



An Roinn Gnó, Fiontar agus Nuálaíochta
Department of Business, Enterprise and Innovation

Regulatory Impact Analysis

**Transposition of the Directive of the European Parliament and
of the Council**

**to approximate the laws of the Member States relating to Trade
Marks
(Recast)**

June 2018

**Intellectual Property Unit
Department of Business,
Enterprise and Innovation**

Summary of Regulatory Impact Analysis (RIA)	
Department/Office: Department of Business, Enterprise and Innovation	Title of Legislation: Directive (EU) 2015/2436 of the European Parliament and of the Council to approximate the laws of Member States relating to Trade Marks (Recast) .
Stage: Commencement of the drafting of the legislative Instrument to transpose the Directive into Irish law	Date: March 2018 updated June 2018
Related Publications: <u>Directive 2008/95/EC of the European Parliament and of the Council to approximate the laws of the Member States relating to Trade Marks (codified version)</u>	
Available to view or download at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:299:0025:0033:en:PDF	
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<p><i>What are the policy objectives being pursued?</i></p> <p>Directive 2015/2436 modernises and improves the existing provisions of the Directive, by amending outdated provisions, increasing legal certainty and clarifying trade mark rights in terms of their scope and limitations;</p> <p>It achieves greater approximation of national trade mark laws and procedures to make them more consistent with the EU trade mark system, by introducing (a) further substantive rules and (b) procedural rules in accordance with principles contained in the EU Trade Marks Regulation; and</p> <p>It also improves cooperation between national Intellectual Property Offices and the EUIPO for the purpose of converging practice and developing common tools, by putting in place a legal basis for this cooperation.</p> <p><i>What policy options have been considered?</i></p> <p>Option 1: Do Nothing/No Policy Change.</p> <p>Option 2: Transpose the Directive into Irish law by amending the existing legislation by means of Ministerial regulations under section 3 of the European Communities Act 1972 (No. 27 of 1972).</p> <p><i>Preferred Option:</i></p> <p>Option 2.</p>	

OPTIONS			
Option No.	COSTS	BENEFITS	IMPACTS
1	- No direct costs but would result in significant risk of EU fines and court actions.	- None	- Failure to comply with EU obligations and would incur infringement proceedings by the European Commission.
2	- No direct costs.	<ul style="list-style-type: none"> - Compliance with EU law. - Trade Mark registration systems in the EU more uniformly accessible and efficient in terms of lower cost, complexity and legal certainty - modernization of existing provisions relating to protection of trade marks. - improved cooperation between national Intellectual Property Offices and the European Union Intellectual Property Office (EUIPO) 	- No negative impact on competitiveness.

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1. Policy Context and Objectives

1.1 Introduction & Context

The purpose of this document is to analyse the impact of transposing Directive (EU) [2015/2436](#) of the European Parliament and of the Council to approximate the laws of the Member States relating to Trade Marks. The Directive came into force on 14 January 2016 and Member States are required to transpose its provisions into national law by 14 January 2019 and have up to 14 January 2023 to introduce certain other administrative provisions such as those relating to cancellation proceedings.

Context

Europe's economy relies on powerful brands, requiring strong and effective trade mark protection. In the EU, the value of the top ten brands per country amounts to almost 10% in relation to their GDP.

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 European Union Trade Mark (EUTM) at the European Union Intellectual Property Office (EUIPO) in Alicante. Under the overall system, national and European trade marks coexist and the same sign may be registered as a European and/or as a national trade mark. The EUTM 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 European trade mark was created more than 20 years ago. Since then, there have not been any major modifications. The business environment, however, has changed significantly over the past two decades, notably with the expansion of the internet and other electronic business tools. The previous harmonisation efforts have been limited and there is inconsistency between the two legislative instruments, the Trade mark Directive and the previous Community Trade Mark Regulation.

The laws of the Member States relating to trade marks were partially harmonised by Council Directive 89/104/EEC of 21 December 1988, codified as Directive 2008/95/EC. Alongside and linked to the national trade mark systems, Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, codified as Regulation (EC) No 207/2009 established a stand-alone system for the registration of unitary rights having equal effect throughout the EU. In that context, the European Union Intellectual Property Office (EUIPO) was set up to be responsible for registering and administering European trade marks.

In an increasingly competitive environment, there has been a steady growth not only in the crucial role of trade marks for market success, but also in their commercial value. This is reflected in the increasing number of trade mark applications at both national and EU levels, and also in the number of trade mark users. This development has been accompanied by growing expectations on the part of stakeholders for more streamlined and high-quality trade mark registration systems, which are more consistent, publicly accessible and technologically up-to-date.

1.2 Background

In **2007** the EU Council of Ministers noted the need for an assessment of the functioning of the Community trade mark system and invited the European Commission to undertake such an assessment and present proposals based on the results thereof. The Council further noted the importance of the complementary work of national trade mark offices, and called on the EUIPO to expand its cooperation with them in the interest of the overall functioning of the European trade mark system. It invited the Commission to start work on a corresponding study, in particular with a view to intensifying and broadening the existing instruments of cooperation between the EUIPO and national trade mark offices.

