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**Accompanying document to the**

**PROPOSAL FOR A COMMISSION REGULATION ON THE AMENDMENT OF  
COMMISSION REGULATION (EC) NO 2869/95 ON THE FEES PAYABLE TO THE  
OFFICE FOR THE HARMONISATION IN THE INTERNAL MARKET (TRADE  
MARKS AND DESIGNS)**

**IMPACT ASSESSMENT**

**{SEC(2009) 420}**

*This report commits only the Commission's services involved in its preparation and  
does not prejudge the final form of any decision to be taken by the Commission.*

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## 1. OVERALL CONTEXT AND SCOPE OF THE IMPACT ASSESSMENT

### 1.1 Economic and legal background

A trade mark is an indicator of business origin, which distinguishes the products and services of one company from those of another. It enables the consumer to recognize the product as one which he has liked or disliked in the past and thereby allows him to make an informed choice when making the purchase or asking for a service. A design is related to the appearance of a product, as resulting from its features, in particular the lines, contours, colours, shape, texture and/or materials.

Trade marks and designs are essential marketing tools for modern business. In a world of increasing consumer sophistication, branding supported by trade marks and designs can assist businesses of all sizes in their quest for innovation and entry into new markets.

Trademarks and designs are territorial rights. They guarantee a protection to their owners only on the territory of the country or countries concerned.

National intellectual property (IP) offices are responsible for the registration of national trade marks and designs, in the EU on the basis of a harmonised system.<sup>1</sup> An international trademark or international design application is administered by the International Bureau of World Intellectual Property Organisation (WIPO) and secures protection in several countries by filing under the system of the Madrid Protocol for trade marks and the system of the Geneva Act for designs.<sup>2</sup>

Community trade marks and Community designs grant their proprietors a uniform right valid in all 27 Member States of the EU by means of one procedural system. These uniform titles are registered by a specialised EU agency, the Office for Harmonisation in the Internal Market (Trade Marks and Designs).<sup>3</sup> The OHIM was established in 1994 in Alicante, Spain, on the basis of the 1994 Community Trade Mark Regulation.<sup>4</sup>

The national, Community and International trade mark systems do not only coexist but are closely interrelated with each other. In particular, the Community trade mark system does not replace the trade mark systems of the Member States but solely provides an additional legal framework for obtaining effective and efficient trade mark protection throughout the entire Community. The intention of the Community legislator has been that businesses should not be required to apply for registration of their trade marks as Community trade marks if such a course of action is actually not demanded by their business needs. Depending on those individual needs and the type of protection that a company wants to secure for its trade mark

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<sup>1</sup> First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ C 351, 31.12.1980, p. 1, as amended.

<sup>2</sup> Consult for more details the WIPO website: <http://www.wipo.int/portal/index.html.en>

<sup>3</sup> Hereafter also referred to as "OHIM" or "the Office".

<sup>4</sup> Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark, as most recently amended by Council Regulation (EC) No 422/2004 of 19 February 2004, OJ L 70, 9.3.2004, p. 1 (hereafter: the "Community Trade Mark Regulation"). The organisational structure of the OHIM as laid down in the Community Trade Mark regulation also applies to the field of Community Designs, see Article 97 of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community Designs, OJ L 3, 5.1.2002, p. 1 (hereafter: the "Community Designs Regulation").

right, applicants should consequently freely choose between registration at national, Community and international level.

More than 200,000 companies from all over the world have turned to the OHIM in order to obtain EU-wide protection for their trade marks and designs. The demand for Community trade marks has been growing steadily. Since the Office began processing trade mark applications in 1996, more than 480,000 trade marks have been registered. Registration of Community designs began in 2003 and now over 350,000 designs have been successfully processed.

These figures exceed even the most optimistic predictions made at the time that the relevant regulations were adopted by the Council of Ministers. They demonstrate the value to business of intellectual property rights which offer protection across the entire territory of the European Union as well as the success with which the Office has administered the system. Such unitary titles are a pillar of a broader EU strategy on intellectual property, which is at the heart of the EU's Lisbon Strategy on growth and jobs.

OHIM is a regulatory EU agency with a budget independent from that of the Community. This agency became self-financing from only its second year of operation (1997) and much earlier than foreseen. Its budgetary autonomy implies that it should never need any more a subsidy from the Community to balance its budget.

OHIM's income consists mainly of fees that businesses have to pay for the services of the Office. The level of those fees is laid down in two implementing regulations of the Commission: the Community Trade Mark Fee Regulation and the Community Designs Fee Regulation.<sup>5</sup> According to Article 139 (2) of the Community Trade Mark Regulation,<sup>6</sup> the amount of the Community trade mark and design fees must be fixed at such a level as to ensure that the subsequent revenue is, in principle, sufficient to balance the OHIM's budget. In addition, the budget is to be administered in accordance with sound budgetary and accounting principles. The compliance with this requirement is supervised by the OHIM Budget Committee and by the Court of Auditors. Their control powers provide a guarantee that the revenues of the OHIM are allocated in a responsible manner.

OHIM is generating substantial cash reserves. OHIM's revenues grew rapidly until 2000, after which there were two years of decrease until a pattern of growth became re-established. By the end of 2004, OHIM had accumulated significant cash reserves of around €105 million. In October 2005 a Community trade mark fee reduction came into effect in order to decrease the accumulating amounts of budget surplus. The fee reform introduced a reduction of the application, registration and renewal fees for trade marks (reduced by approximately 20%) and a discount for e-filing of applications. The real savings of the fee reduction for business has been on average about €52 million a year.

In the last quarter of 2008, OHIM's cash reserves amounted to more than €300 million. It is expected that they will continue to increase in the coming years, reaching €400 million by the

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<sup>5</sup> Commission Regulation (EC) No 2869/95 of 13 December 1995 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs), OJ L 303, 15.12.1995, p. 33, as amended (hereafter: Commission Regulation on Community Trade Mark fees"); for Community designs: Commission Regulation (EC) No 2246/2002 of 16 December 2002 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs), OJ L 341, 17.12.2002, p. 54, as amended.

<sup>6</sup> Read in conjunction with Article 97 of the Community Designs Regulation

end of 2009 if no further measures are taken. This surplus is mainly due to Community trade mark fees. The OHIM budget of 2008 shows that with an income of almost €200 million per year, no less than €167 million or 84% is related to the processing of Community trade marks. Design fees count for almost €15 million or 7.5% of the total OHIM's revenues and therefore their effect on OHIM's budget is much less significant. An increasing percentage of the other OHIM's income is coming from the interest from bank deposits (see paragraph 3.2).

## **1.2 Policy context**

In the Communication on a "Small Business Act" for Europe, adopted on 19 June 2008, the Commission has committed itself to make the Community Trade Mark system more accessible for SMEs, in particular by significantly reducing Community Trade Mark fees as part of a comprehensive solution to the financial perspectives of the OHIM.<sup>7</sup>

On 16 July 2008, the Commission published a Communication on an "Industrial Property Rights Strategy for Europe" reinforcing the objective to improve SMEs access to IP rights. It further announced the intention to evaluate the overall functioning of the Community and national trade mark systems.<sup>8</sup> The aim of this evaluation is to identify potential areas for improvement, strengthening and future development of this overall system to the benefit of users. In this context the related study will deeply assess on one side the respective performance of the Community and the national trade mark systems including the major drivers for using these systems, and, on the other, the relation, inter-linkages and interaction between those systems, taking into account the contributions of national offices to the overall functioning of the Community trade mark system. The results shall in particular serve as a basis for the future review of the Community trade mark system and enhanced cooperation between the OHIM and national offices.

In the Communication on a "European Economic Recovery Plan" of 26 November 2008, related to the current economic crisis and building on the Small Business Act, the Commission proposed to reduce administrative burdens on business and to promote entrepreneurship by halving "the costs for an EU trade mark"<sup>9</sup>.

## **1.3 Scope**

This impact assessment is part of a two-step approach.

Against the above background and in compliance with the general policy line established in the aforementioned Communications this impact assessment shall address the ways to balance the OHIM budget on medium term while facilitating the access of businesses, in particular SMEs, to the Community trade mark system, by a substantial reduction of fees. In this context it shall take account of the coexistence between the Community and the national trade mark systems and consider also the budgetary consequences of their increasing co-operation, as well as their resulting financial relations. Furthermore, and to the extent appropriate, it shall

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<sup>7</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "Think Small First. A Small Business Act" for Europe, COM (2008) 394 of 19.6.2008, p.13.

<sup>8</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, "An Industrial Property Rights Strategy for Europe", COM(2008) 465, p.8.

<sup>9</sup> Communication from the Commission to the European Council, "A European Economic Recovery Plan", COM(2008) 800, p.13.

look as to how the existing fee structure could be simplified through and within the framework of a fee reduction in order to reduce administrative burdens both on the users of the Community trade mark system and the OHIM.

On the contrary, this impact assessment does not cover the existing OHIM cash reserves for which separate and more fundamental measures will be necessary (see further paragraph 2.2). Nor does it address structural adaptations of the Community trade mark fees framework which would contribute to a long term balance of the OHIM's budget. All these complex issues will be dealt with in the context of the above-mentioned study on the overall functioning of the Community and national trade mark systems. This study will also analyse the recommendations unanimously adopted by Member States at the extraordinary meeting of the OHIM Administrative Board and Budget Committee on 18-19 September 2008 (see under 2.2). On the basis of the results of this study, a future impact assessment is foreseen to precisely deal with the broader reform of the OHIM financing structure.

## **2. PROCEDURAL ISSUES AND CONSULTATION PROCESS**

### **2.1. Organisation and timing**

The DG Internal Market and Services 2008 Annual Management Plan includes as an envisaged policy output the preparation for an amendment of the Commission Trade Mark Fees Regulation.

