By **John Batho**

Assessing the overhaul at OHIM

WTR's exclusive survey of the CTM system explores the reaction from leading filing agents to the cut in fees and gauges OHIM's performance over the past year

The past 12 months have been among the most eventful in the 15-year history of the Community trademark (CTM) system. During this period, the Office for Harmonization in the Internal Market (OHIM) has cut its fees, posted a drop in annual filings for the first time since 2002, completely reorganized its trademark department and overhauled its internal work management processes. It has also revamped its e-filing systems for CTMs and registered Community designs (RCDs). OHIM's commitment to progress and innovation is to be applauded, but what have all these changes meant for users?

To answer this question *WTR* canvassed the opinion of representatives from the 40 leading agent filers of CTMs listed in the table on page 24. This exclusive survey assessed the impact of the fee cut and sought feedback on the compromise agreement brokered between the European Commission, OHIM and EU member states. Respondents were also asked to provide their views on the effect of OHIM's recent internal restructuring and the office's overall performance over the past year. The survey brings together a diverse range of opinions and offers insight on the latest developments connected to the CTM system, while pinpointing areas in need of further improvement.

New fee regime

On May 1 2009 OHIM implemented Commission Regulation 355/2009 and finally reduced its fees for registering a CTM. It had taken months of, often fractious, negotiations to reach that point. At the time of publication of last year's report on the European trademark system by *WTR*, discussions on how best to reduce OHIM's surplus funds (amounting to hundreds of millions of euros) had reached an impasse, but there was hope a compromise could be struck (see "Escaping the money trap", Issue 15 September/October 2008).

The breakthrough came at an extraordinary meeting of OHIM's Administrative Board and Budget Committee in Brussels in September 2008, paving the way for a 40% reduction in fees. The new fee schedule abolished the old registration fee and brought the combined cost of filing and registering a CTM down to €1,050 (or €900 where the application is filed online).

While the cut in fees was welcomed by the majority of respondents to *WTR*'s survey of the leading agent filers of CTMs, 25% felt that the cut went too far (see Figure 1 on page 20). Those against the reduction argued that insufficient thought was given to the consequences. They were of the opinion that the cut has made national trademarks less attractive for businesses, as the difference in price between protection in one member state and 27 member states is now vastly reduced. "There are many businesses that have no real need for a CTM, as they operate in a geographically reduced market," explains Helen Curtis-Oliver, a specialist practitioner in Clarke Modet y Cia SL's CTM department. "They will now be tempted to file a CTM over a national trademark 'just in case'." She acknowledges that although this is good news for CTM filing agents, she and her firm are not in favour of flooding the CTM register with rights that can pose an artificial obstacle to later registrations or that could even be detrimental to the enforceability of later marks. "In the end, this rise in CTM applications will not help reduce OHIM's surplus, instead it will have the opposite effect," she says.

Naturally, Andrea Di Carlo, director of the Institutional Affairs and External Relations Department at OHIM disagrees. He points out that the European Commission coordinated its assessment of the necessary reduction with OHIM, and both are satisfied that the measures will be sufficient to achieve the desired result. "A key change negotiated during the extraordinary meeting in September 2008 was a deal to allow the commission to review OHIM's accounts every two years and take any necessary action," notes Di Carlo. "At such point, the commission can start a procedure to raise or reduce

Survey methodology

In July 2009 *WTR* sent out a survey to the 40 leading agent filers of CTMs listed in the table on page 24. Key representatives from the firms were asked 39 questions on a range of topics, which were designed to:

- canvass opinion on the compromise agreement put in place to reduce OHIM's surplus and cut CTM filing fees; and
- assess OHIM's performance over the past 12 months.

The survey also asked for recommendations on enhancing the European trademark regime as a whole. *WTR* collated and analyzed the responses, and the key results are set out in the text and accompanying graphics.

fees depending on the demands of the market." It remains to be seen how smoothly this system operates in practice.

Fees down, filings up?

As the cut in fees was introduced in the middle of a general slowdown in filings triggered by the global economic recession, it is difficult at present to predict its medium and long-term effects. OHIM initially noticed a fall in applications in August 2008, which led to a year-end decrease of around 1%. OHIM recorded further monthly falls of 11% to 13% in January and February of this year compared to the corresponding periods in 2008. However, in March and April OHIM received more CTM applications than the equivalent months in the previous year. In April alone the office received over 9,000 applications – the second-highest number ever received in a month. (The current record was set in November 2004 and was mainly due to the implementation of a special opposition period following the EU enlargement around that time.)

The steep rise in April was almost certainly a result of favourable fee conditions established under a transitional regime. CTM applications pending when the official fee reduction came into force benefited, as applicants needed to pay only the application fee provided for by the original system (which was lower than the combined application and registration fee introduced on May 1). According to Di Carlo, the figures for May and June show a similar volume to the comparable timeframe last year. "As at the end of June, filings are down around 5% on the levels we had at this point in time last year," he reports.

Of the agents surveyed, 75% had reduced their own attorneys' fees connected to CTM registration since the introduction of the new regime at OHIM, with percentage cuts ranging from 10% to 40% (see Figure 2 on this page). These cuts mainly relate to filing and registration fees, with some agents abolishing registration charges altogether, mirroring the removal of this fee by OHIM. "We have significantly reduced our fees for reporting CTM searches and those stemming from publication," says Campbell Newell, a partner with Marks & Clerk LLP. "Plus we have clearly dropped our charges in association with payment of the official registration fees as these no longer apply. Overall, we've cut fees by £275, which is approximately 30%. Although this is very good news for clients, it also represents a sizeable drop in revenues for firms such as Marks & Clerk which file large numbers of applications."

While the cut in fees and falling filing numbers have proved a catalyst for some firms to alter their fee schedules, 20% of respondents to the survey reported that they had not felt the need to reduce their own fees. Explaining his firm's decision to maintain the same structure, Luis de Larramendi, a partner at Elzaburu, argues that although his firm's financial burden when advancing official fees on behalf of clients has fallen, its fees have not followed suit because they are not calculated as a percentage of the official fees. "Our charges are based on the in-house work required to perform the task in question, which is unaffected by the reduction in fees at OHIM."

