FRATINIVERGANO
EUROPEAN LAWYERS
TRADE PERSPECTIVES©

Issue No. 7 of 5 April 2013

The EU Commission adopts a package of proposals on trademark protection

On 27 March 2013, the EU Commission adopted a package of proposed measures aimed at improving the system of trademark registration in the EU. In particular, the package consists of three proposed measures: (i) 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*; (ii) the *Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No. 207/2009 on the Community trade mark*; and (iii) a revision of *Commission Regulation (EC) No. 2869/95 of 13 December 1995 on the fees payable to the Office for Harmonization in the Internal Market.*

Trademarks are defined as signs that serve to distinguish goods or services offered by one organisation, from those of another. Traditionally, trademarks may consist of words, logos, devices, or any other distinctive features susceptible of graphical representation. Two registration systems for trademarks coexist in the EU, inasmuch as trademarks may be registered at the national or at the EU level. In the former case, registration occurs at the industrial property office of each EU Member State, and protection is afforded within the national territory. Alternatively, a '*Community Trade Mark*' (in the proposed texts, '*European Trade Mark*') may be registered at the Office for Harmonization in the Internal Market (hereinafter, OHIM) where, after a single registration procedure, protection is afforded throughout the 27 EU Member States. The package of proposed measures seeks to upgrade and modernise the current regulatory framework, as well as to make trademark registration more efficient and accessible for businesses, especially as far as costs, complexity and predictability of procedures are concerned.

The current framework governing trademarks in the EU is based on two instruments: (i) *Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark* (hereinafter, the Regulation); and (ii) *Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks* (hereinafter, the Directive). While the Regulation establishes a comprehensive system of trademarks built upon both substantial and procedural matters, the Directive merely provides for the approximation of EU Member States' regulatory frameworks on a number of provisions concerning exclusively substantial issues. In this light, the EU Commission proposes that the Regulation encompasses a legal basis for the cooperation of national industrial property offices, as well as between them and the OHIM (which is made mandatory), and provides for simplified registration procedures. In order to make dissimilar tools and practices converge, it is proposed that, *inter alia,* offices align their examination standards and databases, and exchange information and technical expertise. Regarding the Directive, the EU Commission proposes that it envisages, for the first time, a number of core procedural provisions concerning trademark registration, including a procedure for the *ex officio* examination of applications, the timeframe for the payment of fees, or the procedure to challenge a trademark registration.

In addition, the proposed package includes provisions that modify the definition of a trademark, with the aim of allowing non-traditional marks, such as sounds, to be protected. In this regard, the emphasis is no longer placed on the necessary ability of the feature to be graphically represented, but rather on its distinctive character, which needs to be recognisable for both authorities and the public. In addition, the proposed package amends the precise scope of rights conferred by a trademark. In particular, and concerning the fight against counterfeit and illicit goods, the EU Commission proposes that trademark holders may prevent third parties from placing on the territory of the EU, without authorisation, goods bearing a trademark essentially identical to their registered trademark in respect of those same goods, regardless of whether the goods at hand are intended for free circulation or not. Such measure is intended to codify the case law of the Court of Justice of the EU in a less burdensome manner for right holders, inasmuch as it allegedly posed an excessive burden on them, when establishing that non-EU goods are only considered counterfeit goods within the territory of the EU, once it is proven that they are the subject of commercial acts addressed to EU consumers. Moreover, and still as part of the measures intended to fight against counterfeiting, the EU Commission proposes that trademark holders be entitled to prohibit the affixing of a mark on goods or services, where it is likely that their use will constitute an infringement of the rights conferred by the trademark.

The fight against counterfeiting recalls the ill-fated Anti-Counterfeiting Trade Agreement (hereinafter, ACTA), which aimed at improving the enforcement of existing intellectual property rights (hereinafter, IPRs), including trademarks, by providing for new and common ways for IPR holders to access justice, customs and police (see Trade Perspectives, Issue No. 9 of 7 May 2010). The EU Parliament blocked the adoption of the ACTA on 4 July 2012, on the grounds that it was likely to give rise to a significant degree of uncertainty and possibly unintended consequences, especially as far as individual criminalisation, the definition of '*commercial-scale*', internet service providers and generic medicines, were concerned (see Trade Perspectives, Issue No. 14 of 13 July 2012). Despite the failure of the ACTA, the EU reportedly continues to pursue its goal of further strengthening the protection of IPRs within its territory, as illustrated by the adoption of the proposed package of measures on trademarks. Nevertheless, the proposed measures appear to pursue different objectives, inasmuch as both the adopted scope (limited to trademarks) and approach (approximation of procedures at both national and EU level) differ from those envisaged by the ACTA.