In its **2008** Small Business Act, the Commission pledged to make the Community trade mark system more accessible to SMEs. Furthermore, the 2008 Communication on an Industrial Property Rights

Strategy for Europe underlined the Commission's commitment to effective and efficient trade mark protection and to a trade mark system of high quality.

It concluded that it was time for an overall evaluation, which could form the basis for a future review of the trade mark system in Europe and for the further improvement of cooperation between the EUIPO and National Offices. In **2010**, in the Communication on Europe 2020, under the Flagship Initiative 'Innovation Union', the Commission undertook to modernise the framework of trade marks in order to improve framework conditions for business to innovate. Finally, in its **2011** IPR strategy for Europe, the Commission announced a review of the trade mark system in Europe with a view to modernising the system, both at EU and at national level, by making it more effective, efficient and consistent overall.

The main component of the review and evaluation was a study the Max Planck Institute (MPI) for Intellectual Property and Competition Law undertook on behalf of the Commission. The study was carried out between November 2009 and February 2011. In addition to expert analysis, the study involved consultations with stakeholders. It included a survey among users of the European trade mark system, contributions from organisations representing trade mark users at national, European and international level, and a hearing in June 2010 involving these organisations. Lastly, the Institute consulted the Intellectual Property Offices of all the Member States and the EUIPO.

The final report of the MPI study concluded that the basics of the European trade mark system are solid. In particular, the procedures followed by the EUIPO generally met business needs and expectations. There was further consensus that the coexistence of European and national trade mark rights is fundamental and necessary for the efficient functioning of a trade mark system that meets the requirements of companies of different sizes, markets and geographical needs. The report nevertheless found that there was a need for modernisation and improvement of the system. It highlighted, in particular, the need to achieve greater consistency between the European trade mark and national trade mark systems by further harmonising the trade mark laws of Member States both within and beyond the current scope of the Directive.

Responding to the interim results of the study, the Council adopted Conclusions on **25 May 2010**. While noting the existing inconsistencies between the Community trade mark and national regimes, these conclusions called on the Commission to include in its proposals measures to make the Directive more consistent with the Regulation, and thereby further contribute to reducing areas of divergence within the trade mark system in Europe as a whole.

As a follow up to the MPI study, the Commission services convened a hearing of user associations on **26 May 2011**. The hearing confirmed that there was broad agreement among users of the trade mark system in Europe that the present level of approximation between national trade mark laws, as well as with the European trade mark system, has not been sufficient. User organisations unanimously stated that further harmonisation of national trade mark laws was required, with regard to both substantive law and procedural issues.

The EU impact assessment carried out for both the review of the Regulation and of the Directive identified two main problems: the first relates to the divergent provisions of the existing regulatory framework, and the second to the low level of cooperation between trade mark offices in the Union. The impact assessment concluded that partial expansion of the approximation of national laws and their consistency with the European trade mark system would be proportionate and would best serve to achieve the objectives pursued.

The consultation and evaluation exercise has revealed that the business environment in the trade mark

field remains very mixed in spite of the partial harmonisation of national laws dating back to early 1990s. The level of harmonisation imposed by the Directive was quite low, focusing on a restricted number of substantive rules that were considered at that time to affect the functioning of the internal market most immediately, whereas a large number of areas, in particular those relating to procedures, were left unharmonised. Moreover, the Regulation was enacted several years after the Directive, which meant that at the time when the Directive came into being there was no 'common benchmark' against which the efficiency of national proceedings could be measured. However, the procedures followed by the EUIPO have now been in place for more than 15 years, and are generally regarded as meeting business needs and expectations.

As a result, the current landscape of Union trade mark law is still characterised by a wide divergence between national rules and procedures, both among themselves and in relation to the rules and procedures applied by the EUIPO, and no attempt has ever been made to apply best practice with regard to procedures. The existing divergences between national systems and the European trade mark system are regarded as significant. They are due to the fact that the Directive does not cover procedural aspects and that a number of important substantive law issues are not yet harmonised. Together with the limited convergence of practices and tools at trade mark offices - which is due to a low level of cooperation - the existing divergencies of trade mark laws and procedures limit accessibility to the systems of trade mark protection, involve a great deal of legal uncertainty, and endanger the complementary relationship between the European trade mark and national trade mark systems. Furthermore, they prevent a level playing field for companies, with the consequent adverse impacts on the competitiveness of EU companies and the competitiveness of the Union as a whole.

The following possible options for resolving the problem were considered in the EU's Impact Assessment:

- **Option 1:** No further approximation of trade mark laws and procedures;
- **Option 2:** Partial expansion of the approximation of national laws and their consistency with the European trade mark system. This would include aligning the principal procedural rules with the relevant provisions of the Regulation, including those where existing differences create major problems from the users' perspective, and where such alignments are deemed indispensable for creating a harmonious, complementary system of trade mark protection in Europe. It would also cover the alignment of further aspects of substantive law in accordance with the provisions of the Regulation;
- **Option 3:** Full approximation of national trade mark laws and procedures. This approach would be based on option 2, embrace all of its components, but also include all remaining aspects of substantive trade mark law and procedures;
- **Option 4:** A single trade mark rulebook which would replace Member States' trade mark laws in their entirety, by setting uniform rules across the Union.