No inter-service steering group was established. However, informal consultations have taken place with the OHIM and other relevant Commission services (Directorate General Budget and the Legal Service). In the Inter Service Consultation the DGs most concerned such as DG ENTR are consulted.

The draft Impact Assessment was submitted to the Board on 10 November 2008 and discussed at the Board meeting on 3 December 2008. The Board issued an opinion on 5 December 2008. In particular, the Board recommended to provide a "clearer problem definition and to develop further the set of objectives". The objectives should reflect all identified problems. It further suggested that the report clarifies "the two step approach" (immediate action in order to balance the OHIM budget and more comprehensive revision of OHIM's financial structure later). The report should further "propose a wider range of options that could achieve the proposed objectives". Finally it should provide general explanations on the economics of trade marks including the issue of price elasticity.

The draft impact assessment was substantially revised to fully comply with the opinion of the Board. To that end chapter 1 was amended to explain the overall context (economic, legal and in particular policy) and to define the scope of the study, not least to better distinguish immediate action from the comprehensive subsequent review of the Community trade mark system including financial structures. The three main problems are now more clearly identified in chapter 3.4 as indicated in track changes. The subsequent major chapter 4 was amended to establish the three specific objectives. A new table 9 was added therein linking the identified problems with these specific objectives. Chapter 5 was revised to discuss a wider range of policy options and their coherence with general policy objectives. Chapter 6.2 does now provide some general explanation on the economics of trade marks. A new chapter 6.5 was added to outline the simplification gains and administrative burden reductions. Finally, table 12 in (now) chapter 6.6 was improved to compare retained options in terms of



their effectiveness and efficiency in relation to the relevant specific objectives, and, again, their coherence with policy context.

On 12 December 2008 the IA Board issued an opinion on the revised draft impact assessment. In particular, the Board recommended to further clarify the proposed "two step approach" (i.e. distinction between immediate action and subsequent comprehensive review of the Community trade mark system including financial structures), to consider a wider range of options, for example an option which reduces all the main fees (including renewal), and to "clarify the incoherence in the projection of the volume of trade mark applications.

The draft impact assessment was revised a second time to also comply with this other opinion of the Board. Additional explanations to further clarify the "two step approach" were introduced in Chapter 1.3. A further sub-option (d) was added to option 3 to analyse the option of reducing also the renewal fee (see now under 6.4.5) while merging application and registration fees. Moreover, the text in chapter 6.2 was improved to exclude any incoherence in the projection of the volume of trade mark applications.

## 2.2. Consultation

The growing increase of OHIM's cash reserves, despite the 2005 fee reduction, urged the Commission to present in December 2006 a Communication on the Financial Perspectives of the OHIM in which it considered a structural approach to OHIM's financial management.<sup>10</sup> In particular, the Communication proposed to introduce an "automatic mechanism", based amongst other things on the acknowledged problems of making reliable forecasts for the future.

The Commissions' Communication was discussed at a regular meeting of the Users' Group of OHIM on 9 March 2007. The User's Group is composed of representatives of the major trade mark organisations in Europe. The overwhelming majority of the users associations supported the introduction of a mechanism of regular and automatic fee review and, *a fortiori*, an immediate fee reduction. Some NGO's expressed their opinion in a public statement (AIM<sup>11</sup>, AIPPI<sup>12</sup>, BusinessEurope<sup>13</sup>, FICPI<sup>14</sup>, GRUR<sup>15</sup>, INTA<sup>16</sup>, Marques<sup>17</sup>, ECTA<sup>18</sup>), stressing at the same time that a fee reduction would foster user access to the system.

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<sup>10</sup> Communication from the Commission to the European Parliament and the Council, "The Financial Perspectives of the Office for Harmonization in the Internal Market (Trade Marks and Designs), COM (2006) 865 of 22.12.2006.

<sup>11</sup> Position of the AIM Trade Mark Committee on the Commission's Communication on OHIM's fees [http://www.aim.be/intellectual\\_property.htm](http://www.aim.be/intellectual_property.htm)

<sup>12</sup> 14th Meeting of the OAMI Users' Group, 9 March 2007 in Alicante, Spain [http://www.aippi.org/download/reports/report\\_14th\\_oami\\_meeting.pdf](http://www.aippi.org/download/reports/report_14th_oami_meeting.pdf)

<sup>13</sup> Letter by Philippe de Buck, BUSINESSEUROPE Secretary General, to Mr Wubbo de Boer, President of the Office for Harmonisation in the Internal Market, regarding trademark fees. <http://www.businesseurope.eu/DocShareNoFrame/docs/4/BNDIDBBDEDJCIAGHDJOAJOKKPDDB39DBYPY9LI71KM/UNICE/docs/DLS/2007-00221-EN.pdf>

<sup>14</sup> FICPI Report on the 14<sup>th</sup> OAMI Users Group Meeting, Alicante, 9<sup>th</sup> March 2007. "FICPI said that in view of the accumulated surplus the current Commission proposal for a regular review of fees seemed to be a logical thing...". <http://www.ficpi.org/library/AmsterdamCET/CET-1901.pdf>

<sup>15</sup> Bericht über das OAMI User's Group Meeting beim Harmonisierungsamt am 9. März 2007. [http://www.grur.de/cms/upload/pdf/berichte/2007-03-09\\_GRUR\\_Bericht\\_OAMI\\_Users\\_Group.pdf](http://www.grur.de/cms/upload/pdf/berichte/2007-03-09_GRUR_Bericht_OAMI_Users_Group.pdf)

<sup>16</sup> Comments on the Commission Communication on the financial perspectives of OHIM - COM (2006) 865 Final 22.12.2006. [http://www.inta.org/images/stories/downloads/PDA/Reports/210207\\_inta%20comments\\_ohim%20fees\\_final.pdf](http://www.inta.org/images/stories/downloads/PDA/Reports/210207_inta%20comments_ohim%20fees_final.pdf)

The Council recognised the urgency to stop further rises in the OHIM's budget surplus in its conclusions of May 2007.<sup>19</sup> It called on the Commission, on the one hand to "immediately" propose a reduction of the fees charged by OHIM and, on the other hand, to undertake a study on the overall functioning of the trade mark system, including possible further adaptations of the Community trade mark fees regime criteria for fee adjustment in the longer term.

On 18 and 19 September 2008 an extraordinary joint meeting took place of OHIM's Administrative Board and the Budget Committee on the way forward to better balancing OHIM's budget. Both bodies are composed of representatives of each Member State,<sup>20</sup> most of them representatives of the national IP offices. According to the Community Trade Mark Regulation these bodies may deliver non-binding opinions to the Commission where they consider this necessary. The joint meeting had a wide-ranging discussion on a proposed package of possible measures aiming at better balancing OHIM's budget in the future. The conclusions of the meeting contained the following:

- " - As regards to the proposed fee reduction a new very straight forward proposal emerged during discussions, which would not only substantially reduce the fees, but simplify the fee structure and result in a significant reduction of administrative burden in relation to the handling of fees. This would consist of concentrating the impact of the fee reduction on the current registration fee, and bringing the combined value of the application and registration fees down to around €1000.
- Furthermore, as an alternative to the proposed automatic reduction mechanism of fees, Member States considered a regular biennial review of the financial situation of the Office by the Commission to be more appropriate in order to making the necessary proposals in the comitology procedure with a view to balancing the Office's budget."

The conclusions were adopted unanimously by the representatives of all 27 Member States at the meeting. The fee reduction was proposed as part of a package of measures for stabilising the budget of OHIM. Other suggested budgetary measures included the distribution of 50% of the renewal fees to the national IP offices and the creation of a Cooperation Fund of about € 50 million to finance enhanced co-operation between the OHIM and the national IP offices. This Fund should compensate the national IP offices for their work under the Community Trade Mark Regulation. It should also finance projects at national level related to the harmonization and the protection, promotion and/or enforcement of trade marks and designs.

The joint committee also proposed to allocate around € 190 million to the Reserve Fund. Finally, the conclusions suggested using the remaining surplus in the interest of the users and

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<sup>17</sup> MARQUES, EU Commission- Reduction of fees.

[http://www.marques.org/Teams/v1\\_TeamInfo.asp?TeamCode=TradTeam](http://www.marques.org/Teams/v1_TeamInfo.asp?TeamCode=TradTeam)

<sup>18</sup> Comments on the communication from the Commission to the European Parliament and the Council on the "Financial perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) dated 22 December 2006". [http://www.ecta.org/position\\_papers/COMMENTS-COMM-CTMFees-03-07.pdf](http://www.ecta.org/position_papers/COMMENTS-COMM-CTMFees-03-07.pdf)

<sup>19</sup> Council Conclusions regarding the Financial Perspectives of the Office for the Harmonisation in the Internal Market (OHIM) and the further development of the Community Trade Mark system, Competitiveness Council 21 and 22 May 2007

<sup>20</sup> And one representative of the Commission with no right to vote.

<sup>21</sup> Conclusions available at <http://oami.europa.eu/ows/rw/news/item803.en.doc>

the Commission was invited to study this issue in the context of the overall evaluation of the trade mark system.

The first reaction of NGO's to the outcome of the Joint Meeting on the fee reduction and the automatic reduction mechanism has been supportive.<sup>22</sup>

### **3. PROBLEM IDENTIFICATION**

#### **3.1. Budget and fee structure**

The accumulation of a considerable cash surplus in OHIM's budget since 2002 is due to a number of reasons. The economic growth in the EU, the increasing awareness about the advantages of the Community trade mark system, the EU enlargement from 15 to 27 Member States and the growth of the e-business have led to an increased number of Community trade mark applications. In addition, the number of applications and renewals of trade mark registrations has been higher than initially expected, this being a general trend in most other parts of the world. Finally, 2005 was the first full year of applications coming through WIPO under the Madrid Protocol on the international registration of trade marks. In 2007, OHIM received, in cash terms, more than € 18 million of fees from international applications. It should be noted that the increasing number of design registrations is also contributing to the budget cash reserves, although, as is shown in table 2 below, to a much lesser extent.