The legislative proposals will now be transmitted to the EU Council and the EU Parliament, in accordance with the ordinary legislative procedure (formerly, co-decision), which requires agreement of both. Once they are adopted (which is expected to occur by the Spring of 2014), most amendments to the Regulation will be immediately effective, while the new rules embodied in the Directive will have to be transposed by EU Member States into their national law within a two-year timeframe. With respect to the third measure of the package (*i.e.*, the revision of the fees payable to the OHIM), a regulation will be adopted by the EU Commission as an implementing act that will, according to the rules of '*comitology*', require prior endorsement by the competent Parliament committee. Businesses operating within the EU are advised to closely monitor all developments in this regard, in light of the importance of trademarks as an asset conferring significant added value to businesses. Companies are recommended to use to their commercial advantage the EU's efforts to improve regulation of IPRs, as well as to ensure that their interests are duly represented in all available *fora.*

EU Parliament vetoes EU definition of the absinth spirit drink (also known as the '*green fairy*')

On 13 March 2013, in its plenary meeting, the EU Parliament adopted by 409 to 247 votes (with 19 abstentions) a resolution against the proposal to establish a definition of the absinth

spirit in Annex II to *Regulation (EC) No. 110/2008 of the European Parliament and the Council on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks.* Previously, in the Committee on Spirit Drinks meeting on 3 December 2012, although some EU Member States expressed their dissatisfaction for the provision requiring a minimum content of *thujone* and *anethole* (a flavour component of anise) for the definition of the spirit drink absinth, EU Members States adopted the draft by a large majority (287 in favour, 10 against, with 45 abstentions and 3 not represented). However the EU Parliament used the powers of the regulatory procedure with scrutiny and adopted a resolution vetoing the definition of absinth proposed by the EU Commission, which would have required minimum levels of two substances, *anethole* and *thujone*, that are not always met by some producers in Europe and in third countries, for using the name absinth.

Absinth's name derives from the ingredient *Artemisia absinthium*, commonly known as wormwood, which contains thujone. A number of artists and writers living in France in the late 19th and early 20th centuries were known as avid absinth drinkers and absinth served as the subject of their work as a mysterious, addictive, and mind-altering drink, also known as the '*green fairy*'. The substance *thujone* in absinth, although present in the spirit only in minute trace amounts, was blamed for absinth's alleged hallucinogenic properties and, by 1915, absinth was banned in the US and in many European countries. In some European countries, absinth experienced a revival in the first years of this century. Also, the European Union started thinking of regulating *thujone* as a food flavouring. In its opinion of 2 February 2002, the EU Commission's Scientific Committee on Food supported the application of upper limits of *thujone* in foods and beverages. *Regulation (EC) No. 1334/2008 of the European Parliament and of the Council of 16 December 2008 on flavourings and certain food ingredients with flavouring properties for use in and on foods* permits a maximum *thujone* level of 35 mg/kg in alcoholic beverages produced from *Artemisia* species, and 10 mg/kg in other alcoholic beverages. Non-alcoholic beverages produced from *Artemisia* species may contain up to 0,5 mg/kg *thujone*.

The establishment of a definition of absinth would be a further step to establish a common framework for this controversial spirit drink. The EU Commission proposed the following definition, to be inserted as No. 25a in *Regulation (EC) No. 110/2008*: '*(a) Absinth is a spirit drink produced by flavouring ethyl alcohol of agricultural origin or distillate of agricultural origin with absinth wormwood (Artemisia absinthum L.) in combination with other plants as Roman wormwood (Artemisia pontica L.), anise (Pimpinella anisum L.), fennel (Foeniculum vulgare Mill.), hyssop (Hyssopus officinalis), mint (Mentha spp.) or with other plants provided that their taste is not predominant (…); (b) The minimum alcoholic strength by volume of absinth shall be 40%; (c) Absinth shall contain a quantity of thuyone (alpha and beta) between 5 milligrams per litre and 35 milligrams per litre; (d) Absinth shall have a minimum anethole level of 0.5 gram per litre; (...)*'.