The Commission's impact assessment concluded that **Option 2** would be proportionate and would best serve to achieve the objectives pursued.

1.3 Legal Basis of the Proposals

Article 114(1) of the Treaty on the Functioning of the European Union (TFEU) empowers the European Parliament and the Council to adopt 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.

On **27 March 2013**, the European Commission presented a package of three proposals for the review of the Trade Mark Directive and the then Community Trade Mark Regulations.

The package consisted of the following proposals:

- a) Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks;
- b) 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 European trade mark; and
- c) Commission Regulation (EU) amending Regulation (EC) No 2869/95 on the fees payable to the EUIPO (Trade Marks and Designs) and Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the European Trade Mark. (The Council subsequently decided that the matter of OHIM fees should be included as a Schedule in an Annex to the revised Regulation mentioned at (b) above, and not, as a separate Fees Regulation).

In **December 2015**, following a process of negotiations between Member States and the EU institutions, the European Parliament and Council approved the European trade mark reform package. The new EU Trade Mark Directive and the new EU Trade Mark Regulation were published in the Official Journal of the European Union on 23 and 24 December 2015, respectively.

1.4 Objectives of the Proposals

Considered together as a package, the main common objective of this initiative and of the parallel proposal for the amendment to the Regulation is 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. These adjustments dovetail with efforts to ensure coexistence and complementarity between the Union and national trade mark systems.

Specifically, the present initiative to recast the Directive is driven by the following objectives:

- Modernising and improving the existing provisions of the Directive, by amending outdated provisions, increasing legal certainty and clarifying trade mark rights in terms of their scope and limitations;
- Achieving greater approximation of national trade mark laws and procedures with the aim of making them more consistent with the European trade mark system, by (a) adding further substantive provisions and (b) introducing principal procedural provisions into the Directive in accordance with provisions contained in the Regulation;
- Facilitating cooperation between the offices of the Member States and the EUIPO for the purpose of promoting convergence of practices and the development of common tools, by putting in place a legal basis for this cooperation.

1.5 Main Elements of the Directive impacting Ireland

The following mandatory provisions of the Directive, must be transposed into Ireland’s domestic legislation not later than 14 January 2019.

- Removal of requirement for graphic representation of trade marks: Article 3 removes the requirement for a sign to be capable of graphic representation in order to qualify for trade mark protection, has been removed. Consequently, on or after the effective date of the pertinent change to the Trade Marks Act 1996, any application for a trade mark received will be permitted to be represented in any appropriate form using generally available technology, and thus not necessarily by graphic means. However, the trade marks must still be represented in a manner which allows the public to determine “the clear and precise subject matter” of the protection afforded. (Art 3)
- Additional Absolute Grounds: Under existing provisions, signs can be refused registration if they consist exclusively of the shape of the goods in question or a shape necessary to achieve

a technical result or otherwise provide substantial value to the goods. Art 4(1)(e) (i) to (iii)) broadens this exception to include signs which consist exclusively of “another characteristic”.