In addition, the operations of the OHIM have been organised in a more efficient manner, contributing to the decrease of its expenditure. During the first years of its establishment, the Office's operations were dominated by the need to invest in the infrastructure and to recruit staff to deal with the higher than expected level of applications. However, in recent years, OHIM has introduced advanced information technology tools and methods which have led to increased productivity and improved efficiency, further reducing the Office's operational costs. The Office also rationalised its employment policy and created a more flexible staff comprising permanent officials and temporary staff recruited according to the needs of the Office.

It is clear that if the trends remain the same, the biggest determinant of future revenue for OHIM will continue to be the amount of application, registration and renewal fees paid for Community trade marks in combination with the volume of trade mark applications. It is therefore necessary to describe in the first instance the fees structure, the evolution of application volumes including expected trends and their impact on the OHIM's budget.

The amount of fees to be paid for Community trade mark protection depends on how many groups of goods and services the applicant or proprietor wants to have his trade mark protected for (determined by classes according to the so-called Nice classification). The following numbers relate to a protection of a standard individual Community trade mark for three classes of products:

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<sup>22</sup> Press releases Marques of 22 and 24 September, available at <http://www.marques.org>.

**Table 1: Main OHIM Community trade mark fees**

Fee for	€
Application	900
e-filing – electronically filed application	750
Registration	850
Renewal (every 10 years)	1500
e-renewal – electronically filed renewal	1350

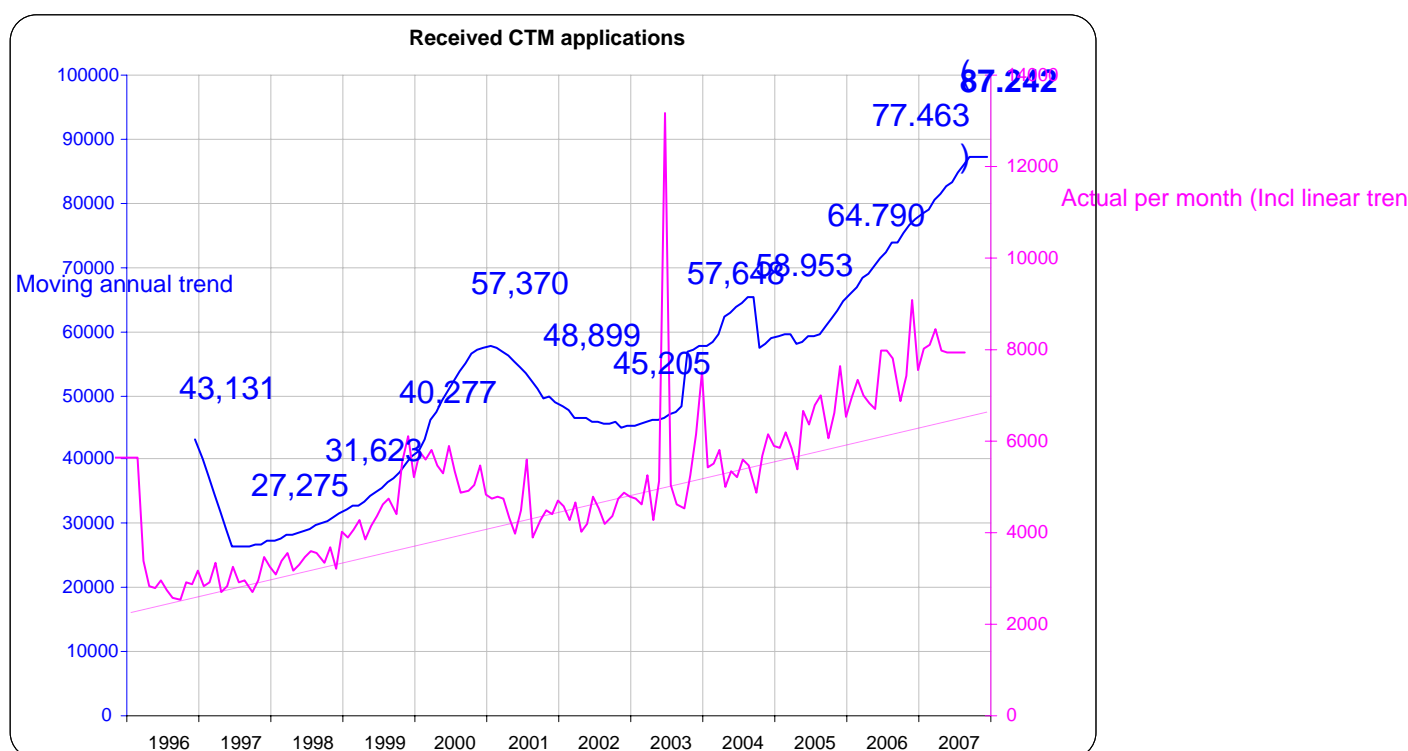
*Source: Commission Regulation on Community trade mark fees*

In addition, the Commission Regulation on Community trade mark fees contains other categories of fees for a variety of actions and situations such as the fees to be paid for obtaining copies of applications; for the application for the registration of a licence; for the declaration of division of a registered Community trade mark; for the application for revocation or for a declaration of invalidity; for appeal etc. Annex I gives a full list of OHIM Community trade mark fees.

In general the fee structure is considered to be fairly burdensome and excessive. This is partly because new developments in the field of electronic services have not (yet) been taken into account by the legislator. Certain fees, for example for the inspection of the files, appear to be obsolete within an e-business environment.

The projections regarding expected trends in the volume of those applications are based on the data gathered since the establishment of the Office in 1996 until 2007. The chart below represents monthly Community trade mark application volumes with moving averages and trend lines imposed. The demand for Community trade marks has been growing steadily since 2002. The picture is somewhat distorted by a huge influx of trade mark applications that came in October 2003, a phenomenon linked to the EU enlargement on 1 May 2004. Apart from this, it appears that growth in demand in recent years has been slightly higher, but the figures suggest that this higher rate of growth began at the end of 2004, almost a year before the fee reform took effect. There is no evidence of a significantly higher rate of growth during 2006-2007 itself, as might be expected if the volume of applications were sensitive to price.

**Chart 1 Development of CTM applications**



Source: OHIM website ([www.ohim.eu](http://www.ohim.eu))

Table 2 below sets out in more detail the way in which revenue is built up from the main income categories in the budgets of 2007 and 2008:

**Table 2: OHIM income 2007-2008**

	<b>Budget 2007(in million €)</b>	<b>Budget 2008 in million €)</b>	<b>Percentage 2008</b>
<b>Application fees</b>	62,16	71,81	36,3
<b>Registration fees</b>	69,05	63,65	31,93
<b>Renewal fees</b>	20,25	21,87	10,97
<b>Optional Search Report fees</b>	0	1,45	0,73
<b>Other Community trade mark fees</b>	7,64	8,62	4,32
<b>Designs fees</b>	13,68	14,32	7,18
<b>Designs renewals</b>	N/A	0,65	0,33
<b>Other income</b>	11,66	16,97	8,51

<b>TOTAL</b>	<b>184,44</b>	<b>199,32</b>	<b>100<sup>23</sup></b>
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*Source: OHIM Budget 2008*

On the expenditure side, the main categories are summarised as follows:

**Table 3: OHIM expenditure 2007-2008**

	<b>Budget 2007 (in million €)</b>	<b>Budget 2008 (in million €)</b>
<b>Staff and associated costs</b>	60,07	69,28
<b>Other operating expenditure (e.g. IT tools, buildings)</b>	35,27	47,51
<b>Procedural expenditure (e.g. translations)</b>	48,09	41,33
<b>New national search system<sup>24</sup></b>		1,82
<b>TOTAL</b>	<b>143,43</b>	<b>159,94</b>

*Source: OHIM Budget 2008*

The operational results for the two years and the growth of the accumulated surplus are as follows:

**Table 4: OHIM operational results and cumulated surplus (in million €)**

<b>Budget</b>	<b>Operational results</b>	<b>Cumulated surplus</b>
2007	58	273
2008	60	333

*Source: OHIM Annual Accounts 2007; Budget Committee documents, November 2008*

The total of cumulated surpluses will therefore increase to over €330 million by the end of 2008.

<sup>23</sup> Round figure.

<sup>24</sup> As from 10 March 2008 the compulsory system of search reports was replaced by an optional system, leaving the applicant for a trade mark registration the choice of whether they wish national IP offices to carry out a search of existing trade marks in their own databases. Unlike under the old compulsory system, the new optional system requires the applicant to pay a separate fee for the service rendered. Both under the old and the new systems, the national IP offices receive an amount from the OHIM for each search report they deliver (see Article 39 Community Trade Mark Regulation).

Following its decision on 25 May 2005, the OHIM Budget Committee has decided each year, as part of its decisions on the draft budget, to transfer prior year surpluses to a newly created reserve fund. The main purpose of the reserve fund is to prevent the annual budget being distorted by the presence of such a large sum of money which has no annual operational effect, other than to generate bank interests. Money in the reserve fund appears in the balance sheet of the OHIM, but not in the budget. In general, the reserve fund serves as a sound financial buffer for the OHIM.

### 3.2. Coexistence

With a view to the relation between the Community and the national trade mark systems it is necessary to also look at the fee structure of national offices as well as to how the volume of national and Community trade mark applications have developed in comparison to each other taking into account the previous fee reductions at OHIM in 2005.