The EU Parliament's resolution adopted against this definition considers two aspects of the draft definition as unacceptable: 1) the proposed high content level of *anethole* would force many producers of absinth to change their traditional distilling procedure (some traditional recipes, which depend on regional availability of herbs and plants, do not include *anethole* and consumer tastes differ from country to country, which makes *anethole* a non-essential ingredient); and 2) the minimum level of 5 mg/l for *thujone*, the substance present in wormwood that is believed to give it its peculiar intensity and which is considered controversial. MEPs pointed out that the proposed minimum levels of *thujone* go against the '*paradigm of dealing with this potentially harmful substance*', which is '*not an indispensable characteristic*' to absinth. In fact, some producers of absinth are using other *Artemisia* plants than *Artemisia absinthium,* which are *thujone*-free.

Article 9(7) of *Regulation (EC) No. 110/2008* states that '*An alcoholic beverage not meeting one of the definitions listed under categories 1 to 46 of Annex II shall not be described, presented or labelled by associating words or phrases such as 'like', 'type', 'style', 'made', 'flavour' or any other similar terms with any of the sales denominations provided for in this Regulation and/or geographical indications registered in Annex III*'. This is where a definition of absinth becomes important.

Reportedly, France has been keen for the restrictive definition of absinth to be adopted, but the proposal would have left many spirit drink producers, in particular, in Austria, Germany and the Czech Republic, unable to name their anise-flavoured products absinth, because the required minimum quantity of *thujone* of 5mg/l cannot be met. Producers of these absinth variations would have been required either to abstain from using the name absinth or to change their recipes. The EU Member States favouring the restrictive definition, as it was presented by the EU Commission, argue that the required minimum levels of *anethole* and *thujone* will protect consumers against deception as absinth without *anethole* and *thujone* goes against tradition and the market would be open to all sorts of '*fake*' absinth spirits as many producers do not follow the traditional absinth recipe.

It has also been argued that the establishment of an EU definition of absinth is necessary in order to prevent Switzerland from appropriating the term '*absinth*' through its initiative of registering '*Absinth*', '*Fée verte*' and '*La Bleue*' as Swiss Protected Geographical Indications (PGI). After the applications were made in 2010 by the *Association Interprofessionnelle de l'Absinthe*, a total number of 42 oppositions were received and an EU Commission's verbal note was sent to the Swiss Government. Nonetheless, on 14 August 2012, the Swiss Federal Office of Agriculture (OFAG) rejected the oppositions and established that absinth producers are not able to sell their spirit in Switzerland as absinth, if it was not made in *Val-de-Travers* in the west of Switzerland. Appeals against OFAG's decision are currently pending. It has been reported that, in particular, producers based in Austria, Germany, the UK and the US opposed the Swiss decision of registering absinth as a PGI. The EU Commission's DG AGRI informed stakeholders that the issue will be raised again during the next EU-Switzerland Joint Committee meeting on agriculture. The principal argument against the registration of absinth as a Swiss PGI appears to be that the term absinth is generic and cannot be linked to a specific place. In the WTO, protection of geographical indications for wines and spirits is granted in Article 23 of the Agreement on Trade-Related Intellectual Property Rights (TRIPs), which provides a higher or enhanced level of protection for geographical indications for wines and spirits than for other products: subject to a number of exceptions, they have to be protected even if misuse would not cause the public to be misled. Under the Doha mandate, two issues are debated within the TRIPs Council: creating a multilateral register for wines and spirits; and extending the higher (Article 23) level of protection beyond wines and spirits.

A definition of absinth will have a wide ranging effect on what can and cannot be called absinth on the European market. This does not just affect the EU, but will have an effect worldwide in countries looking for an existing definition to base their regulations on, and for countries and individuals importing European absinth. There is absinth production in Brazil, Canada, Russia and the US. However, not all manufacturers include wormwood and *thujone* in their recipes and, therefore, not all of them would meet the definition as originally proposed by the EU Commission. On 27 September 2012, the EU Commission notified the draft Regulation amending Annex II to Regulation (EC) No. 110/2008, in order to introduce the new spirit drink category '*absinth*' and to set out its definition, to the WTO Committee on Technical Barriers to Trade. The objective and rationale communicated to the other WTO Members was that of the '*introduction of a new category of spirit drink, which is traditionally produced in some EU Member States*'.

