is to recognize a positive right in rem, bringing its text in line with that of the Regulation.

### Cyprus: The impact assessment

Cyprus is one of the countries that have kept and will continue to keep the wording of the Directive and any amendments made to it, intact. Inevitably though, some of its "advantageous concessions" will officially be sacrificed.

**The Black & White Requirement:** If the mark applies and is granted protection in black and white, then it is considered to be registered without any color restriction.<sup>18</sup> Currently the Trademarks Department limits this broad extent of protection by imposing registrability conditions, for example that the mark is going to be limited to the colors in which it was represented on the application form.

Thus, in essence the Department's trend will now officially become the norm, since the approximation proposed is more "aggressive" than the existing one.

**Ex-officio examination and litigation procedures:** The face of ex-officio examination will be dramatically altered, admittedly to the better. Should the new proposal come into effect, relative grounds of refusal will be left with the owners of similar marks to invoke and defend.

**IT and technology advancement:** PTOLEMI (the Department's database), ACCEPTO (the research tool) and TM View function well. However, comparing the above to what is being proposed is like



*planning a miracle.* The Department's budget is dependent on the variables of the Cyprus economy. Thus, despite the "go-paperless" pilot program currently underway, the government does not have the funds to effect such advancement even with OHIM's contribution.

### Conclusion

The two proposals for the modernization of the trademark system are more than welcome. Still, there are aspects that are overly modern for the state in which certain national Intellectual Property Offices are at, such as the Cyprus one. Thus, it would be preferable, for the time being, to keep "graphic representation" in the trademark's definition while making sure that all national IP Offices reach the same level of technological advancement. When this is done, the latter can all start advancing towards meeting OHIM's standards – which will not be that hard to achieve considering they will already have reached high standards.

If setting common standards is not met, then a potential erosion of community and national trademarks will be catastrophic to national registration systems. Realistically though, it will be hard for national offices to cooperate with each other and with OHIM while starting from such different points.

Such potential erosion will certainly not favor SMEs which are the very foundation of the trademark system, both nationally and at a community level. The most workable solution is the restraint of CTMs to those applicants who will be extending their commercial activity in the European market.<sup>19</sup> With the latter in force, the five year grace period will become redundant.

In this modernization turmoil, effected by conservative but highly influential modernization amendments, Cyprus is obliged to stand up to the challenge. However, there is nothing in the above that could be described as an easy task!

<sup>1</sup> Competitiveness Council Conclusions of May 21 and 22, 2007, Council document 9427/07.

<sup>2</sup> Study on the Overall Functioning of the European Trademark System presented on February 15, 2011.

<sup>3</sup> Directive 2008/95/EC.

<sup>4</sup> Council Regulation (EC) No 207/2009.

<sup>5</sup> Regulation Proposal COM(2013)161final-2013/0088(COD)/ Directive Proposal COM(2013)162final-2013/0089(COD).

<sup>6</sup> N.5, p2.

<sup>7</sup> See N.5, Art.1.

<sup>8</sup> See N.5.

<sup>9</sup> Ibid., p7.

<sup>10</sup> See Anna Carboni, 'The European Trademark Regime: What's new', (June 2013, Who is Who Legal), available on

[www.whoswholegal.com/news/features/article/30601/the-european-trademark-regime-whats-new](http://www.whoswholegal.com/news/features/article/30601/the-european-trademark-regime-whats-new) accessed on February 27, 2014.

<sup>11</sup> Joint Cases C-446/09 and C-445/09.

<sup>12</sup> See ICC Comments on the European Commission Proposals for Reform of the EU Trademark System.

<sup>13</sup> See N.5.

<sup>14</sup> N.9, p2.

<sup>15</sup> See N.5, Art. 124-129.

<sup>16</sup> See N.5, Art. 124-129.

<sup>17</sup> See N.5, Art.9(2)(a).

<sup>18</sup> Trademarks Law, Cap. 298, Art. 18.

<sup>19</sup> Maxim Oker-Blom, 'The European Union Trade Mark Reform' available on [http://www.iprinfo.com/julkaisut/iprinfo-lehti/lehtiarkisto/2013/IPRinfo\\_3\\_2013\\_eng/en\\_GB/Eurorean\\_Union\\_Trade\\_Mark\\_Reform/](http://www.iprinfo.com/julkaisut/iprinfo-lehti/lehtiarkisto/2013/IPRinfo_3_2013_eng/en_GB/Eurorean_Union_Trade_Mark_Reform/) accessed on February 27, 2014