The indicative table in Annex II shows the level of fees requested in each Member State. Annex III shows the development of the volume of national and Community trade mark applications. Some offices have seen reductions in volumes in 2006 compared to 2005, while others have seen increases, and data is not available from all offices. The data suggest that national offices may have experienced a systematic reduction in applications coming via the Madrid system in 2005, but this could be because the accession of the EU to the Madrid Protocol in 2004 was still recent, and that users from outside the EU were driven by the convenience of that system rather than by price effects.

### 3.3. How will the situation evolve?

With an unchanged policy, the budget's imbalance will increase even more in the future. In any credible scenario, cash reserves will continue to grow on a cumulative basis. The volume of Community trade mark applications will remain the biggest determinant of any future revenues of the Office.

At the meeting of the OHIM Budget Committee in November 2008, the OHIM presented the following volume of expected business (in number of applications) for the years 2009-2012:

**Table 5: OHIM volume of business projections for the period 2009-2012**

	<b>Budget 2008</b>	<b>Outlook 2009</b>	<b>Outlook 2010</b>	<b>Outlook 2011</b>	<b>Outlook 2012</b>
<b>CTM applications</b>	90.000	90.000	90.000	90.000	90.000
<b>CD applications</b>	74.000	81.000	81.000	81.000	81.000

*Source: OHIM Work Programme 2009 and OHIM estimates*

The volume of business was calculated on the basis of the following key assumptions:

- A volume of 90,000 Community trade mark applications for the period 2008-2012 is assumed.
- The Community trade mark renewal assumption rate is estimated to be 60%.

- Community trade mark publications and registrations show significant changes in 2008 due to the shift from a compulsory to an optional search report system.
- Registered Community design applications are assumed to stay fairly stable and the accession to the Hague Agreement on the international registration of designs (in force as from 1 January 2008) is not expected to affect significantly the overall volumes of registered Community design registrations.
- The budget and the financial outlook are based on the present fees and legislation.

The following forecasts are made for the development of the budget for the period 2009-2012 (in million EUR):

**Table 6: OHIM budget projections 2009-2012**

	<b>Budget 2009</b>	<b>Outlook 2010</b>	<b>Outlook 2011</b>	<b>Outlook 2012</b>
<b>Application fees</b>	75,72	75,72	75,72	75,72
<b>Registration fees</b>	70,69	67,47	66,53	66,61
<b>Renewal fees</b>	29,30	36,66	33,49	31,96
<b>Optional search reports fees<sup>25</sup></b>	0,73	0,73	0,73	0,73
<b>Other CTM fees</b>	9,03	9,01	8,90	9,01
<b>Design fees</b>	16,44	16,44	16,44	16,44
<b>Design renewal fees</b>	2,55	2,99	3,07	3,09
<b>Other income<sup>26</sup></b>	20,36	22,38	23,86	26,65
<b>TOTAL</b>	<b>224,80</b>	<b>231,48</b>	<b>228,73</b>	<b>230,29</b>

*Source: OHIM – Introductory note to the draft budget for 2009 and outlook to 2012 (CB/08/S34/5.1)*

**Table 7: OHIM expenditure projections 2009-2012 (in million EUR)**

	<b>Budget 2009</b>	<b>Outlook 2010</b>	<b>Outlook 2011</b>	<b>Outlook 2012</b>
<b>Staff and Associated costs</b>	76,57	78,11	80,78	85,24
<b>Other operating</b>	51,07	53,74	40,56	40,54

<sup>25</sup> According to the first experiences, less than 5% of applicants are opting for searches under the optional search report system.

<sup>26</sup> Interests from bank deposits contain the main part of the "other income".



<b>expenditure</b>				
<b>Procedural expenditure</b>	35,90	36,37	36,84	37,13
<b>New national search system</b>	0,97	0,97	0,97	0,97
<b>TOTAL</b>	<b>164,51</b>	<b>169,19</b>	<b>159,15</b>	<b>163,88</b>

Source: OHIM Draft Budget 2009 (CB/08/S34/5.2)

In summary, the table below shows the expectation for the future if no measures are taken (on the basis of a yearly volume of 90,000 Community trade mark applications):

**Table 8: OHIM operational results and cumulative surplus 2009-2020 (in million EUR)**

	<b>Operational results</b>	<b>Cumulated surplus</b>
<b>2009</b>	60	393
<b>2010</b>	62	455
<b>2011</b>	69	524
<b>2012</b>	66	590
<b>2013-2020 (average)</b>	87	1286 (in 2020)

Source: OHIM estimates

### **3.4. Summary of the main problems that require action?**

#### *3.4.1. Budget out of balance*

The unexpected success and the ever-increasing demands for the services of OHIM have created significant challenges for the OHIM system. **The budget is clearly out of balance and needs to be equilibrated again.** In particular, the increase in the demand has had a considerable impact on the OHIM's budget.

If the fees policy does not change, the budget's imbalance will increase even more in the future. A significant annual surplus which causes structural year-on-year increases in the accumulated cash reserves is not acceptable in the long run. It goes against the spirit of the Community legislation to fix the OHIM's fees at a level which results in the revenue and the expenditure not being in balance.

The existence of very significant cash reserves implies that the users of the Community trade mark system are facing fee levels which can be considered structurally too high. Business could have access to Community trade mark protection for a much better price.

### *3.4.2. Inefficient fee structure*

In terms of administrative burdens the current **fees structure is considered by many as too detailed and inefficient**. The complicated fee structure causes not only red tape for the users, but also frustrates efforts of the OHIM to become more efficient and to reduce processing times. An example is that applicants need to make two payments before their Community trade mark is registered. The applicant receives a filing date and the processing is continued after an application fee has been paid. If the application is successful (no objection from the Office, no opposition entered by third parties or opposition is rejected), a registration fee has to be paid within a period of two months before a Community trade mark is registered. If the registration fee is not paid within the two months, the application is deemed to be withdrawn.<sup>27</sup> Combining the two fees would be more efficient and cost-effective for both users and the OHIM.

### *3.4.3. Coexistence*

As regards the relation of coexistence between the Community and the national trade mark systems it has to be considered that an excessive lowering of the OHIM's fees resulting in a too strong approximation with the fees demanded by national trade mark offices could have the undesired effect that businesses to a large extent feel "forced" to apply for the registration of their trade marks at Community level regardless of their actual business needs. This would go against the intention of the Community legislator whereby national trade mark systems shall not be replaced by the Community trade mark regime (see above under 1.1).

## **3.5. Does the EU have the right to act?**

The budget of the OHIM is an exclusive competence of the Community. The EU is therefore entitled to take measures in order to stabilise the budget.

## **4. OBJECTIVES**

### **4.1. General and specific objectives**

The **general objective** is to stabilise the OHIM's budget and in particular to respect the principle of a balanced budget as enshrined in Article 139 (2) Community Trade Mark Regulation. The first **specific objective is to stabilise the OHIM's budget in the medium term (the next three years) and to avoid a further increasing gap between the revenues and the expenditure of the Office**. The objective of a balanced budget should take into account challenges ahead related to an increasing interaction between the Community trade

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<sup>27</sup> See Articles 26 and 45 of the Community Trade Mark regulation and Article 23 of Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community Trade Mark, OJ L 303, 15.12.1995, as amended.

mark system and national trade marks systems as well as enhanced cooperation between OHIM and the national IP offices. This general budgetary objective should be achieved in the most efficient manner, combined with reducing administrative burdens for companies and the OHIM.

**The second specific objective of simplifying the fee structure** will benefit both businesses and the OHIM. A reduction of administrative formalities and burdens is fully in line with the "better regulation" objectives of the European Union and the related policy objectives set out in the Economic Recovery Plan. Simplification in particular by merging fees would also benefit the OHIM because it would need to have less financial transactions with the users and processing times could be shortened.

Finally, with a view to the relation of coexistence between the Community and the national trade mark systems the required reduction of fees must further pursue the **third specific objective of ensuring a certain balance between these systems** by maintaining a significant difference between the respective fee levels.

The following table shows the link between the identified problems and the corresponding specific objectives:

**Table 9: Link between identified problems and specific objectives**

<b>Problems</b>	<b>Specific objectives</b>
Budget out of balance	Stabilisation on medium term
Inefficient fee structure	Simplification
Coexistence between the trade mark systems	Maintenance of certain balance

## 4.2. Consistency of these objectives with other EU policies

A sound budget based on the principle that the income and expenditure are balanced can be achieved by a reduction of the Community trade mark fees. Lowering fees will benefit the businesses, and in particular the SMEs, by saving costs and thus improve their competitiveness. This would be a direct contribution to the achievement of broader Community objectives under the Lisbon agenda. A reduction of fees also contributes to the policy objectives set out in the "Small Business Act", the IPR Strategy Communication and the Economic Recovery Plan to improve SMEs access to industrial property rights and promote entrepreneurship.

## 5. POLICY OPTIONS AND PRE-SCREENING

### 5.1 Options

Several policy options can be considered to tackle the problem of an imbalanced OHIM budget.

#### *Option 1: The current fees remain unchanged*

The first option would be to keep the current fees system and fee levels unchanged. These fees are set out in paragraph 3.2

#### *Option 2: A complete revision of the financing of OHIM*

The second option would be to consider a full revision of the financial structure of the OHIM, including, on the one hand, a reduction of fees and, on the other hand, a rationalisation and simplification of the entire fee structure. This option would normally require an amendment of the Community Trade Mark and Design Regulations.

#### *Option 3: Immediate action by reducing certain Community trade mark fees*

As an alternative to a complete revision of the financing mechanism of the OHIM, one could consider an amendment of the Commission Regulation on Community trade mark fees and reduce certain Community trade mark fees. A number of sub-options which could become operational in the short term can be considered:

- a) A flat rate reduction of the most important Community trade mark fees
- b) An equal reduction of the application and registration fees
- c) Reducing accession fees by merging the application and registration fees

### 5.2 Pre-screening

*Option 1:* It is expected that with an unchanged fees policy, the budget's imbalance will increase even more in the future. In any credible scenario, cash reserves will continue to grow on a cumulative basis. The total of cumulated surpluses will increase to over €500 million by the end of 2011 if no measures are taken.