- Additional Absolute Grounds - Protected terms: Art 4(1)(i),(j), (k) & (l) adds Protected Designations of Origin (PDOS), Geographical Indications, traditional terms for wine and traditional specialities guaranteed as well as prior plant varieties protected under the legislation of the Union or national laws, as absolute grounds of refusal and invalidity. Consequently, on or after the effective date of the pertinent change to the Trade Marks Act 1996, any application for a trade mark received will be considered and examined having regard to the additional absolute grounds.
- Invalidation of trade marks which include – under Art 4(3)(c) badges, emblems and escutcheons other than those covered by Article 6ter of the Paris Convention and which are of particular public interest, can now be invalidated, unless the competent authority had previously consented to their registration
- Additional Relative Grounds – application by an agent – Art 5(3)(b) adds as relative grounds of refusal & invalidity, an application by an agent or representative of a proprietor of a trade mark applies, without the proprietor’s consent, for the registration of the trade mark in the agent or representative’s name
- Additional Relative Grounds - Protected terms: Protected Designations of Origin (PDOS), Geographical Indications protected under the legislation of the Union or national laws are also added as relative grounds of refusal & invalidity. (Art 5(3)(c))
- Partial Refusal or Invalidity: In cases where grounds for refusal or invalidity of a mark exists only in respect of some of the goods or services for which that trade mark has been applied or registered, such refusal or invalidity shall cover those goods or services only. (Art 7)
- Declarations of Invalidity: The lack of distinctive character or reputation of an earlier mark could now preclude a declaration of invalidity of a later registered trade mark. (Art 8)
- Use of Trade or Company name: Using a sign as a trade or company name could now be deemed a specific trade mark infringement. (Art 10(3)(d))
- Comparative advertising: The use of a mark by competitors in comparative advertising may now be prevented by the mark’s proprietors if it breaches the EU Comparative Advertising Directive (2006/114/EC) and S.I. 774/2007, which gives effect to that Directive. (Art 10(3)(f))
- Goods in transit: Counterfeit goods in transit, in certain instances, could now be deemed to infringe a trade mark. With the introduction of this provision, trade mark proprietors will be able to prevent the bringing into the EU (using such custom procedures as, inter alia, transit, internal processing or temporary storage), of goods bearing a mark that cannot be distinguished in its essential aspects from that of the trade mark proprietors, regardless of whether they are released for free circulation within the EU territory. That is unless the importer can prove that the trade mark owner would not be able to prevent the sale of the goods in question in the country of destination. The entitlement of the proprietor of a Trade Mark in these provisions, will lapse if during the proceedings to determine whether Trade Mark has been infringed, evidence is provided by the holder of the goods that the proprietor is not entitled to prohibit the placing of the goods on the market in the country of final destination. This proviso reconciles the need to ensure the effective enforcement of Trade Mark rights with the necessity to avoid hampering the free flow of trade in legitimate goods (Art 10(4))
- Preparatory acts: It could now constitute an infringement to affix a trade mark to material such as packaging, security or authenticity features or devices, labels or any other means to which a trade mark is affixed; and/or to sell, stock or to offer, place on the market or stock for those purposes, import or export such packaging, labels, tags, security or authenticity features or devices, or any other means to which the mark is affixed. (Art 11)
- The ‘own name’ defence is now limited so that only natural persons can rely on the fact that they are using their own name or address in accordance with honest business practices as a

defence to infringement. Businesses can no longer use this defence. It is therefore important to consider appropriate searches prior to the adoption of trading or company names to ensure there are no relevant prior rights. (Art 14(1)(a)).

- Collective Marks: Article 29(2) of the Directive concerns the question of who is entitled to apply for a Collective mark. That separate provision requires a corresponding (mandatory) norm to be added into Irish law. Also a Collective Mark may not now be revoked, if the regulations governing the use of the mark are further amended, so that they comply with the requirements of the First Schedule of the Trade Marks Act 1996 (Art 35(c)).
- Classification: In line with the CJEU decision in the IP Translator case (case C-307/10)¹, the wording of trade mark specifications is to be interpreted literally and therefore goods and services must be identified with sufficient clarity and precision. (Art 39) (Note: The position as set out in the IP Translator case does not change the policy or practice of Ireland’s Patent Office. Pending and future applications, which contain claims for the full alphabetical lists by means of a reference to class headings, will continue to be examined in line with the established and accepted practices of the Office, that include the principle that specifications of goods and services must be considered to ‘mean what they say’).
- Opposition: Oppositions to trade mark registrations can now only be based on relative grounds – it is no longer permitted to use absolute grounds when filing an opposition (Art 43(1))
- Invalidity: An application for a declaration of invalidity may now be filed on the basis of one or more earlier rights, provided they all belong to the same proprietor (Art 45(6))
- Expiry of registration: National offices must now inform the proprietor of the trade mark of the expiry of the registration of a trade mark at least six months before the said expiry. The office shall not be held liable if it fails to give such information (Art 49(2)).
- Reproduction in dictionaries: If the reproduction of a trade mark in a dictionary or other reference work gives the impression that the mark in question is generic in relation to the goods or services for which the trade mark is registered, the publisher of the reference work must now ensure that the mark, at the request of the trade mark proprietor, is forthwith accompanied by an indication that the mark in question is a registered trade mark. (Art 12)

¹ The UK Chartered Institute of Patent Attorneys (CIPA) applied to register IP TRANSLATOR as a UK trade mark listing the class heading for class 41, namely, “education; providing of training; entertainment; sporting and cultural activities”. The application was refused on the basis the mark was descriptive because “translation services”, although not specifically listed in the class heading, do fall within the ambit of class 41. Accordingly, the UK Intellectual Property Office referred the matter to the CJEU. The main part of the CJEU’s decision can be summarised as follows:

- i). The goods and services for which the protection of the trade mark is sought must be identified by the applicant with sufficient clarity and precision to enable the competent authorities and economic operators, on that basis alone, to determine the extent of the protection conferred by the trade mark.
- ii) It is possible to use the general indications of the class headings to identify the goods and services for which the protection of the trade mark is sought, provided that such identification is sufficiently clear and precise.
- iii). An applicant for a national trade mark who uses the general indications of a particular class heading to identify the goods or services for which the protection of the trade mark is sought must specify whether its application for registration is intended to cover all the goods or services included in the alphabetical list of that class or only some of those goods or services. If the application concerns only some of those goods or services, the applicant is required to specify which of the goods or services in that class are intended to be covered.