No matter whether or not they have altered their fees, agents will be hoping that OHIM's prediction for 2009 year-end filing figures proves accurate. "Based on the latest data we have," says Di Carlo, "OHIM is likely to finish 2009 at a similar level to 2008, with somewhere between 80,000 and 90,000 applications. Although not envisaged as being a stimulus for filings, the cut in fees has perhaps come at a time when the system was in need of a bit of a boost."

Hard-fought compromise

The deal to reduce OHIM's fees would not have become reality without some concessions on all sides. Worried about the impact on the popularity of their own filing services, national offices pushed

Figure 1. **Were you happy with the final cut in CTM fees?**

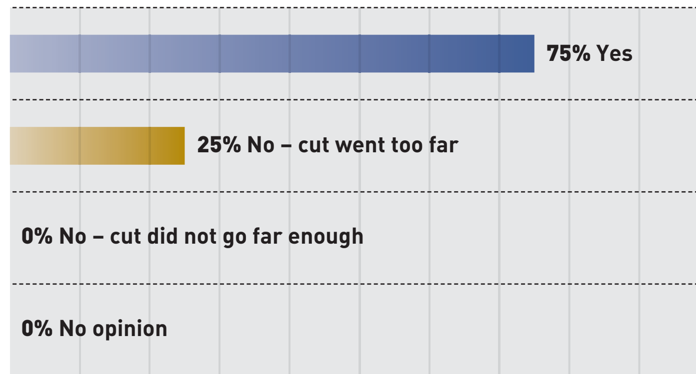


Figure 2. **Has your firm reduced its fees in relation to CTM prosecution work since the fee cut at OHIM?**

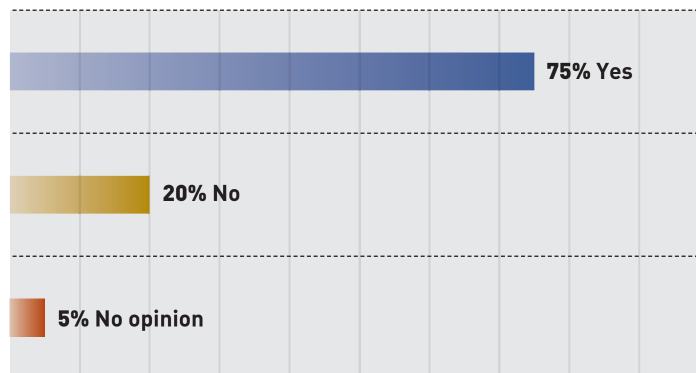


Figure 3. **Do you support the initiative to introduce a technical cooperation fund for national offices?**

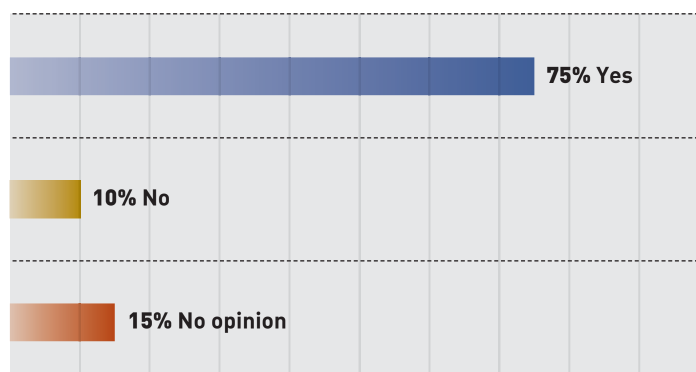


Figure 4. **Do you support the initiative to give 50% of renewal fees from CTMs to national offices?**

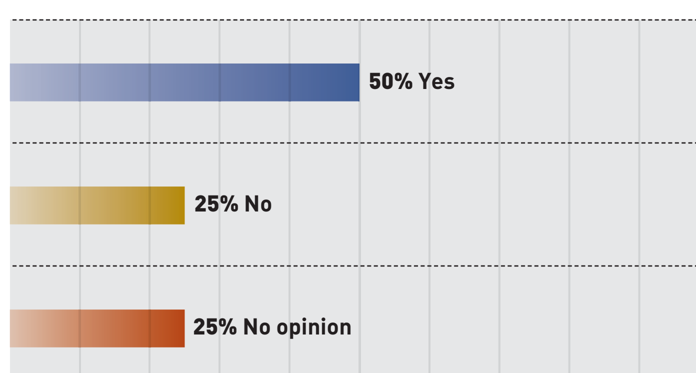


Figure 5. **Would you like to see a cut in the CTM renewal fee?**

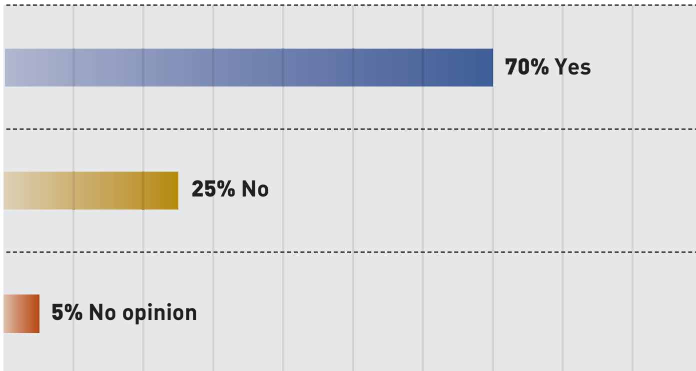


Figure 6. **Would you like to see a cut in the CTM opposition fee?**

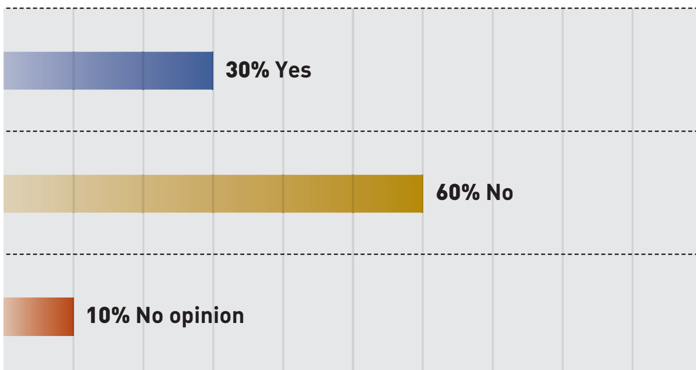


Figure 7. **Have you noticed any difference in service since the reorganization of OHIM's trademark department?**