Such development is in conflict with the principle of a balanced budget. It is also unacceptable from the point of view of a sound budgetary management and governance. In addition, doing nothing will not reduce the costs for access to Community trade mark

protection, nor will it bring a simplification of the fee structure which would be cost-effective for the users and OHIM. The first option should therefore be discarded.

**Option 2:** The second option could be a proportionate reduction of all fees combined with a simplification of the entire fee structure and administration. This could involve reducing not only the basic trade mark fees (application, registration and renewal) but, for example, also those for opposition, revocation/invalidity and appeal. A simplification could, for instance, be achieved in the system for fees to be paid for each class of goods and services. Furthermore, more flat rates could be introduced for smaller fees. Certain fees could also be abolished, for instance the fees for inspection of files or the fees for the registration or cancellation of a licence or another other right. Such measures would benefit both the OHIM and the users. They would further comply with the "better regulation" objectives of the EU and be in line also with those related objectives set out in the Economic Recovery Plan.

However, such an exercise would require a much more detailed and comprehensive assessment of the current financing and functioning of OHIM through the fee structure. Furthermore, such a reduction and revision of the whole fee structure would most probably also require an amendment of the Community Trade Mark Regulation. Given the limited scope of the present impact assessment, the need of an immediate effective action and the time restraints, a complete overhaul leading to a reduction and simplification of the entire fee structure of OHIM does not seem to be feasible for the moment. The Commission is currently undertaking an overall evaluation of the trade mark systems in Europe. The study on the overall functioning of the trade mark system in Europe as a whole (see also further under option 3) will include an appraisal of the financial (fee) structures. The results of this study are not expected before mid of 2010. Pending the evaluation it would be premature to include these longer term and less urgent objectives in the current impact assessment whose objective is limited to finding an immediate solution to OHIM's surplus.

The second option should therefore also be rejected.

**Option 3:** A third option would be to balance the OHIM's budget by substantially reducing certain Community trade mark fees.

The Council in its May 2007 conclusions called on the Commission to reduce the fees, in particular those for application, registration and renewal of trade marks. The OHIM Administrative Board and Budget Committee in their joint meeting of September 2008 fine-tuned this request by unanimously suggesting to lower down the current application and registration fee to around €1000.

There are indeed good arguments to limit the fee review exercise only to the basic fees. The data show that the application, registration and renewal fees are responsible for about 80% of the total OHIM revenues. A substantial reduction of these fees would therefore contribute most to achieve a balanced budget. It is also a simple and proportionate exercise which can be done without much delay. There is no need to change the Community Trade Mark Regulation.

A reduction of the fees should take place via the "comitology" procedure. For an amendment of the Commission Regulation on trade mark fees a positive opinion of the Committee on Fees, Implementation Rules and the Procedure of the Boards of Appeal of the OHIM would suffice.

Some NGOs consider that the reduction of only the main Community trade mark fees would result in an imbalance since obtaining a Community trade mark would become easier in economic terms, but challenging a Community trade mark would still be costly. In their view, the fee reduction should also include opposition, revocation/invalidity, and appeal fees for Community trade marks.<sup>28</sup> However, for the reasons given above under option 2 the inclusion of these other fees should be rejected.

In its May 2007 conclusions the Council also called on the Commission to undertake a study on the overall functioning of the trade mark system in Europe as a whole. In the context of the OHIM joint Committee meeting of September 2008 the understanding was reinforced that the Commission would carry out such a study. The study on the overall functioning of the trade mark system in Europe will evaluate the respective performance of the Community and the national trade mark systems including the major drivers for using these systems on one side, and, on the other, the relation, inter-linkages and interaction between the systems, as well as the contributions of the national offices to the overall functioning of the Community trade mark system. Without having carried out this study yet, a too great lowering of the OHIM fees at this stage entails thus the risk of affecting the relation between the Community and the national trade mark systems in a non-appropriate and undesired manner.

A substantial reduction of the basic trade mark fees complies at any rate with the policy objectives set out in the Commission Small Business Act, the IPR Strategy Communication, and, in particular, the recent Economic Recovery Plan.

Therefore, option 3 is retained and below a further analysis is made on the basis of four sub-options.

## **6. DETAILED IMPACT ASSESSMENT OF THE THREE SUB-OPTIONS**

### **6.1. Introduction**

In the following analysis the reduction of only the main Community trade mark fees has been considered in the context of a number of scenarios and assumptions. These relate in particular to the volume of Community trade mark applications (paragraph 6.2) and to the trends on income and expenditure (paragraph 6.3). On the basis of these scenarios and assumptions the three sub-options mentioned above in paragraph 5.1 are then elaborated in paragraph 6.4.

It should be recalled that the objective of the proposed fee levels is to arrive as close as possible to a balance of revenues and expenditure in the next three years.

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<sup>28</sup> See, for example, the comments of the European Communities Trade Mark Association (ECTA) on the Communication from the Commission to the European Parliament and the Council on the "Financial perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) dated 22 December 2006", 6 March 2007, p. 2, to be consulted under [http://www.ecta.org/position\\_papers/COMMENTS-COMM-CTMFees-03-07.pdf](http://www.ecta.org/position_papers/COMMENTS-COMM-CTMFees-03-07.pdf).

## 6.2. Scenarios on volume of Community trade mark applications

The following section presents three different scenarios of possible future developments related to the volume of Community trade mark applications. These scenarios are derived from OHIM's considerable (more than ten years) experience and reflect its budget projections.

### *Scenario 1: The number of Community trade mark applications remains unchanged*

Calculations are performed based on an annual volume of 90,000 Community trade mark applications. This is presently considered by the Office to be the most realistic scenario given the present levels of activity. It is also the figure used for the composition of the 2009 budget adopted by the OHIM Budget Committee in November 2008, and the financial outlook to 2012, discussed by the Budget Committee in November 2008.

### *Scenario 2: Decrease in the number of Community trade mark applications*

For considering a low level of demand for Community trade mark applications, not least with a view to the current economic crisis, a figure of 75,000 applications is suggested. This would mean a decrease of more than 10% from the current levels of Community trade mark applications, comparable to the dip observed between 2001 and 2002 in Chart 1 above.

### *Scenario 3: Increase in the number of Community trade mark applications*

A figure of 120,000 applications is suggested for considering a high level of demand for Community trade mark applications. Demand has tended to exceed forecasts in recent years, this number would be at the upper end or above any likely level of applications over the three-year period calculated.

It is not clear from the data so far to what extent the level of fees for Community trade marks affects the volume of applications of national and Community trade marks.

From the economic perspective, the demand and volumes of trade marks are dependent - among other micro and macro economic factors - on prices, while the degree of the price influence is closely linked to **price elasticity**. The price elasticity of the CTM would be high if the fee reduction resulted in an increase in the volume of CTM demanded by businesses and therefore could decrease the number of national trade mark applications. It would be considered low, if the fee reduction did not result in an increase in the volume of CTM. However, it must be noted that the level of trade mark fees itself does not generate trade mark applications, as such applications are dependent on the economic need and activity of the companies concerned.

National trade marks and the CTM are not perfect substitutes as they offer different legal protection and satisfy different needs of the EU businesses. This excludes the situation of having high price elasticity for all TM users i.e. some users cannot substitute a national TM with CTM, so a reduction of the fees could not decrease the number of national trade marks itself.

The past fee reduction in 2005 had certainly a moderate effect on the OHIM's revenues but, as shown in Chart 1, the 2005 reduction of fees alone did not have a significant impact on the

overall trend. This means that there is insufficient data to arrive at clear conclusions about the price elasticity of Community trade mark applications.<sup>29</sup>

### **6.3. The assumptions on income and expenditure**

As far as *income* is concerned, the model below includes every type of fee so that the effect of changes in fees and volumes can be built up. Historic ratios are used for these fees, and are assumed to remain stable over the period. The current average class fee ratio (the groups of goods and services the applicant/proprietor wishes to protect) is used in the projections. Similarly, there is a relatively stable relationship between the number of applications published and the number of oppositions (and hence opposition fees) attracted.

On the *expenditure side*, the main assumption is that staff costs remain at present levels, allowing for normal inflation. According to the calculations of the OHIM, present staffing levels could be sufficient up to an annual volume of at least 120,000 Community trade mark applications. Technical development programmes with other IP offices may result in lower staff costs in the future, but as there are not yet specific plans, no change has been assumed. Translation and certain other procedural costs which are volume related have been assumed to follow present trends. Beside there are no significant changes to plans concerning staffing levels.

The model uses the following specific main assumptions:

- the fee reduction enters into force on 1 July 2009;
- the remaining procedural backlogs are eliminated in 2008 and afterwards the process times for Community trade mark registration will be stable;
- IT expenditure is stable over the whole period at the level of 2008;
- translation costs parameters remain stable;
- E-business (E-filing, E-renewal) parameters remain stable over the whole period;
- E-discounts are maintained;
- The structure of the fee-related income is stable over the whole period and the class application, opposition, registration and class registration fees are incorporated proportionately;
- The financial implications of future enhanced cooperation between the OHIM and national IP offices are not included in the model because concrete legislative proposals (including impact assessments) have not yet been made or adopted. These budgetary consequences should, however, be taken into account when comparing the sub-options. In particular the creation of a Cooperation Fund and a share of Community trade mark renewal fees with the national IP offices will have a noticeable effect on the budgetary situation of the OHIM.

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<sup>29</sup> See also OHIM Work Programme 2009, p. 5.



## 6.4. Budgetary calculations applied to each of the three volume scenarios

### 6.4.1 Introduction

In this chapter the four sub-options are elaborated, each one on the basis of three volume assumptions of 75,000 – 90,000 – 120,000 Community trade mark applications per year (paragraph 6.2),<sup>30</sup> and on the basis of the assumptions on income and expenditure as set out in the previous paragraph.