- Use of trade marks: If, without proper reason, the proprietor of a mark has not put the mark to genuine use in the Member State concerned within the periods specified in the Directive, that mark shall be liable and subject to the following limits and sanctions related to non-use:-
 - In Infringement proceedings -non-use as a defence in infringement proceedings – new provision (Art 17),
 - In opposition proceedings - non-use as a defence in opposition proceedings – new provision (Art 44) or
 - In invalidity proceedings- (non-use as a defence in invalidity proceedings – new provision – Art 46) or
 - In revocation proceedings- (absence of genuine use as a ground for revocation – existing provision, (Art 16(1))
- Non-use as defence: By way of providing for non-use as a defence in infringement, opposition and invalidity proceedings, respectively, the Directive provides that, at the request of the defendant, the proprietor of a trade mark shall furnish proof that the mark has been put to genuine use in connection with the applicable goods or services during a five-year period preceding the date of the action or that there are proper reasons for non-use. In the absence of the proof referred to for opposition and invalidity proceedings, these proceedings shall be rejected. (Arts 17, 44, 46)
- Intervening rights defence: Further defence mechanisms in infringement proceedings are introduced in relation to the intervening right of the proprietor of a later registered trade mark. (Art 18)

The main circumstances in which the intervening rights defence will apply are:

For both EU trade marks and national trade marks,

- the owner of the earlier trade mark has acquiesced to the use of the later trademark for a period of five years (this is essentially the same as the acquiescence defence that existed previously);
- the earlier mark could have been revoked for non-use when the later mark was filed
- the earlier mark had not at that stage acquired the necessary reputation (where the ground of invalidity relied upon concerns the enhanced protection provided to marks with a reputation)

For EU trade marks only, the intervening rights defence will also apply if:

- the owner of the earlier trade mark has previously unsuccessfully applied for a declaration that the later EU mark is invalid and/or made a counter claim on relative grounds, on the basis of another mark and did not rely on the mark in question, when s/he could have done so.

For national trade marks only, the intervening rights defence will also apply if:

- the later mark could not have been declared invalid at its filing date or priority date because the earlier mark was not at that stage:
 - ❖ Inherently distinctive and had not acquired distinctiveness at the filing or priority date of the later mark or
 - ❖ sufficiently distinctive to support a finding of a likelihood confusion.

- Transfer of registered trade marks – a contractual obligation to transfer a business will now be taken to include an obligation to transfer any registered trade mark, unless there is agreement to the contrary or it is clear in all circumstances that this presumption should not apply (Art 22(2)).
- Licensing: A licensee of a traditional trade mark or an authorised user of a collective trade mark will now be permitted to intervene in infringement actions brought by the proprietor,

so as to be able to claim their own damages (Articles 25(4) and 34(1) respectively). Subject to the provisions of the licence, licensees/authorised users will be able to bring proceedings for infringement of the trade mark owner's consent only², although exclusive licensees will have extra rights if the trade mark owner fails to act. This is the first time that licensees' rights under national marks have been harmonised across the EU, (Articles 25(3)) and 34(1) respectively).

- Certification Marks - Article 28(2) of the Directive concerns the question of who is entitled to apply for a Certification mark. That separate provision requires a corresponding (mandatory) norm to be added into Irish law.
- Collective Marks – the regulations governing the use of Collective Marks must now contain the conditions of use of the Collective Mark, including any sanctions against misuse (Art 30(2)).
- Collective Marks – the grounds for revocation of Collective Marks are now mandatory, as opposed to optional. (Art 35).
- Opposition Procedures: Parties to an opposition procedure must be granted, at their joint request, a minimum of two months to allow the possibility of a settlement between the opposing party and the applicant (Art 43(3)).
- Renewal: In terms of the renewal of a trade mark, the Directive provides that where a renewal request is submitted or the fees paid in respect of only some of the goods or services for which the mark is registered, registration shall thereby only be renewed for those goods or services only. (Art 49)
- Division of Registrations: The proprietor of a registered trade mark shall be provided with the option to divide a national trade mark registration into two or more separate registrations and such division will be subject to a prescribed fee. (Art 41)
- Expiry of Registration: National offices must inform the proprietor of the trade mark of the expiry of the registration of a trade mark at least six months before the said expiry. The office shall not be held liable if it fails to give such information (Art 49(2)).
- Limits on Effect of Registered Trade Mark: A registered trade mark shall not be infringed by the use of the name or address of a third party, where that third party is a natural person, and by the use of a sign or indication which is not distinctive. (Art 14(1))

2. Growth of Trade Mark Activity

2.1 International

Trademarks are the most widely used form of registered Intellectual Property (IP) throughout the world. In particular, many low- and middle-income countries see companies intensively filing for trademarks, even if they make comparatively less use of other IP forms. Over the course of the last four decades, the demand for trademarks has intensified to unprecedented levels.

After a slow start in the early 20th century, trademark activity accelerated significantly in the mid-1970s at the United States Patent and Trademark Office (USPTO) and even earlier at the Japanese Patent Office (JPO); other IP offices followed suit in the 1980s. Middle-income economies, in turn, started to experience a rapid rise in trademark filings in the late 1980s and 1990s.