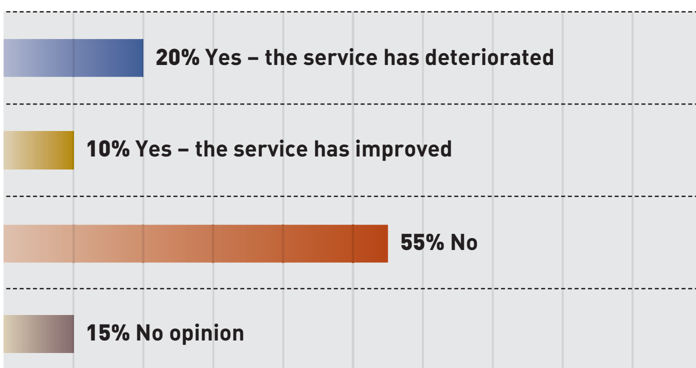
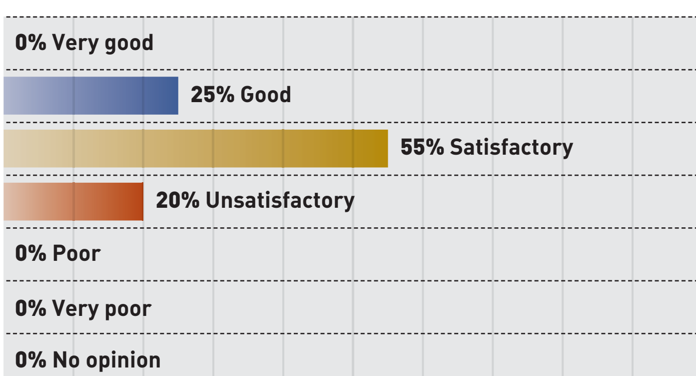


Figure 8. **In general terms, how would you rate OHIM's performance over the past 12 months?**



Andrea Di Carlo, director of the Institutional Affairs and External Relations Department at OHIM, Alicante

for measures guaranteeing a certain level of financial security. The compromise agreement carved out a €50 million technical cooperation fund from OHIM's surplus to be used by national offices for "projects closely related to the harmonization and the protection, promotion and/or enforcement of trademarks and designs". A further €190 million was set aside to be used by OHIM as a reserve fund, the remaining money being earmarked for use "in the interests of users".

Controversially, the deal also put in place a system under which CTM renewal fees are to be divided 50-50 between OHIM and national offices. However, national offices must use the money for "purposes closely related to the protection, promotion and/or enforcement/combat counterfeiting of trademarks".

Funding cooperation

Seventy-five percent of respondents to *WTR*'s survey supported the creation of the technical cooperation fund (see Figure 3 on page 20) and most of those also welcomed OHIM's move to increase transparency by opening up meetings of its Administrative Board to users. Since May 2009 representatives from the industry groups BusinessEurope, AIM (the European Brands Association), the European Communities Trademark Association (ECTA), the International Trademark Association (INTA) and MARQUES (the Association of European Trademark Owners) have been invited to

Tools of the trademark

OHIM has been making steady progress over the past year with tools developed in cooperation with national offices. Andrea Di Carlo at OHIM reveals that TMview, which allows users to search the trademark registers of all participating offices via an online interface, is on course to go live in September. The tool will be available free of charge and will help to streamline clearance searches across the European Union.

Under the first phase, data from OHIM, the World Intellectual Property Organization and the national offices of Benelux, the Czech Republic, Denmark, Italy, Portugal and the United Kingdom will be available to users. A second phase will be introduced in early 2010 integrating the trademark registers of Bulgaria, Estonia, Finland, France, Greece, Slovakia, Slovenia and Spain. The national offices of Germany and Sweden have expressed their intention to join a third phase, which is likely to be rolled out at the end of 2010 or the beginning of 2011. "We hope to have all the national offices integrated into the system by the end of 2011," notes Di Carlo.

Di Carlo also expects a number of national registries, including Benelux, Bulgaria and Italy, to join the EuroClass system during the second half of 2009. The EuroClass project, which started in 2006 with the cooperation of OHIM, Sweden and the United Kingdom, aims to provide a centralized online classification tool allowing national offices to publish their official and approved lists of goods and services. The goal is to harmonize classification across the European Union. Harmonized classification practice will be a key benefit for users as it will mean that one settled list of goods and services will be accepted or refused in the same way by every national office.

The scheme has expanded in recent months following the integration of the Czech Republic, Finland, Poland and Portugal in 2008 and early 2009. Slovakia and Spain joined the system in July 2009.

attend the meetings as observers. Observer status is granted for a period of two years.

Under the terms of the compromise agreement hammered out in Brussels in September 2008, OHIM was charged with producing a draft proposal on the operation of the cooperation fund. At a meeting on May 5 2009 OHIM submitted its plan to the Administrative Board. Following comments from EU member states, the board requested further details, which were presented for consultation in June. OHIM has appointed research firm Gartner to gather feedback from user associations and national offices. At the time of writing, it was expected that this process was likely to be completed in September 2009.