- (a) A 35% flat rate reduction of the three most important Community trade mark fees (application, registration, renewal);
- (b) a reduction of the Community trade mark fees for both application and registration with 40%;
- (c) reducing accession fees of 40% by merging the Community trade mark fees for application and registration;
- (d) reducing accession fees of 40% by merging the Community trade mark fees for application and registration, and cutting the renewal fee by 40%.

### 6.4.2 A 35% flat rate reduction of the application, registration and renewal fees [sub-option (a)]

The first sub-option focuses on the level of fee reduction that would balance the budget if the main fees (i.e. the application, registration and renewal fees) are reduced by the same percentage of 35% in each of the three level scenarios. These are presented in the table below.

**Table 10: 35% flat rate reduction of the application, registration and renewal fees (in million €)**

<u>35% cut in application, registration and renewal fees</u>	2009 result	2010 result	2011 result	2012 result	Average annual result 2009-2012	Cumulative surplus in 2012	Average annual result 2013-2020	Cumulative surplus in 2020
volume: 90000	29.5	-0.3	7.1	1.8	9.5	371.1	-2.3	352.7
volume: 75000	29.5	-14.4	-7.4	-13.4	- 1.4	327.3	-20.5	163.3
volume: 120000	29.5	27.9	36.3	32.1	31.4	458.8	34.1	731.6

*Source: OHIM estimates*

The results would be that the average annual result in the period 2010-2020 would be around zero in the most realistic volume of 90,000 Community trade mark applications, with the exception of 2011 in which the operational result would be about €7 million. The cumulative

<sup>30</sup> The three volume variations only start in 2010. In this impact assessment the tables for 2009 are all based on the 90,000 volume in conformity with approved OHIM Budget Committee figures (see OHIM draft Budget 2009).

surplus is predicted to increase from €333 million by the end of 2008 to around €350 million by 2020.

With a volume of 75,000 Community trade mark applications per year, the calculations show a serious deficit which goes up to €20 million every year after 2013. The cumulative surplus would go from €327 million by 2012 to below €165 million by 2020. In the scenario with 120,000 annual Community trade mark applications the effect on the budget is an ever increasing surplus up to about €730 million by 2020 as a result of an average operational result of around €30-35 million.

Sub-option (a) does not lead to any simplification of the fee structure.

#### 6.4.3 A 40% fee reduction of both the application and registration fees [sub-option (b)]

While sub-option (a) covers the three main fees for application, registration and renewal, sub-options (b) and (c) bias towards the fees for application and registration. The calculations therefore reflect a fee structure where access to the Community trade mark protection becomes cheaper compared to the renewal of the Community trade mark protection. The table below illustrates variants for the low, mid and high levels of volumes.

**Table 11: A 40% fee reduction of both the application and registration fees (in million €)**

<b>40% cut in application and registration fees only)</b>	<b>2009 result</b>	<b>2010 result</b>	<b>2011 result</b>	<b>2012 result</b>	<b>Average annual result 2009-2012</b>	<b>Cumulative surplus in 2012</b>	<b>Average annual result 2013-2020</b>	<b>Cumulative surplus in 2020</b>
volume: 90000	31.0	5.4	12.0	6.3	13.6	387.7	15.6	512.5
volume: 75000	31.0	-7.6	-1.4	-7.6	3.6	347.4	-1.1	338.6
volume: 120000	31.0	31.2	38.7	34.0	33.7	467.9	48.9	859.1

*Source: OHIM estimates*

The calculations show that with a volume of 90,000 Community trade mark applications the annual result would drop from €31 million in 2009 to roughly between €5 million and €15 million in the period 2010-2020. The surplus would increase relatively moderately from €333 million by 2008 to €387 million by 2012 and then more seriously up to €512 million by 2020.

The operational result in the mid-term is expected to be between - €1 million and - €8 million with the low volume of 75,000 applications, and between €30 million and €40 million with the high volume of 120,000 applications. The cumulative surplus would increase slightly with the low volume scenario and reach more than €850 million by 2020 with the high volume assumption.

Also sub-option (b) does not lead to any simplification of the fee structure.

#### 6.4.4 A 40% fee reduction by merging the application and registration fees [sub-option (c)]

Under sub-option (b) the application and registration fees would be reduced each with the same amount of 40%, whereas under sub-option (c) the two fees would be merged and the overall amount would be reduced by 40%. In this sub-option the application fee would be fixed at the level of €1050 (paper filing) and €900 (e-filing). The registration fee would be established at a zero rate. The results would be then as follows:

**Table 12: A 40% fee reduction by merging the application and registration fees (in million €)**

<u>40% cut and merging application/registration fees</u>	2009 result	2010 result	2011 result	2012 result	Average annual result 2009-2012	Cumulative surplus in 2012	Average annual result 2013-2020	Cumulative surplus in 2020
volume: 90000	31.7	8.7	16.0	10.4	16.7	399.8	20.5	563.8
volume: 75000	31.7	-4.8	2.0	-4.2	6.1	357.7	3.0	381.7
volume: 120000	31.7	35.6	44.0	39.5	37.7	483.8	55.4	927

Source: OHIM estimates

The calculations show an annual budget result between €8 million and €16 million in the medium term 2010-2012 with the assumption of 90,000 applications; between - €4 million and €2 million with 75,000 applications and between €35 million and €44 million with 120,000 applications. The cumulative surplus varies between €357 million (2012) and €381 million (2020) with the low volume assumption; €400 million (2012) and €563 million (2020) with the medium volume scenario and up to €927 million with the high volume scenario.

Sub-option (c) would considerably reduce the administrative burdens of the fee structure. When merging the application and registration fees, successful applicants would no longer need to pay twice during their registration process and OHIM would no longer have to keep a double administration for application and registration fees.

#### 6.4.5 A 40% fee reduction by merging the application and registration fees and cutting the renewal fee [sub-option (d)]

In addition to what is foreseen under sub-option (c), in this sub-option the renewal fee would as well be reduced by 40%. The results would be then as follows:

**Table 13: A 40% fee reduction by merging the application and registration fees and cutting the renewal fee (in million €)**

<u>40% cut including renewal fee and merging application/registration</u>	2009 result	2010 result	2011 result	2012 result	Average annual result	Cumulative surplus in 2012	Average annual result	Cumulative surplus in 2020

<u>fees</u>					2009-2012		2013-2020	
volume: 90000	25.8	-6.0	2.0	-3.6	4.5	351.2	-10.5	266.0
volume: 75000	25.8	-19.5	-12.0	-18,1	-5.95	309.2	-27.9	84.2
volume: 120000	25.8	21.0	30.0	25.6	25.6	435.4	24.5	629.6

Source: OHIM estimates

The calculations show an annual budget result between - €6 million and €2 million in the medium term 2010-2012 with the assumption of 90,000 applications; between - €19 million and - €12 million with 75,000 applications and between €21 million and €30 million with 120,000 applications. The cumulative surplus varies between €309 million (2012) and €84 million (2020) with the low volume assumption; €351 million (2012) and €266 million (2020) with the medium volume scenario and up to €630 million with the high volume scenario.

While this sub-option would bring the same simplification gains as sub-option (c), it could not guarantee a medium-term budget with a balance between expenditure and revenues.

## 6.5 Impact on administrative burdens

This chapter shall look at the impact of the simplification gains and administrative burden reductions resulting from not having to pay a registration fee in future (on the basis of estimates made by OHIM).

**For users** of the CTM system, there are two main impacts:

- Time saving: the abolition of the need to pay the registration fee shortens the period from application to registration by up to 2 months;
- Administrative/legal costs: the simplification of the procedure implies that there is less correspondence between the OHIM and the representatives, and in turn a corresponding reduction in time and cost billed to the CTM applicants by the representatives. In addition, for those applicants who pay by bank transfer, the cost of the transfer (which can run as high as €30, even for intra-EU transfers) are eliminated. A reasonable assumption is that the costs saved by the applicant amount to €80 - €100 per CTM registration; given the annual volume of approximately 60.000 registrations, this means a saving in the order of €5 million per year for CTM owners.

As regards the **OHIM** a conservative estimate of the staff and postage cost savings resulting from the simplification of the registration procedure is approximately €250.000 annually. It is estimated in this connection that today at OHIM, the work related to administering the registration fee corresponds to roughly 3 FTEs. In addition, there are some incidental costs such as postage, fax etc. Since the cost of each FTE is about €70-80K, the total works out to €250K once those incidental costs are added in.

## **6.6. Preliminary conclusion: impact of the reduction on the budget per sub-option and on the administrative burden**

All the scenarios and corresponding proposed fee levels show an effective reduction of the fee surplus compared to the situation that would occur if no action is taken. Surpluses still exist in most of the calculations for 2009 to 2020, but these are much more limited compared to the current cumulative surplus of almost €335 million and the predicted growth in reserves if fees are maintained at their current levels which would be €1.286 billion by 2020.

Fee reductions in the order of 35% to 40% of the main Community trade mark fees are needed to produce a balanced budget over the next three years in the low, mid and high level scenarios, respectively. Therefore, even if there was an unprecedented fall in applications for Community trade marks according to the low level scenario, a significant fee reduction would nevertheless be necessary to prevent the continued accumulation of financial reserves at OHIM.

While comparing the four sub-options, one could conclude that the sub-option (c) would be the most logical choice for action. The merging of application and registration fees would not only reduce the surplus while guaranteeing a balance between expenditure and revenues, but also significantly simplify the fee structure.