As a result of the EU Parliament's opposition against the draft definition, the EU Commission will now have to come forward with a new proposal if it still wishes to introduce an EU definition of '*absinth*'. Businesses and Governments interested in this topic should carefully monitor any development in the EU, Switzerland and at the WTO, to ensure that their interests are safeguarded. While the harmonisation of definitions and standards, the labelling of ingredients and flavourings, and the protection of intellectual property rights are praiseworthy initiatives, they cannot come at the expense of legitimate commercial interests and assets.

A Renewable Progress Report by the EU Commission finds no direct link between biofuel production and increase of local food prices

On 21 March 2013, the Environment Ministers of EU Member States, gathered in the Council Meeting on Environment, held a debate on, *inter alia*, the EU Commission's proposal addressing the impact of biofuel production on indirect land use change (hereinafter, ILUC), and introducing new rules encouraging the transition to biofuels providing for a greater saving of greenhouse gas emissions (*i.e.*, *Proposal for a Directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuel and amending Directive 2009/28/EC on the promotion of the use of energy from renewable resources;* hereinafter, the proposed directive). In particular, the proposed directive suggests changes to the '*Fuel Quality Directive*' (*i.e.*, *Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EE*) and the '*Renewable Energy Directive*' (*i.e.*, *Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC*), with a view to minimise the impact of ILUC on greenhouse gas emissions, that is to say, emissions resulting from an increased land demand for the production of biofuels, where such land could have been used for food, feed or fibre production (see Trade Perspectives, Issue No. 17 of 21 September 2012). The draft of the proposed directive was adopted by the EU Commission and presented to the EU Parliament in October 2012, and is scheduled to be voted in July 2013.

At the meeting, the majority of EU Environment Ministers expressed their concern about the 5% proposed cap on '*first-generation*' biofuels (*i.e.*, biofuels produced from food crops) for the contribution to EU Member States' energy targets foreseen in the '*Renewable Energy Directive*'. In particular, several Ministers challenged the proposed directive's assumption that an increase in the demand for biofuels from food crops like wheat or soy would lead to an increase of food prices and supply thereof, as well as encourage land grabs in monoculture feedstock-producing countries. Indeed, there is reportedly no scientific evidence supporting the assertion that such 5% cap would help decrease demand for food-crop based biofuels. Conversely, the EU Commission's proposed directive is based on the assumption that ILUC emissions by 2020 are likely to be significant, inasmuch as almost the entire biofuel production by that time is expected to originate from crops grown on land previously used for food production. The EU Commission's proposed directive seeks to improve the environmental sustainability of its energy policies, particularly in relation to renewable energy.

In addition, an EU Commission Progress Report on the assessment of renewable energy (hereinafter, the Report) was published on 27 March 2013. The Report, which was required by the '*Renewable Energy Directive*' to be published every two years, was expected to shed some light on the aforementioned doubts concerning the sustainability of biofuels. However, the matter does not appear to be any clearer. Instead, the Report, which includes a staff working document and a progress assessment, merely shows the progress made by EU

Member States regarding the renewable energy developments in 2009 and 2010, as well as their compliance with the measures in the '*Renewable Energy Directive*' and the National Renewable Energy Action Plans, taking into account the proposed directive, to the extent that it embodies a distinction between biofuels, according to their ILUC factor. As also mandated by the '*Renewable Energy Directive*', the Report provides an assessment on the sustainability of biofuels consumed in EU, including the impact of such consumption.

In essence, the Report finds that the progress achieved by EU Member States provides little conclusive evidence on the impact of (supposedly increased) '*first-generation*' biofuels production *vis-à-vis* national land use patterns, although it recognises the potential of the proposed directive to minimise the further impact of ILUC risk by fostering consumption of '*new generation*' or '*advanced*' biofuels (*i.e*., produced from feedstocks that do not create an additional demand for land). Indeed, the Report finds that a number of EU Member States did not allocate any land use change factor to biofuels, nor that their agricultural land decreased due to cultivation of biofuel crops. Further, the Report does not suggest that any direct link exists between biofuel production and the increase of local food price.