As part of the allocation process, OHIM proposes to appoint a management board to advise the president on the best use of the €50 million earmarked for the fund. The management board will comprise two representatives from the business community (who will not necessarily be from industry groups or user associations, but who will have in-depth knowledge of national and CTM systems) and two senior figures from within the EU institutions with experience in public management. The chair of the Administrative Board (currently Antonio Campinos, the director of the Portuguese National Institute of Industrial Property) will act as an observer. “The EU representatives will have had responsibility for managing similar programmes at EU level, but their experience is unlikely to be within the same field of operation,” explains Di Carlo. “The idea is that the market knowledge of the business professionals will balance with the public management skills of the EU representatives.”

At the time of writing, OHIM had not yet appointed the members of the board. Once established, the board’s first mission will be to set up the administrative procedures applicable to the fund and create a work programme. OHIM hopes to have the members of the management board and the work programme in place in time for the next scheduled meeting of the Administrative Board and Budget Committee in November 2009.

Spend, spend, spend

If stakeholders thought the negotiations leading to the creation of the fund were difficult, determining how the money should be divided between national offices may prove even trickier. But users are very clear on what they do not want to see happen. In a joint letter dated July 10 2009, responding to OHIM’s Initiation Note for the fund, AIM, BusinessEurope, ECTA, INTA and MARQUES wrote: “We all share a concern regarding the risk that CTM-generated funds would be diverted to member states’ general budgets for purposes unrelated to trademarks.” The industry groups therefore welcomed OHIM’s assertion that the “ultimate aim behind the establishment of the cooperation fund should be to contribute significantly to the optimization of the functioning of trademark systems across the [European Union], modernizing further trademark registration procedures and technology and eliminating unnecessary differences in practice which affect users”.

The respondents to *WTR*’s survey who were in favour of the creation of the fund hope that OHIM and national offices live up to this promise. They called for greater harmonization of local and EU practices, and for improvements in training, speed, service, IT tools and communication at the national offices. Other specific suggestions included the introduction of a database containing earlier national and international registrations from which seniority is claimed to assess the validity of the seniority claim and to trace the history of the prior registration. Some respondents confirmed their support for projects that will implement a common approach to class headings and establish a means for searching the registers

Figure 9. **In general terms, how would you rate OHIM's performance in handling CTM applications over the past 12 months?**

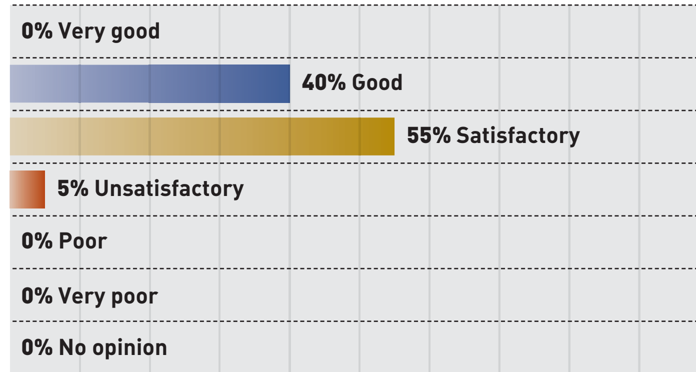


Figure 10. **How would you rate the new CTM e-filing system in comparison with the previous version?**

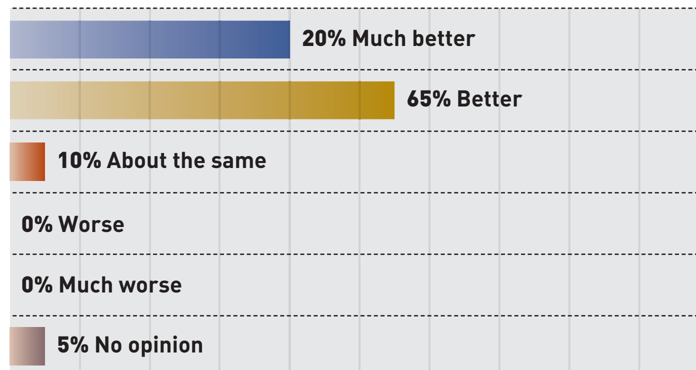


Figure 11. **In general terms, how would you rate OHIM's performance regarding CTM opposition action over the past 12 months?**

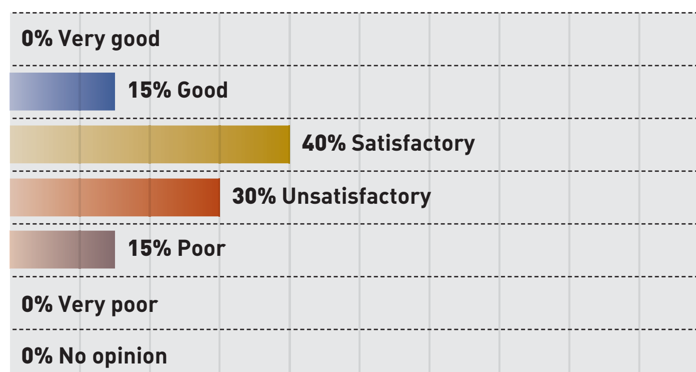
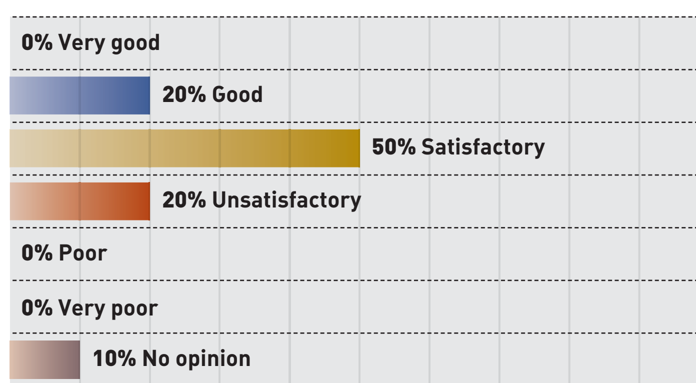


Figure 12. **In general terms, how would you rate OHIM's performance regarding CTM appeals over the past 12 months?**



Overview of Spanish Community Trademark Court cases 2008/2009

The Spanish Community Trademark Court and Tribunal – the Alicante Mercantile Court at first instance and Section Eight of the Alicante Provincial Court at second instance – have exclusive jurisdiction over:

- infringement actions;
- actions brought as a result of acts referred to in Article 9(3) of the Community Trademark Regulation (40/94); and
- counterclaims for revocation or for a declaration of invalidity of a Community trademark (CTM).