In the most realistic volume scenario of 90,000 Community trade mark applications the surplus would increase from €368 million by 2009 to €400 million by 2012 under sub-option (c). This is on average still an annual surplus of €16.7 million. It is however considered that this is a realistic amount taking into account the future development of the relations between the OHIM and the national IP offices and the expected remuneration for services rendered by the national IP offices (see paragraph 2.2).

To preliminarily conclude the following table compares the above sub-options in terms of their effectiveness and efficiency in relation to specific objectives and in terms of their coherence with policy context:

**Table 14: Screening of sub-options**

	Effectiveness		Efficiency	Coherence
	Budget out of balance	Inefficient fee structure		
Sub-option (a)	+	neutral	neutral	+
Sub-option (b)	+	neutral	neutral	+
Sub-option (c)	+	+	+	++

## 7. ASSESSMENT OF OTHER IMPACTS

The proposed substantial fee reduction would in the first place re-establish the balance in OHIM's budget. With the proposed reduction in force and under the assumptions made, the budget surplus should be close to zero in the mid-term.

The benefits of the fee reduction would primarily go to the users of the registration system. Businesses would get more value for money and would not pay more for the OHIM services than is strictly necessary. This would enable them to limit their costs and to compete with each other on more advantageous conditions which, in turn, is in the benefit of consumers and, eventually, of society as a whole. A cost reduction is in particular welcome in a period of glooming economic circumstances.

Merging the application and registration fees leads to a reduction of administrative burden. It has the big advantage for the users that they have to pay only once: when the application is filed. Another major advantage for every future owner of a Community trade mark is that the processing time for the registration of a Community trade mark would decrease with a maximum of two months. This is the period within which the registration fee has to be paid; if no payment takes place the trade mark will not be registered.<sup>31</sup> The OHIM would not need to keep two administrative systems for application and registration fees.

Merging the two fees would also be in line with practice in Member States. Annex II shows that a large majority of the Member States does not have a separate registration fee in addition to an application fee.

By focussing on the application/registration fees and keeping the renewal fees for Community trade mark registration at the same level, the access for businesses to Community trade mark protection would become more attractive. It would however not increase take up by trade mark owners who have no serious intentions to use their rights.

Among the disadvantages of the proposed fee reduction is the allegation that a lower cost for the registration of a Community trade mark could lead to more "frivolous" registrations of

<sup>31</sup> The registration fee must be paid when there is no opposition, or the opposition fails, within a period of two months. The registration fee shall be refunded if the trade mark is not registered. However, in practice this will only take place when the applicant withdraws the application, a situation that hardly occurs.

trade marks. However, there are no data which would support such a position. It must be pointed out that the volume of trade marks applied for and registered will be determined by the needs of the users to identify the origin of their products and services. Furthermore, maintaining the level of renewal fees for Community trade mark registration would still not favour owners with no intention to use their trade marks.

There is no evidence that the proposed reduction of the OHIM fees would endanger the position of the national IP offices or indeed the existence of the national trade mark systems. All national fees are still considerably lower than the present OHIM fees of €1600 for a standard registration (e-filing). The indicative table in Annex II covering all Member States shows that the highest national fee does not exceed €529. On average the national fees level is around €260 for e-filing and €275 for paper filing. A reduction of the combined OHIM application and registration fees to €900 for e-filing and €1050 for paper filing would still be well above these levels.

As explained already above under 3.2, previous experience in this field shows that the 2005 fee reduction did not have such an effect on national IP offices.<sup>32</sup>

## 8. CONCLUSION

The current budget surpluses of OHIM, combined with the expected accumulation of future surpluses, will rapidly lead to an even more disproportionate gap between its expenditure and revenues. It is therefore vital to act as quickly as possible.

The Community Trade Mark Regulation requires the OHIM budget to be in financial balance. With an unchanged fees policy and on the basis of realistic predictions of future annual Community trade mark applications and renewal rates, this will not be the case. Cumulative cash reserves could reach €590 million by the end of 2012 and nearly €1.3 billion by the end of 2020. There is therefore an urgent need for an action in order to have a flow of revenues proportionate to the estimated expenditure and in order to keep control of the cash reserves.

The most rapid and proportionate way of action is to amend the Commission Regulation on the Community trade mark fees. Combining the aim of a balanced budget with a need for better access for business to Community trade marks as well as simplification of the OHIM fees structure to the extent possible, and under the assumptions indicated in this impact assessment, the optimum proposal for amendment should therefore contain the following:

- Merging the application and registration fees.
- Reduction of the registration fee to zero.
- Fixing the application fee at €1050 (with a reduction of €150 for e-filing)

The proposed solution would implement the general policy objective set by the Commission, especially in the Economic Recovery Paper, to reduce administrative burdens and promote entrepreneurship by reducing significantly the costs related to Community Trade Marks. Apart from the cost element of fees, it would address other important cost factors such as the administrative and financial burden for users and OHIM in relation to the registration of CTMs.

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<sup>32</sup> Statistics on national, international and Community trademark applications are available on the OHIM website: <http://oami.europa.eu/en/office/stats.htm>.

In comparison with other options analysed, the proposed course of action would not only guarantee a balance in OHIM's budget, but would also provide most benefit for the users by reducing their administrative burdens. Moreover, it properly considers the issue of coexistence between the Community and the national trade mark systems.

## **9. MONITORING AND EVALUATION**

There is no need to create a new administrative system for monitoring and evaluation. The monitoring will be related to the annual budget of the OHIM. The Office is legally obliged to prepare and present on a regular basis both to the auditor and to the OHIM Budget Committee the development of the budget. The budget analysis includes key figures such as the volume of Community trade mark applications. In addition, the annual surveys of the OHIM on their performance will provide reliable information about the satisfaction of the users. Finally, the upcoming overall evaluation of the Community and national trade mark systems could already include the first results of the envisaged fee reduction. All this would be sufficient to ensure an effective monitoring of the functioning of the proposed action. Furthermore, the Commission will consider regularly whether fine-tuning the fees is necessary to maintain the budget balanced.



## **ANNEX I - LIST OF OHIM TRADE MARKS FEES**

<b>Fees directly payable to OHIM</b>	<b>Amount</b>
Basic fee for the application of an individual mark	900€
Basic fee for the application of an individual mark – e-filing	750€
Fee for each class of goods and services exceeding three for an individual mark	150€
Basic fee for the application for a collective mark	1300€
Fee for each class of goods and services exceeding three for a collective mark	300€
Opposition fee	350€
Basic fee for the registration of an individual mark	850€
Fee for each class of goods and services exceeding three for an individual mark	150€
Basic fee for the registration of a collective mark	1700€
Fee for each class of goods and services exceeding three for a collective mark	300€
Additional fee for the late payment of the registration fee	25% (Max. 750€)
Basic fee for the renewal for an individual mark	1500€
E-renewal fee	1350€
Fee for each class of goods and services exceeding three for an individual mark	400€
Basic fee for the renewal for a collective mark	3000€
Fee for each class of goods and services exceeding three for a collective mark	800€
Additional fee for the late payment of the renewal fee or late submission of the request for renewal	25% (Max. 1500€)
Fee for the application of revocation or for a declaration of invalidity	700€
Appeal fee	800€
Fee for <i>restitutio in integrum</i>	200€
Fee for the conversion of a mark into a national trade mark application	200€

Fee for the registration of a licence or another right in respect of a registered Community Trade Mark	200€ (max 1.000€)
Fee for the cancellation of the registration of a licence or other right	200€ (max 1.000€)
Fee for the alteration of a registered Community Trade Mark	200€ (max 1.000€)
Fee for the issue of a copy of the application for a Community Trade Mark	10 € uncertified copy or extract/ 30 € certified copy or extract
Fee for the inspection of the files	30€
Fee for the issue of copies of file documents	10 € uncertified copy/ 30 € certified copy + 1 € per page, exceeding 10
Fee for the communication of information in a file	10 €
Fee for the review of the determination of the procedural cost to be refunded	100€
Fee for continuation of proceedings	400€
Fee for declaration of division of a registered CTM	250€

*Source* : OHIM - <http://oami.europa.eu/EN/office/marque/taxes.htm>

**ANNEX II – TRADE MARK APPLICATION AND REGISTRATION  
FEES EU MEMBER STATES AND OHIM**

	Application fee (3 classes)		Registration fee (3 classes)		Total	
	e-filing	Other	e-filing	other	e-filing	other
<b>CTM</b>	<b>750</b>	<b>900</b>	<b>-</b>	<b>850</b>	<b>1600</b>	<b>1750</b>
Austria <sup>33</sup>	-	140	-	329	-	469
Benelux <sup>34</sup>	-	240	-	-	-	240
Bulgaria <sup>35</sup>	-	103	-	154	-	257
Cyprus <sup>36</sup>	-	76,83	-	-	-	76,89
Czech Republic <sup>37</sup>	-	201	-	-	-	201
Denmark <sup>38</sup>	-	315	-	-	-	315
Estonia <sup>39</sup>	-	230	-	45	-	275
Finland <sup>40</sup>	-	165	-	-	-	165
France <sup>41</sup>	200	225	-	-	200	225
Germany <sup>42</sup>	290	300	-	-	290	300
Greece <sup>43</sup>	-	180	-	-	-	180

<sup>33</sup> <http://www.patentamt.at/Home/Onlinezugriff/AnnualFeesOct2007.pdf>

<sup>34</sup> <http://www.boip.int/en/pdf/forms/trademarks/BnlTariffs200701.pdf>

<sup>35</sup> [http://www1.bpo.bg/images/stories/tariff/tariff\\_of\\_fees\\_may\\_07.pdf](http://www1.bpo.bg/images/stories/tariff/tariff_of_fees_may_07.pdf)

<sup>36</sup> [http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/All/099C6A15359E748FC2256E5B004D5210/\\$file/fees%20tm%20en%20euro.pdf](http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/All/099C6A15359E748FC2256E5B004D5210/$file/fees%20tm%20en%20euro.pdf)

