



CCIA Position on the Trademark regulation Review

Putting the Consumer First: Product Safety, Competition and Innovation

Relevance to the Internet Sector

The review of the trademark package is important for consumer empowerment and service innovation in the digital realm in Europe. Trademarks are important for consumers to indicate the origin of products and services. They rightly protect the investment of trademark owners in their brands. However, trademark regulation should be balanced so as not to stand in the way of greater competition and consumer choice enabled, for example, by new Internet services.

E-commerce platforms as well as new forms of online advertising are of great value to consumers enabling them to compare and buy legal products and services from a greater variety of sources and outlets.

At the same time, online platforms are increasingly used by consumers to review, comment on and criticize products and brands leading to greater consumer empowerment and competition.

Trademark regulation should have the protection and empowerment of citizens and consumers as its key goals; rights conferred by a trademark should enhance and not reduce these goals. The trademark package under discussion by the European Parliament and Council of Ministers needs to ensure consumer choice, competition, and freedom of speech.

The Internet benefits all

The Internet is not only valuable for businesses, e-commerce and consumers but *also* for brand owners. By 2016 the Internet economy of the G-20 is predicted to reach an aggregate value of \$4.2 trillion¹. In 2012 online platforms contributed more than €220 billion to EU 27 GDP². 75% of the economic impact of the Internet arises from traditional companies that don't define themselves as pure Internet players³. Consumers have increased access to

¹ Boston Consulting Group. (2012). The Internet Economy in the G-20. The \$4.2 Trillion Growth Opportunity.

² The Impact of Online Intermediaries on the EU Economy", Copenhagen Economics, April 2013.

³ McKinsey Global Institute. (2011). Internet matters: The Net's sweeping impact on growth, jobs, and

information about brands and products: in 2010 G-20 consumers researched online and then purchased offline \$1.3 trillion in goods (7.8% of consumer spending).⁴

Established brands also derive added value from the Internet economy. A recent study found that 15% of sales in the luxury goods industry are directly generated by digital media and 20% of store sales are influenced by online experience.⁵ In 2012 the five most popular luxury brands on Facebook were European.⁶ In addition, consumers who connect with a brand on social media spend 20% to 40% more money than those who don't.⁷

Comments on the Trademark Proposals

In striving to achieve consumer and Internet friendly trademark regulation which allows online innovators to thrive in Europe, CCIA would like to address the following issues:

I. Double Identity Rule

CCIA welcomes the Commission proposal for Article 9 CTMR and Article 10 TMD to clarify the 'double identity rule'. The proposed paragraph 2(a) ensures that the rule should apply to cases affecting the origin function of trademarks. This gives clearer boundaries to the double identity rule providing more legal certainty and greater freedom to citizens using online services for criticism, comments and parodies.

Given the increasing role of the Internet to compare and buy products as well as to advertise for legal products, including spare parts, product alternatives, second hand goods, etc., it is important to clarify that in such cases uses of a sign are outside the scope of the double identity rule.

The proposal is in the interest of balance and legal certainty and does not affect the possibility of taking action against:

- ***Cheap fake luxury products*** - there will be a high likelihood of confusion of the public allowing trademark owners to have recourse to Art. 10 (2)(b) TMD. In addition, luxury brands often constitute trademarks with a reputation allowing recourse to Art. 10 (2)(c) TMD. Thus, they enjoy additional anti-dilution protection against blurring, tarnishment and unfair free riding, including in double identity cases.
- ***Contrary statements avoiding confusion*** - e.g. a disclaimer that the goods sold are unrelated to the trademark owner. In *Arsenal* the CJEU recognised post-sale

prosperity (Executive summary).

⁴ Boston Consulting Group. (2012). The Internet Economy in the G-20. The \$4.2 Trillion Growth Opportunity.

⁵ The study surveyed more than 300 luxury brands, including the French companies LVMH and PPR and Switzerland's Richemont, see FT, '*Internet channel: Digital use may have boosted sales by surprising amounts*' (May 30, 2012).

⁶ Ledbury Research: Burberry, Louis Vuitton, Dior, Gucci, Chanel.

⁷ 74% of consumers are more likely to buy from a company whose values are clearly defined in social media and 60% of Twitter users would recommend a brand they follow to a friend: Abrams Research 2012-2013 Luxury Guide, available at:

<http://www.abramsresearch.com/static/guides-whitepapers/ARLuxGuide13.pdf>

confusion allowing trademark owners to take action. This would remain unaffected.

- **Keyword advertising** - there is no protection gap. If the origin function is adversely affected, the trademark owner can rely on the double identity rule. If additional functions of quality, communication, investment, and advertising are adversely affected, the owner of a mark with a reputation can invoke protection against blurring, tarnishment and unfair free riding.
- **Unlawful comparative advertising** - Art. 10 (3)(f) of the proposed TMD states that unlawful advertising is actionable in accordance with the Misleading and Comparative Advertising Directive 2006/114/EC.

II. Goods in Transit and Commercial Consignors

The proposal addresses the transit of counterfeit goods in Article 10(5) TMD and Article 9(5) CTMR and gives trademark owners remedies against a consignor acting for commercial purposes in the importing of infringing goods in the EU (Article 10(4) TMD and Article 9(4) CTMR).

While CCIA acknowledges the importance of the fight against counterfeits, we are concerned that the goods in transit provision may be too broad, potentially preventing legitimate goods not destined for the EU market from transiting through EU territory. This could constitute a substantial impediment to international trade in legitimate products. To mitigate this risk CCIA suggests the inclusion of a requirement that the owner of the trademark used on the goods in transit also owns the trademark in either the country of origin or the country of destination.