They are the default courts for EU-wide CTM disputes between non-European parties.

The court may also grant provisional and precautionary measures in respect of CTMs, and is competent to hear unlawful competition claims joined to actions in defence of CTMs, as stated in *AstraZeneca AB v Astra Sumnistros Medicos SL* (January 14 2008). In that case, the possible outcome of the unlawful competition claim, together with the likelihood of confusion between the signs, led the court to order that the defendant cease using the disputed sign on a provisional basis. The defence, based on the earlier trade name of a related company, was dismissed. Although a counterclaim for a declaration of invalidity can be based on a Spanish trade name, in this case the holder of the trade name was not a party to the proceedings and there was no indication that the trade name was of more than mere local significance.

In *The O Company NV v Aigua Del Montseny SA* (September 9 2008), interim relief was granted to the owner of a three-dimensional CTM consisting of the shape of a bottle against a Spanish company commercializing water in a similar bottle. The court found that there was a risk of dilution of the CTM, since the goods marketed by the plaintiff under the trademark were luxury goods, while the defendant's goods were destined for everyday consumption. The fact that the defendant had commissioned the design of its bottle independently posed no obstacle to the granting of interim relief – neither did the defence based on the registration of the defendant's bottle as a Spanish design. This latter consideration contradicted previous jurisprudence whereby use of a registered right cannot be deemed to be illicit unless that registration has been declared invalid on absolute or relative grounds.

In *L'Oréal SA v Sociedad Uniexva SL* (March 26 2008), the court ruled that the plaintiffs could not oppose the online sale of certain products bearing their trademarks, as the rights in these marks had been exhausted when the goods had been put on the market by the plaintiffs or with their consent. The fact that the defendant had not complied with the conditions imposed by the exclusive distribution agreements between the plaintiffs and their authorized distributors did not cause detriment to the reputation of the marks. Therefore, this exception to the principle of the exhaustion of rights conferred by a CTM, as recognized by the European Court of Justice (ECJ) in *Parfums Christian Dior* (Case C-337/95), did not apply. However, the court found that the trademark rights were not exhausted as regards product testers (which had never been commercialized by the plaintiffs) or products sold in altered or defective packaging, since use of the trademarks for these goods caused detriment to the reputation of the plaintiffs (as established by the ECJ in *Boehringer Ingelheim KG* (Case C-348/04)).

The case of *Grupo NKY Exchange SL v Gabrielle Studio Inc* was heard at both the first and second instance (June 2 2008 and January 23 2009, respectively). At first instance, the court found that the plaintiff's rights had been infringed because:

- there was a likelihood of confusion between the signs; and
- the defendants had applied for and registered their Spanish trademarks in bad faith.

At second instance, the court allowed the claim for invalidity of the national trademarks on relative grounds, but revoked the award of damages and the finding of infringement. The court held that there can be no infringement of *ius prohibendi* by use of a sign protected by a national registration unless that registration has been declared invalid on absolute or relative grounds. As regards bad faith, the court referred to established case law (eg, decision of the Spanish Supreme Court of May 23 1994), whereby bad faith cannot be assumed based only on the registration of a trademark that may conflict with other registered marks. Bad faith must be deduced from actual facts predating the application (eg, a contractual relationship between the applicant and the owner of the sign).

Similarly, in *D Mariano García Babón v Piquadro SPA* (February 5 2008), the court concluded that the defendant had applied to register the relevant mark in Spain in bad faith and was necessarily aware of the plaintiff's earlier CTM due to its reputation on the Spanish market. The court reversed at second instance, stating that the mere fact that an applicant knew that a registered CTM was used in Spain did not constitute bad faith, especially where the later mark covered dissimilar goods and services.

In *SSL Products Limited v Masermin SL* (March 10 2008), the defence was based on an earlier national right registered by a third party. The court stated that for this defence to apply, the licensing agreement between the defendant and the third party had to be registered with the Spanish Patent and Trademark Office.

In *L'Oréal SA v Yesensy España SL* (May 13 2008), the court found that a company director was liable for trademark infringement as:

- he owned the mark used on the infringing products;
- use of the mark was made by a company managed, directed and owned by him; and
- he had power of decision over use of the mark.

In *Droguería Perfumería Prieto SL v Perfumería Francisco Prieto SL* (December 19 2008), the court found that the defendant could continue to use his surname as part of a trade name, concluding that:

- use of the name did not constitute use as a trademark (see the ECJ's decision in *Céline SARL* (Case C-17/06));
- such use was not contrary to honest commercial practices; and
- the defendant did not intend to take advantage of the reputation of the plaintiff's trademark.

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of all EU member states' national databases through a single portal.

Such cooperation projects have been on OHIM's agenda for some time. However, the EuroFiling and EuroPortal tools, which would bring all the procedures of the national offices and OHIM together into one easily accessible system, are on standby at present. "Activity is likely to be ramped up once OHIM and national offices have a clearer picture of how the technical cooperation fund will be allocated," notes Di Carlo. "But we have made a lot of progress with other cooperation projects in the past 12 months." (For more information see "Tools of the trademark" on page 21.)

Money for nothing?

The final and most controversial aspect of the compromise solution to cut fees and reduce OHIM's surplus is the distribution to national offices of an amount equivalent to 50% of CTM renewal fees. This scheme will eventually replace the cooperation fund and will provide national offices with a regular income stream. However, under the terms of the agreement the money must be used for purposes closely related to the protection, promotion and enforcement of trademarks and designs.

Industry groups view this scheme as particularly problematic. According to research conducted by MARQUES, some EU member states divert fees from national offices into their general state budgets. The fear is that unless and until all national offices gain financial independence, there is no way of knowing whether the cash flowing into their coffers from OHIM will be used solely for the purpose of improving services for users.