Since 1995, trademark applications globally have more than doubled. For example, China with almost 2 million trade mark class applications saw, by far, the highest trademarking activity, followed by the USA and European Union Intellectual Property Office (EUIPO). The number of trade marks filed at the EUIPO for the year 2016 numbered 135,259, an increase of 3.7% on 2015. In terms of applications

² Currently, if a licensee/authorised user calls on the proprietor of a registered trade mark/collective mark to take infringement proceedings and the proprietor fails to do so within two months, the licensee may bring the proceedings in her/his own name as if s/he were the proprietor.

from Ireland, 1,156 Irish applications were filed with the EUIPO in 2016 alone, thereby bringing the total of Irish applications to 14,834 since the creation of the Office in 1996.

In a purely European context, innovation is one of the areas covered by the five key targets set in “*Europe 2020*”; the ten-year growth strategy adopted by the European Union with a view to creating a more competitive economy with higher employment. The importance of Intellectual Property Rights (IPRs) in the success of such a strategy cannot be underestimated.

For example, a study conducted by the EUIPO and published in October 2016 revealed that IPR-intensive industries are shown to have generated almost 28% of all jobs in the EU (60 million), with an additional 10% generated indirectly by industries that supply goods and services to IPR-intensive industries. This brings the total to almost 38% of all EU jobs which represents 82 million jobs. Moreover, trade mark intensive industries represented in excess of 30% of the overall total. In terms of trade, 86% of EU imports and 93% of exports consist of products from IPR-intensive industries. The report has shown that the EU had an overall trade deficit of €42 billion but in contrast it had a trade surplus of €96 million in IPR-intensive industries. IPR-intensive industries also pay significantly higher wages than other industries, with a wage premium of more than 46%. This is consistent with the fact that the value added per worker is higher in IPR-intensive industries than elsewhere in the economy.

2.2 Ireland

The European Commission’s Innovation Union Scoreboard for 2017 categorised Ireland as a “*Strong Innovator*” whose performance had increased by 3.5% up to 2017. The annual Innovation Union Scoreboard provides a comparative assessment of the research and innovation performance of the 28 EU Member States and the relative strengths and weaknesses of their research and innovation systems. Irish strengths in terms of innovation were identified in the areas of employment impacts, human resources and attractive research systems.

In October 2016, the EUIPO published a second EU-wide study of the impact of Intellectual Property Rights (IPRs) on the European economy in terms of GDP, employment, and trade. The study revealed that investing in innovation has meant that IPRs have begun to take on a significant role in Ireland’s move to a more global based economy. The study showed that IP intensive industries in Ireland accounted for 24% of employment in the State and contributed to 53.8% of GDP. In addition, the study showed that the highest share of jobs in IPR-intensive industries generated by companies from outside the EU, is to be found in Ireland, at 22%.

In terms of specific trade mark activity in Ireland, the number of national trade mark applications received by the Patents Office showed an increase of 1% during 2016, numbering 2,694 with an additional 891 applications received under the Madrid System for the registration of International trade marks. This continues the upward trend over the past 4 years with trade mark applications now running at 20% above the levels experienced between 2010 and 2012.

3. Identification and Description of Options

3.1 Option 1: Do nothing/No policy change

This option would result in a failure to comply with our EU obligations and would in all likelihood result in prosecution by the European Commission through the Court of Justice of the European Union leading ultimately to the imposition of sanctions, such as daily fines, as well as leaving the State vulnerable to legal proceedings by affected parties.

3.2 Option 2: Transpose the Directive by Statutory Instrument under the European Communities Act 1972.

This option would involve the transposition of the Directive into Irish law by Statutory Instrument. As there is currently a prescribed legislative framework in place for trade marks, namely, the Trade Marks Act 1996, the transposition of the Directive into Irish law will necessitate the introduction of new, modernizing provisions and the revision of certain existing Irish provisions. The exercise of this option will streamline and further harmonise Irish trade mark procedures with other Member States' procedures and with EU trade mark procedures and will, for example, modernise certain qualifying requirements by providing, where possible, the opportunity to register non-traditional forms of trade marks in the future. Harmonisation of rules and practices among trade mark offices at EU and national level will help to ensure legal certainty for Irish companies. This is essential as a level-playing field is needed across systems to assist Irish companies that want to expand their business outside their national markets in the EU Single Market. It is essential to ensure that the legal framework for brands is as protective and efficient as possible as it supports employment, helps to make Ireland more competitive because trademarks are recognised and sought after by consumers worldwide and encourages creativity and innovation

3.3 Chosen Option

The chosen option is Option 2, the transposition of the Directive by means of Statutory Instrument.

3.4 Means of Transposition

The transposition of the Directive into Irish law by the amendment of the existing Irish legislation by Ministerial regulations under section 3 of the European Communities Act 1972 (No. 27 of 1972).