<sup>37</sup> [http://isdvapl.upv.cz/pls/portal30/docs/FOLDER/ISDV/IPO/POPL\\_UHR/UHR\\_HL\\_CIN/FEES\\_EN.PDF](http://isdvapl.upv.cz/pls/portal30/docs/FOLDER/ISDV/IPO/POPL_UHR/UHR_HL_CIN/FEES_EN.PDF)

<sup>38</sup> <http://int.dkpto.dk/business-services/how-to-file/file-for-a-trademark/price-list---trademark.aspx>

<sup>39</sup> [http://www.epa.ee/client/default.asp?wa\\_id=953&wa\\_object\\_id=1&wa\\_id\\_key=](http://www.epa.ee/client/default.asp?wa_id=953&wa_object_id=1&wa_id_key=)

<sup>40</sup> <http://www.prh.fi/en/tavaramerkit/hinnasto/hakemusmaksut.html>

<sup>41</sup> <http://www.inpi.fr/fr/marques/deposer-une-marque/combien-coute-un-depot.html>

<sup>42</sup> <http://www.dpma.de/docs/service/formulare/allgemein/a9510.pdf>

Hungary <sup>44</sup>	-	529	-	-	-	529
Ireland <sup>45</sup>	-	210	-	177	-	387
Italy <sup>46</sup>	-	169	-	-	-	169
Latvia <sup>47</sup>	-	142	-	92	-	234
Lithuania <sup>48</sup>	-	139	-	70	-	209
Malta <sup>49</sup>	-	349,41	-	-	-	349,41
Poland <sup>50</sup>	140	154	-	-	140	154
Portugal <sup>51</sup>	150	300	25	50	175	350
Romania <sup>52</sup>	-	210	-	10	-	220
Slovak Republic <sup>53</sup>	-	164	-	-	-	164
Slovenia <sup>54</sup>	-	100	-	150	-	250
Spain <sup>55</sup>	385,95	454,05	-	-	385,95	454,05
Sweden <sup>56</sup>	251	331	-	-	251	331
United Kingdom <sup>57</sup>	387	387	-	-	387	387

Exchange rate found on <http://www.oanda.com> on the 20/10/2008.

<sup>43</sup> Utescher E.J, Gerds U, "Country Index The Trademark Practitioner's Guide. Trademark regulations worldwide 4<sup>th</sup> completely revised edition, 2008. ISSN 1861-5848. page 41

<sup>44</sup> [http://www.mszh.hu/English/vedjegy/vedj\\_dij\\_2005.html](http://www.mszh.hu/English/vedjegy/vedj_dij_2005.html)

<sup>45</sup> [http://www.patentoffice.ie/en/trademark\\_fees.aspx](http://www.patentoffice.ie/en/trademark_fees.aspx)

<sup>46</sup> <http://www.uibm.gov.it/public/tasse.pdf>

<sup>47</sup> <http://www.lrpv.lv/index.php?lang=EN&id=28>

<sup>48</sup> [http://www.is.lt/vpb/engl/Feesn.HTM#HD\\_NM\\_1](http://www.is.lt/vpb/engl/Feesn.HTM#HD_NM_1)

<sup>49</sup> <http://www.mcmp.gov.mt/pdfs/SCHEDULE-FEES-Trademarks.pdf>

<sup>50</sup> [http://www.uprp.pl/NR/rdonlyres/7317BD17-E0D3-4203-9806-7B9AE28AE65A/864/fees\\_2009.doc](http://www.uprp.pl/NR/rdonlyres/7317BD17-E0D3-4203-9806-7B9AE28AE65A/864/fees_2009.doc)

<sup>51</sup> [http://www.marcaspatentes.pt/files/collections/eng\\_US/28/29/30/Table%20of%20Fees.pdf](http://www.marcaspatentes.pt/files/collections/eng_US/28/29/30/Table%20of%20Fees.pdf)

<sup>52</sup> [http://www.osim.ro/index3\\_files/trademarks/amountt.pdf](http://www.osim.ro/index3_files/trademarks/amountt.pdf)

<sup>53</sup> <http://www.indprop.gov.sk/index2.php?lang=en&idd=37&idd2=1808>

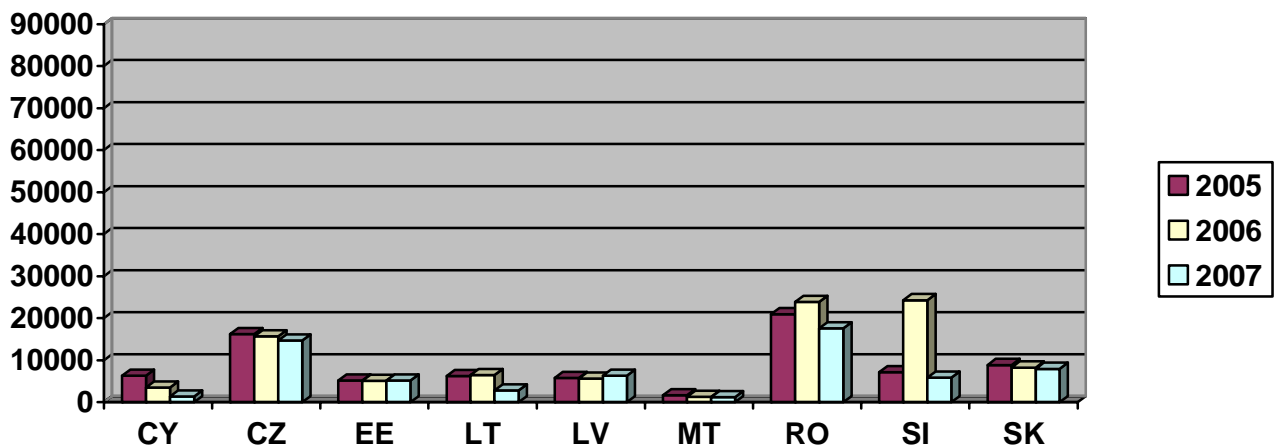
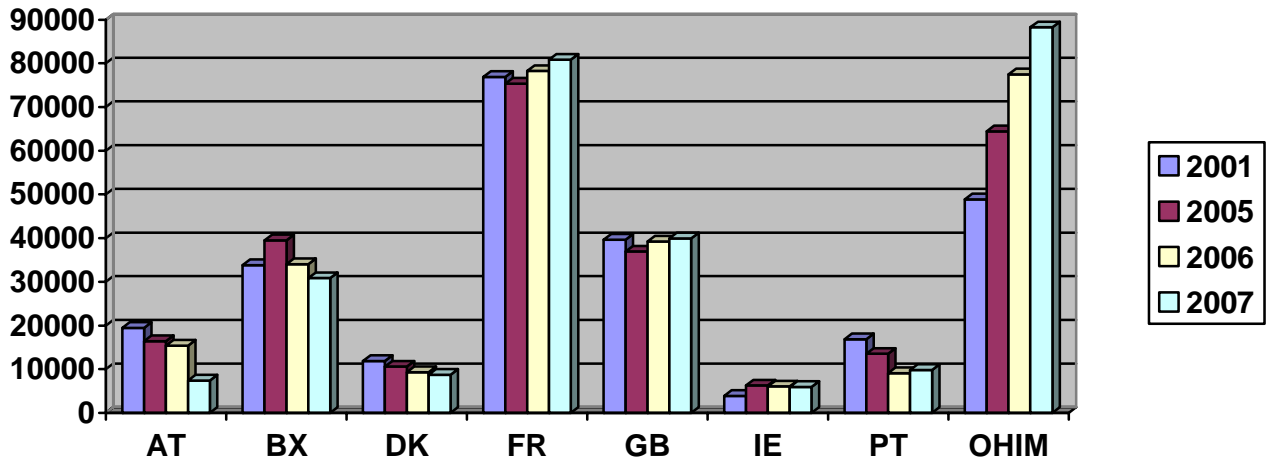
<sup>54</sup> <http://www.uil-sipo.si/sipo/addition/resources/fees/trademarks/>

<sup>55</sup> [http://www.oepm.es/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Content-Disposition&blobheadername2=MDT-Type&blobheadername3=inline%3B+filename%3D%20TodasLasTasas\\_2008.pdf&blobheadername4=abinary%3B+charset%3DUTF-8&blobkey=id&blobtable=MungoBlobs&blobwhere=1150477849956&ssbinary=true](http://www.oepm.es/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Content-Disposition&blobheadername2=MDT-Type&blobheadername3=inline%3B+filename%3D%20TodasLasTasas_2008.pdf&blobheadername4=abinary%3B+charset%3DUTF-8&blobkey=id&blobtable=MungoBlobs&blobwhere=1150477849956&ssbinary=true)

<sup>56</sup> <http://www.prv.se/In-English/Trademarks/Fees/>

<sup>57</sup> <http://www.ipo.gov.uk/tm/t-applying/t-costtime.htm>

**Annex III - Trade mark applications at national offices between  
2001 and 2007<sup>58</sup>**



	AT	BX	DK	FR	GB	IE	PT	OHIM
<b>2001</b>	19458	33786	11856	76915	39673	3887	16860	48856
<b>2005</b>	16385	39512	10581	75346	36917	6276	13521	64478
<b>2006</b>	15353	34019	9324	78259	39232	6036	9077	77457
<b>2007</b>	7389	30838	8708	80854	39929	5951	9818	88256

	CY	CZ	EE	LT	LV	MT	RO	SI	SK
<b>2005</b>	6330	16239	5184	6272	5807	1688	20959	7161	8869
<b>2006</b>	3543	15697	5132	6466	5672	1306	23910	24332	8286
<b>2007</b>	1402	14715	5179	2817	6352	1248	17573	5875	7955

<sup>58</sup> Source: OHIM website. Only the national IP offices with known public figures for the years indicated are included.