Methodology for filing tables

OHIM data lists separately the filings from each office of the same firm. To obtain a clearer reflection of the market, *WTR* compiled the tables in this article using data provided by OHIM for the published period and by adding the filings of all the offices of a single firm in each country. Thus, the CTM applications filed by Novagraaf France and Novagraaf IP, also based in France, appear as a single entry in the general table and the France table, while Novagraaf Nederland BV appears separately in the general table and the Benelux table. This methodology differs from previous years, but we believe offers a fairer assessment of the market. *WTR* only took into consideration applications filed by law firms or patent and trademark agents. Furthermore, we have listed firms according to their country of origin so Lovells and RGC Jenkins appear in the UK table, not the Spanish table.

The list of representatives provided by OHIM took account only of offices that filed more than 50 CTM applications for the relevant period. While every care has been taken to guarantee that all relevant figures were considered, *WTR* will accept no responsibility for any mistake in the tables.

Opinions on the new renewal fee structure from respondents to *WTR*'s survey were mixed: 50% came out in support of the plan, while 25% expressed disapproval (see Figure 4 on page 20). Those in favour viewed it as a means to boost the infrastructure of the national offices. The divergence in the level of service across the European Union is striking. Italy, for example, currently has no opposition system in place. A law setting out the procedure was enacted 10 years ago, but users are still waiting for full implementation. "We welcome the fact that the Italian Patent and Trademark Office will have access to further funding," says Davide Follador, an attorney at law and European trademark attorney at Perani Mezzanotte & Partners. "Hopefully the national office will take advantage to improve the opposition system."

Others are not so positive. "What's done is done, but in my view trademark owners should not be subsidizing the national offices through CTM renewals," argues Verena von Bomhard, a partner with Lovells LLP. "I see absolutely no justification for it."

Clearly the controversy surrounding CTM renewal fees will continue, but the fact is that this is part of the compromise solution and users will have to get used to the idea. But they should also do all they can to make sure that the funds are used for the purposes for which they are intended. Industry groups will be keeping a close eye on the operation of the system and will be campaigning for greater transparency of national offices' accounts and income.

Further fee cuts

Since the implementation of the CTM fee reduction a significant discrepancy has arisen between the cost of the initial application (€1,050 for a paper application or €900 online) and the charge for renewing a registration (€1,500 under the standard renewal process or €1,350 via the e-filing system). This raises an obvious question: should renewal fees be cut too?

Industry groups have called on the European Commission to include an analysis of further fee cuts within its comprehensive study on the overall functioning of the trademark system in Europe (see "Review of European trademark system" on page 34). This suggestion is backed by the results from *WTR*'s survey, which indicated that 70% of respondents were in favour of reducing renewal fees (see Figure 5 on page 21).

Top representative filers of CTM applications from June 1 2008 to June 1 2009

Position	Representative name	Representative country of origin	CTM filings
1	Bureau Gevers	BE	863
2	Marks & Clerk LLP	GB	769
3	Perani Mezzanotte & Partners	IT	575
4	Elzaburu SLP	ES	521
5	Boult Wade Tennant	GB	465
6	Novagraaf Nederland BV	NL	458
7	Barzano & Zanardo	IT	443
8	Clarke Modet y Cia SL	ES	440
8	Jacobacci & Partners SpA	IT	440
10	Kilburn & Strode LLP	GB	429
11	Lovells LLP	GB	418
12	Pons Patentes y Marcas Internacional SL	ES	404
13	Ungria Patentes y Marcas SA	ES	374
14	Udapi & Asociados	ES	357
15	Murgitroyd & Company	GB	344
16	J Isern Patentes y Marcas	ES	321
17	FR Kelly	IE	320
18	Grünecker Kinkeldey Stockmair & Schwanhäusser	DE	311
18	Novagraaf France	FR	311
20	Shieldmark.Zacco	NL	307
21	RGC Jenkins & Co	GB	302
22	Field Fisher Waterhouse LLP	GB	301
23	Cabinet Germain Maureau	FR	300
24	Forrester Ketley & Co	GB	288
25	Abril Abogados	ES	262
26	Herrero & Asociados	ES	259
27	Jeffrey Parker and Company	GB	257
28	Boehmert & Boehmert	DE	250
29	FJ Cleveland	GB	243
30	Withers & Rogers	GB	241
30	Barker Brettell LLP	GB	241
32	Graf Von Westphalen	DE	238
33	Merkenbureau Knijff & Partners BV	NL	228
34	Nederlandsch Octrooibureau	NL	219
35	D Young & Co	GB	216
35	Giambrocono & C SpA	IT	216
37	Bugnion SpA	IT	214
38	Frank B Dehn & Co	GB	213
38	Elzas Noordzij BV	NL	213
40	Wilson Gunn	GB	209

Top representative filers of CTM applications from Benelux from June 1 2008 to June 1 2009

Position	Representative name	Country of origin	CTM filings
1	Bureau Gevers	BE	863
2	Novagraaf Nederland BV	NL	458
3	Shieldmark.Zacco	NL	307
4	Merkenbureau Knijff & Partners BV	NL	228
5	Nederlandsch Octrooibureau	NL	219
6	Elzas Noordzij BV	NL	213
7	Merk-Echt	NL	164
8	Office Ernest T Freylinger SA	LU	158
9	Vereenigde	NL	112
10	De Merkplaats	NL	98

Decisions from OHIM's Grand Board of Appeal

OHIM's Grand Board of Appeal consists of nine members and is chaired by the president of the Boards of Appeal. Cases are referred to the Grand Board where this is justified by the legal difficulty or importance of the case or by special circumstances, such as when Boards of Appeal have issued diverging decisions on a point of law raised by that case.

The Grand Board issued two decisions during the course of the past year or so.

In *Cardiva SL v Cardima Inc* (Case R1313/2006-G, July 15 2008), the Grand Board considered whether national trademark registrations resulting from the conversion of a CTM application that had been relied upon in opposition proceedings against a later CTM application can be relied upon as earlier rights for the purpose of those opposition proceedings.