4. Analysis of Costs, Benefits and Impacts for all Options

4.1 Costs

4.1.1 Option 1: Do nothing/No policy change

There are no direct costs associated with Option 1. However, Ireland would face a substantial financial & reputational risk of significant lump sum and daily fines imposed by the Court of Justice of the European Union for the non-transposition of the Directive and the risk also of court damages and costs arising from affected parties taking proceedings against the State.

4.1.2 Option 2: Transpose the Directive by Statutory Instrument under the European Communities Act 1972.

- **Exchequer:** There are no direct costs to the Exchequer.

4.2 Benefits

4.2.1 Option 1: Do nothing/No policy change

There are no benefits associated with Option 1.

4.2.2 Option 2: Transpose the Directive by Statutory Instrument under the European Communities Act 1972.

- **Compliance:** The implementation of option 2 would ensure Ireland's compliance with its obligations under EU law.
- **Innovation:** The implementation of option 2 would foster innovation and economic growth by making trade mark registration systems all over the EU more accessible and efficient for Irish businesses in terms of lower costs and complexity, increased speed, greater predictability and legal security.
- **Approximation:** The implementation of option 2 would help achieve greater approximation of national trade mark laws and procedures with the aim of making them more consistent with the European trade mark system.
- **Cooperation:** The implementation of option 2 would facilitate cooperation between the offices of the Member States and the EUIPO for the purpose of promoting convergence of practices and the development of common tools, by putting in place a legal basis for this cooperation.

4.3 Impacts

4.3.1 Option 1: Do nothing/No policy change

There is a substantial risk of significant fines imposed by the Court of Justice of the European Union for the non-transposition of the Directive and the risk of court damages and costs arising from affected parties taking proceedings against the State.

4.3.2 Option 2: Transpose the Directive by Statutory Instrument under the European Communities Act 1972.

- **National competitiveness:** As the Directive is required to be implemented in all Member States, there should not be any impact on competitiveness as all will be in a similar position.
- **Compliance burden:** As there is currently a prescribed legislative framework in place for trade marks, namely, the Trade Marks Act 1996, the transposition of the Directive into Irish law will necessitate the introduction of new modernizing provisions and the revision of certain existing Irish provisions.
- **Societal:** There are no adverse impacts for the socially excluded and vulnerable groups/ North- South / East-West relations / gender balance / poverty proofing / rural communities / the environment / consumer and competition / the rights of citizens.

5. Consultations: 2013 & 2017 and RIA 2018

5.1 2013 Consultation: Stakeholders Consulted

A public consultation by the Department of Business, Enterprise and Innovation was launched in April 2013. The consultation paper was posted onto the Department's website. The views of 26 targeted stakeholders were also sought.

5.1.1 2013 Consultation: Summary

The consultation closed on 17th May 2013. A total of 8 contributions from interested parties were received by the Intellectual Property Unit of the Department.

Broadly speaking, the proposals were welcomed as it was generally considered that that they would constitute positive developments from the perspective of the likely business interests in Ireland as it was believed that innovative, export oriented companies require a predictable and consistent legal and regulatory environment across Europe within which they can exploit the competitive advantage of their intellectual property rights (IPR) without undue expense and onerous administrative burden. Moreover, trademarks were viewed as an important class of IPR for Irish companies and it was believed that the proposals should make it easier and more cost effective for Irish businesses to develop and consequently exploit their brands in a broader manner across the EU.

5.2 2017 Consultation: Stakeholders Consulted

A further public consultation by the Department was launched on 5 September 2017. The consultation paper was posted onto the Department's website. The views of 38 targeted stakeholders were also sought. Views were sought on the transposition of the Directive into Irish law in general, and in particular on the two main provisions within the Trade Marks Directive where new options are available to Member States regarding the manner in which the relevant provisions are transposed into national law as follows:

- Article 4 – Absolute Grounds for refusal or invalidity: Article 4(5) of the Directive states that any Member State may provide that a trade mark shall not be refused or declared invalid where the distinctive character of the trade mark was acquired after the date of application for registration but before the date of registration.
- Article 5 – Relative Grounds for Refusal of Invalidity: Article 5(4)(c) of the Directive provides that any Member State may provide that a trade mark is not to be registered or, if registered, is liable to be declared invalid where and to the extent that the mark is liable to be confused with an earlier trade mark protected abroad, provided that, at the date of the application, the applicant was acting in bad faith.

In relation to both optional Articles, the consultees were informed that it was the preliminary view of the Department that it was unnecessary to introduce either of the optional provisions:-

- In relation to the optional provision contained in Article 4(5), the Department considers that this optional provision is not appropriate or necessary, because the appropriate date for determining whether a mark has acquired distinctive character is the application date.

In relation to the optional provision contained in Article 5(4)(c), the Department considers that this optional provision is also not required. In relation to relative grounds examination of trade mark applications, protections already exist for well-known international marks that may not already have protection in Ireland. The optional provision would provide the possibility that a mark, completely unknown and not protected in Ireland, could become a barrier to the registration of an Irish equivalent. This would contradict the fundamental principle that trade marks are territorial and must be registered or at least have gained notoriety in a particular jurisdiction before being afforded protection in that jurisdiction. In addition, under Section 8(4)(b) of the Trade Marks Act 1996, there is an opportunity to refuse an application for registration of a trade mark, if the application for registration is made in bad faith by the applicant, and in the case of bad faith when a trade mark has actually been registered, the Controller, (under Section 52(4)), may apply to the Court for a declaration of the invalidity of the registration.