Should the proposed directive come into force, it would need to comply with WTO rules. In particular, the proposed primary distinction between '*first generation*' biofuels and '*new generation*' biofuels, where biofuels falling within the scope of the former are also classified and attributed different '*polluting values*', according to the feedstock they originate from; together with the suggestion that '*advanced*' biofuels be incentivised, need to be assessed against WTO principles. In this light, the proposed directive may arguably lead to discriminatory treatment among biofuels according to their production method. In particular, the EU's measure embodied in the proposed directive may constitute a technical regulation within the meaning of Annex 1:1 of the WTO Agreement on Technical Barriers to Trade (hereinafter, TBT Agreement), possibly in breach of Article 2.2 of the TBT Agreement, which mandates that technical regulations be not more restrictive than necessary and not pose unnecessary obstacles to international trade. In addition, the measure may also violate the obligation under Article 2.1 of the TBT Agreement which, reflecting the principles under Articles I and III of the WTO General Agreement on Tariffs and Trade (hereinafter, the GATT), establishes that technical regulations not afford imported products less favourable treatment than that accorded to products of domestic origin, or originating in any other country. The General Exceptions provision envisaged under Article XX of the GATT may provide the EU with a valid justification for its measure, such as the preservation exhaustible natural resources, but all specific requirements laid down therein would have to be complied with by the EU measure in order to muster a scrutiny of WTO consistency.

Companies operating in the biofuel and biofuel-related sectors, especially those based in key producing and exporting countries such as Argentina, Indonesia, Malaysia, China and the US, are strongly advised to closely monitor any further development of the proposed EU directive and work with their Government and with the EU or selected EU Member States to ensure that the legitimate process of EU regulation and policy-making minimises the negative impact on trade and does not unlawfully discriminate, *de facto* if not *de jure*, against specific products or production methods.

Recently Adopted EU Legislation

Market Access

- *Commission Implementing Regulation (EU) No. 302/2013 of 27 March 2013 amending Regulation (EC) No. 616/2007 opening and providing for the administration of Community tariff quotas in the sector of poultrymeat originating in Brazil, Thailand and other third countries*

Trade Remedies

- *Council Implementing Regulation (EU) No. 311/2013 of 3 April 2013 extending the definitive anti-dumping duty imposed by Implementing Regulation (EU) No. 467/2010 on imports of silicon originating in the People's Republic of China to imports of silicon consigned from Taiwan, whether declared as originating in Taiwan or not*

- *Council Implementing Regulation (EU) No. 295/2013 of 21 March 2013 amending Regulation (EC) No. 192/2007 imposing a definitive anti-dumping duty on imports of polyethylene terephthalate originating, inter alia, in Taiwan following a 'new exporter' review pursuant to Article 11(4) of Regulation (EC) No. 1225/2009*

- *Council Implementing Regulation (EU) No. 260/2013 of 18 March 2013 extending the definitive anti-dumping duty imposed by Regulation (EC) No. 1458/2007 on imports of gas-fuelled, non-refillable pocket flint lighters originating in the People's Republic of China to imports of gas-fuelled, non-refillable pocket flint lighters consigned from the Socialist Republic of Vietnam, whether declared as originating in the Socialist Republic of Vietnam or not*

Food and Agricultural Law

- *Commission Recommendation of 27 March 2013 on the presence of T-2 and HT-2 toxin in cereals and cereal products*

- *Commission Implementing Regulation (EU) No. 299/2013 of 26 March 2013 amending Regulation (EEC) No. 2568/91 on the characteristics of olive oil and olive-residue oil and on the relevant methods of analysis*

- *Commission Implementing Regulation (EU) No. 286/2013 of 22 March 2013 on transitional measures to be adopted in respect of trade in agricultural products on the occasion of the accession of Croatia*

Other

- *Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision*

Ignacio Carreño, Eugenia Laurenza, Nurhafia, Anna Martelloni, Blanca Salas and Paolo R. Vergano contributed to this issue.