Cardiva SL applied for the registration of the mark CARDIVA for goods and services in Classes 10, 35 and 39 of the Nice Classification. The application was opposed by Cardima Inc, which had made an earlier CTM application for the mark CARDIMA in Classes 9, 10 and 42. The application for CARDIMA was the subject of separate opposition proceedings brought by Cardiva based on earlier Spanish registrations.

The earlier opposition against the registration of CARDIMA was successful in respect of Classes 9 and 10 only. Cardima applied to convert its CTM application in Classes 9 and 10 in a number of member states; its conversion requests matured into national trademark registrations in the United Kingdom and Benelux. Cardima argued that in its opposition to Cardiva's later application, OHIM should take into account not only its earlier CTM, but also the UK and Benelux national registrations resulting from the conversion of the CTM.

The Opposition Division, following the reasoning of the Board of Appeal in *Havana* (Case R286/2002-3) and OHIM's Opposition Guidelines, held that Cardima's national registrations could not be taken into account – where a CTM application is relied on as an earlier right in opposition proceedings, national registrations resulting from a later conversion of that CTM application are "autonomous and independent" and "never the basis of the opposition". Therefore, the Opposition Division took into consideration only Cardima's CTM in Class 42. It upheld the opposition in respect of Class 10 and allowed the registration of CARDIVA for services in Classes 35 and 39.

Cardiva appealed, arguing that the Opposition Division's decision to refuse its mark in Class 10 was inconsistent with its decision in the earlier set of proceedings between the parties, in which it had been held that the parties' goods and services in Classes 10 and 42 were dissimilar. Cardima responded that:

- the Opposition Division should have taken into account its national registrations; and
- the opposition should be upheld for Cardiva's Class 10 goods.

The Grand Board decided that an opposition based on a CTM application that is later converted into national trademark applications and registrations can be maintained on the basis of those converted rights. It held that while the Opposition Division had to follow the OHIM Opposition Guidelines in this respect, a national right resulting from a converted CTM could not be considered to be autonomous and independent from the CTM application on which it was based. The Grand Board noted that it had the power to depart from OHIM's Opposition Guidelines (and from *Havana*). It concluded that Cardima's UK and Benelux national registrations could be taken into consideration and upheld the opposition to Cardiva's Class 10 goods.

Arguably, the decision better reflects the link between CTM applications and national registrations resulting from conversion. Given that converted national registrations stem directly from CTM applications, the conclusion of the board seems logical. The alternative, as outlined in *Havana*, would be for Cardima to wait until registration of the opposed mark and file cancellation proceedings based on its converted national rights, thereby incurring increased costs and delays.

In *Fuller & Thaler Asset Management Inc* (Case R 0323/2008-G, April 28 2009), the Grand Board considered whether the examiner had competence to issue a new decision on the substance of the case after an appeal had been filed.

Fuller & Thaler Asset Management Inc applied to register BEHAVIOURAL INDEXING as a CTM. The examiner refused and Fuller appealed. The examiner revoked the contested decision but later rejected the application on the same grounds. Fuller appealed against this second decision.

The Grand Board held that after a notice of appeal has been filed, the competence to decide on the case is transferred from the examiner to the Boards of Appeal pursuant to Articles 58, 61, 63(1) and 64(1) and (2) of the Community Trademark Regulation (40/94). Therefore, jurisdiction over such a case lies solely with the Boards of Appeal and only they can decide to remand the case to the appropriate department for further consideration. The examiner may rectify a decision only after an appeal has been lodged under the conditions laid down in Article 61 of the regulation. Consequently, the examiner is bound by the revision procedure in Article 61 and cannot, at his or her discretion, apply revocation provisions that are outside the appeal framework.

The Grand Board further stated that within that framework, the legislature had established a specific rectification procedure allowing the administration to rectify a decision within one month of the receipt of the statement of grounds. If the examiner does not rectify the decision within that time limit, the board is the only instance competent to rectify the decision.

In the present case, since the examiner lacked the competence to make a new decision on the substance of the case after the filing of the appeal, the second decision was contrary to Article 61. Consequently, that decision was null and void.

On the substance, the Grand Board held that there existed, for the relevant public, a direct and specific relationship between the expression 'behavioural indexing' and the goods and services at issue (Classes 9 and 36). The appeal was thus dismissed.

"The cost to OHIM of prosecuting renewals is much less than the cost of handling applications," notes Larramendi. "There is virtually no examination of renewals." However, he stresses that any reduction should be balanced. "If the cost becomes negligible, trademarks that hold little interest would nonetheless be renewed as a matter of course, keeping the number of trademarks in force unnecessarily high and blocking or obstructing the registration of new marks." This sentiment is shared by Lidy-Anne Jeswiet, chief executive of Gevers & Partners, who feels that any attempt to reduce renewal fees will prove futile. "Now that 50% of the revenues from renewals will be going to national offices, they are very unlikely to agree to lower the fee," she observes.

The European Commission will no doubt examine as part of its comprehensive study whether other fees should be cut. However, 60% of respondents to *WTR*'s survey felt that no reduction to the opposition fee should be contemplated (see Figure 6 on page 21). "The current €350 fee is the minimum that can be charged for filing an application, since any less would make it easier for businesses to file unfounded oppositions for commercial or strategic reasons," argues Curtis-Oliver. "As OHIM's decisions on costs are unenforceable in practice (the cost to file the enforcement claim is not usually covered by the costs awarded), many businesses opt for this strategy at the moment, so a fee reduction would just increase that trend."

Reorganizing OHIM

Reasons for the shake-up

Over the course of 2008 OHIM undertook a wide-ranging study on how best to support efforts to improve performance at the office.