In the same vein, CCIA is concerned about the overly broad scope of Article 10(4) TMD allowing trademark owners to prevent the import of goods where only the consignor of the goods acts for commercial purposes. This provision would also cover individual consumers' importation of goods that have been legitimately placed on markets outside of the EU. As the Internet in particular enables consumers to acquire such goods, this provision should only be applicable to counterfeit goods.

On a general note we would also like to highlight that while effectively combating counterfeiting is important and requires broad industry collaboration, a number of important considerations should be borne in mind in addressing these provisions of the proposals:

- **Counterfeiting existed before the Internet.** The reference to the Internet in Recital 23 of the draft TMD should therefore be understood in context: while the Internet facilitates trade in goods across borders, this should not be intended to mean that it contributes to increased trade in counterfeit goods. Offline channels continue to play a much larger role in the distribution of counterfeits than online services.
- **Counterfeits are not the same as allegations of trademark violations.** Sellers of legitimate trademarked goods want to refer to the trademark to sell or advertise those goods online. In contrast, counterfeit goods create a bad user experience when a consumer is duped by a counterfeit good - whether offline, on an e-commerce platform or online advert. This provides Internet players with a strong incentive to ensure it does not happen.

Just as in the past, it's critical for brand owners and law enforcement to tackle counterfeiting at its source. Online services do help and have invested in technical means to keep their online platforms free from counterfeits. Nevertheless, the cooperation of brand owners remains essential. It is important to remember that online services are in no position to determine the authenticity of the millions of advertised goods as well as products offered online for sale as they never even take possession of them and fraudsters are always coming up with more sophisticated ways to game the system.

III. Limitation of the Effects of a Trade Mark

Articles 12 CTMR and 14 TMD clarify that 'referential use' should not be considered to infringe trademark rights and aim to clarify what amounts to 'honest practice' in this context. CCIA supports the provisions' express inclusion of referential use in the proposal, which brings more legal certainty to an important and well-established limitation on trademark rights. As will be seen below, limitations to the effect of a trademark became increasingly important in the Internet age given the amounts of economic and social activity taken place on online platforms.

In the interest of increasing legal certainty, further examples of permitted uses 'for the purpose of identifying or referring to goods or services as those of the proprietor of the trade mark' should be added to Art. 14 (1)(c) TMD. These examples should include uses of a trademark for the following purposes:

- Comparative advertising satisfying all requirements set forth in Directive 2006/114/EC
- Bringing to the attention of consumers the resale of genuine goods that have originally been sold by or with the consent of the trademark owner
- Offering an alternative to the goods or services of the trademark proprietor
- Uses for the purposes of parody, criticism or comment

IV. Anti-competitive Use of Trademarks to Deter Legitimate Business

The registration process and grace-periods for non-use should reflect a balanced and effective trademark regime. The Commission proposal also takes into account the Court of Justice's *IP Translator* decision⁸, which requires adapting the application process to ensure a sufficiently clear and precise identification of goods and services, in relation to which the trademark registration is sought. Failing to address this identification requirement in a coherent manner will lead to considerable legal uncertainty for all players involved.

An overly broad or imprecise list of goods and services accompanying the trademark registration produces undesirable results with no discernable corresponding benefits. It allows the registration of a sign for a broad range of goods and services, with no intention of using such a sign. Undesirable consequences of this include the 'bullying' of businesses - in particular SMEs - into a name change, 'trademark trolling' and clogged up registries increasing administrative and transaction costs for all trademark applicants.

⁸ Case C-307/10 *Chartered Institute of Patent Attorneys v Registrar of Trade Marks* [2012/C 250/02].

In addition to the measure presently proposed by the Commission, we believe the following measures are necessary to properly address this issue:

- The reduction of the grace period for putting the trademark to genuine use under Article 16 of the proposed TMD and Article 15 of the CTMR from five to **three** years. This will effectively reduce the ability to monopolise a sign without using it from five to three years, in line with international standards.
- Goods or services designated in the trademark application should be sufficiently clear and precise, and reflect the actual or intended commercial activity of the application. In particular, the ability to register entire class headings should be significantly controlled. For this purpose, it is not sufficient to read general terms and class headings literally, as presently set forth in Article 40(5) of the proposed Directive and Article 28(5) of the proposed Regulation. By contrast, the use of long lists of goods and services, basically representing entire classes, would have to be prevented by insisting on much more detailed and specific indications of goods and services that clearly reflect the intended use.
- In Article 28(8) CTMR the Commission has introduced the retroactivity of the of the *IP Translator* decision. This provision would allow trademark owners of previous trademark registrations who have relied on OHIM's previous position on the use of class headings to change their list of goods and services. While we understand the purpose of this Article, CCIA believes that it would lead to unnecessary complications and unclarities when reviewing European trademark registers. Since it would be possible to amend the coverage of goods and service, trademark owners would have to monitor all declarations to ascertain if any of those with amended goods and services now directly conflict with their prior trademark rights. This would very likely create a vast number of oppositions and cancellations against the applications and registrations of such newly defined goods and services. In addition, there would be a discrepancy between Community trademark owners and national trademark owners whose offices never accepted the class heading rule. For these reasons CCIA recommends the deletion of Article 28(8) CTMR which corresponds to the proposed Directive that remains silent on this issue (see Article 40 TMD).

About CCIA:

CCIA is an international, nonprofit association representing a broad cross section of computer, communications and Internet industry firms. CCIA remains dedicated, as it has for over 40 years, to promoting innovation and preserving full, fair and open competition throughout our industry. Our members employ more than 600,000 workers and generate annual revenues in excess of \$200 billion.

Contact:

Jakob Kucharczyk
Computer & Communications Industry Association
6 Rond Point Schuman, 1040 Brussels
Mobile: +32 492 887 943
jkucharczyk@ccianet.org