5.2.1 2017 Consultation: Summary

The consultation closed on 10th November 2017. A total of four contributions from interested parties were received by the Intellectual Property Unit of the Department, two of which directly expressed views in relation to the two optional provisions of the Directive outlined in the consultation paper.

The Irish Pharmaceutical Healthcare Association (IPHA) supported the Department's preliminary view on Article 4(5) in that this provision should not be included in the transposition. However, the IPHA recommended the inclusion of Article 5(4)(c) stating that said article supports fair dealing in general and consequently the IPHA would be supportive of legislation that provides that a registration in Ireland can be denied or cancelled if there is a likelihood of confusion with marks owned outside Ireland and the applicant acted in bad faith.

The Association of Patent and Trade Mark Agents (APTMA) agreed with the Department's preliminary views on both optional provisions in that neither should be introduced into Irish law. More specifically, in relation to Article 4(5), APTMA expressed the view that such a provision could make trade mark clearance / searching more challenging as it could be difficult to judge whether newly filed descriptive trade marks would mature to registration or not, and therefore the introduction of this provision would lead to uncertainty in Irish trade mark law. With regard to Article 5(4)(c), APTMA stated that under the current law a foreign registration can still be included as part of the evidence in support of an opposition based on bad faith. Further, nothing precludes the Irish Patents Office from considering it when making a decision and consequently APTMA saw no reason to specifically enshrine it in legislation, thereby giving it separate, individualised importance, rather than it being simply another factor to be considered.

The two further contributions received from the Pesticide Controls Division (PCD) -Enforcement of the Department of Agriculture, Food & the Marine and the Office of the Data Protection Commissioner, , contained no specific observations.

5.3.Regulatory Impact Analysis (RIA) April 2018

A RIA by the Department of Business, Enterprise and Innovation was published in April 2018. The RIA was posted onto the Department's website. The views of 43 targeted stakeholders were also sought.

5.3.1 RIA responses: Summary

The deadline for receipt of any additional submission in relation to the proposed transposition of the Directive was 27th April 2018. A total of 3 submissions from interested parties were received by the Intellectual Property Unit of the Department.

The Association of Patent and Trade Mark Agents (APTMA) were concerned that the wording of Article 14 of the Directive is ambiguous and could be open to interpretation. They felt that this provision could be interpreted as meaning that "It is not an infringement to use a trade mark which is a personal name, even if it is not the infringer's own name". However, the Department considers that this provision is sufficiently clear so that it would not be possible for one third party to use the personal name of another third party. Article 14(1)(a) provides that a trade mark proprietor cannot prohibit a third party from the using, in the course of trade "the name or address of the third party, **where that third party**, is a natural person". Also, Article 14(2) provides that use by a person of their personal name must be in accordance with honest practices in industrial or commercial matters.

In addition, APTMA proposed the introduction of an Administrative Review Procedure, which would permit decisions issued by the Controller to be appealed to another body other than the High Court.

There are no provisions in the Directive for the introduction of such a system and therefore this proposal cannot be included in the transposing legislation of the EU Trade Marks Directive. The Department will consider this proposal further in a separate exercise.

The Customs Division of the Revenue Commissioners response contained no specific observations.

Enterprise Ireland supported the Department's decision to transpose the Directive and agreed that the optional provisions outlined should not be transposed.

Any additional submissions in relation to the proposed transposition of the Directive can be sent or posted to trademarks@dbei.gov.ie or posted to the following address by **close of business Tuesday 17th July 2018:-**

Department of Business, Enterprise and Innovation
Trade Marks Section
Intellectual Property Unit
23 Kildare Street
Dublin
D02 TD30

6. Enforcement and Compliance

None.

7. Publication

This Regulatory Impact Analysis will be made available on the Department's website and circulated to targeted stakeholders.

8. Confidentiality of Submissions

Contributors are requested to note that it is the Department's policy to treat all submissions received as being in the public domain unless confidentiality is specifically requested. Respondents are, therefore, requested to clearly identify material they consider to be confidential and to place same in a separate annex to their response, labelled "confidential". Where responses are submitted by email, and those emails include automatically generated notices stating that the content of same should be treated as confidential, contributors should clarify in the body of their emails as to whether their comments are, in fact, to be treated as confidential.

9. Relevant provisions of the Free of Information Act 2014

Respondents' attention is drawn to the fact that information provided to the Department may be disclosed in response to a request under the Freedom of Information Acts. Therefore, should you consider that any information you provide is commercially sensitive, please identify same, and specify the reason for its sensitivity. The Department will consult with any potentially affected respondent regarding information identified as sensitive before making a decision on any Freedom of Information request.