Top representative filers of CTM applications from France from June 1 2008 to June 1 2009

Position	Representative name	CTM filings
1	Novagraaf France	311
2	Cabinet Germain Maureau	300
3	Bureau Casalonga & Josse	190
4	Cabinet Lavoix	164
5	Gilbey Delorey	140
6	Cabinet @Mark	129
7	INLEX IP EXPERTISE	128
8	Cabinet Beau de Loménie	110
8	Cabinet Hirsch	110
10	Pro·Mark	108

Based on the results of this assessment, OHIM's management committee established three working groups tasked with improving the quality of decisions, ensuring the uniform and equal treatment of CTM files, and developing an organizational model that could adapt and react to the recommendations coming from the first two working groups.

"It was clear from the working groups' analysis that we needed to reorganize our internal structures," explains Di Carlo. "Therefore, we took the decision to move from two trademark departments to a single one, which deals with all the procedures – from receiving an application right through to registration." Under the old system, each department provided four or five different services; files were scattered across various production units, which culminated in a lack of flexibility. Di Carlo adds that the timeframe for each service varied noticeably and because each service had its own responsibilities it was difficult to adapt to changing circumstances and move files from one service to another when necessary.

"By streamlining the path taken by CTM files we are now able to provide a more homogenized service," states Di Carlo. "Cases with matching characteristics should be processed to the same level of quality at the same speed." The new department now includes a so-called 'Quality Matters Service', which has horizontal responsibility. In addition to carrying out quality checks of decisions, it provides daily advice to examiners within the trademark department and assists in their training.

Further horizontal management structures are also built into the framework of the new trademark department. "Horizontal workflow managers monitor the CTM 'pipeline' and crosscheck the progress of applications against strictly defined criteria," explains Di Carlo. "They will take immediate action in case of 'blockages' in the pipeline – that is, situations where a CTM file has become subject to some sort of delay."

Impact

The reorganization of the department took place on June 22 2009 and it is difficult to assess what impact it has had on users so far. Nevertheless, the majority of respondents to *WTR*'s survey confirmed their support for the changes. However, based on early impressions, only 10% had noticed an improvement while 20% said that the service had deteriorated; 55% had noticed no difference since the reorganization (see Figure 7 on page 21). Curtis-Oliver feels it may have been wiser to delay restructuring. "In a short space of time we have had alterations to the internal quality management system, an overhaul of the official website, a fee reduction and a departmental reshuffle." Perhaps it is not much of a surprise then

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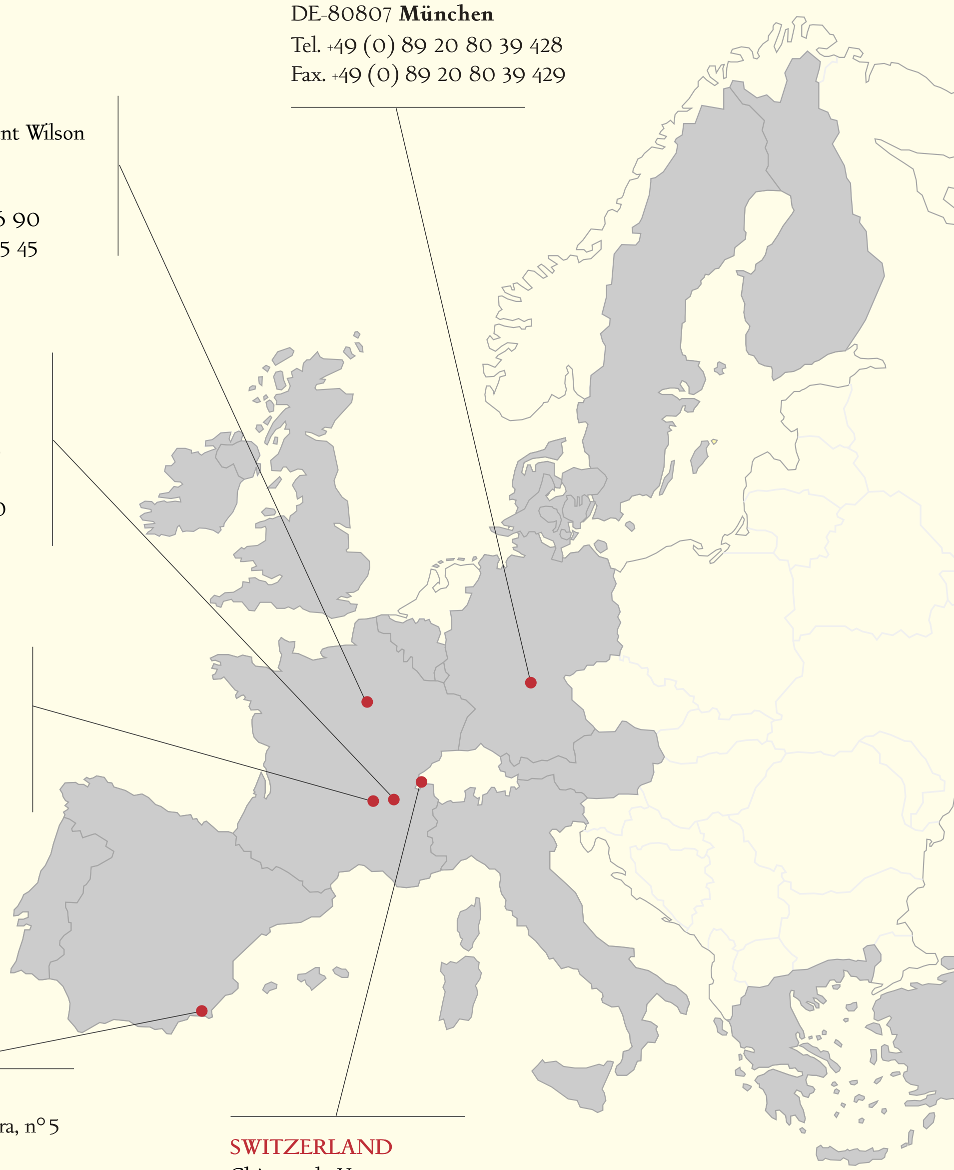

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that some of those noticing a decline in performance described the first few weeks after the reorganization as "chaotic". *WTR* learned of numerous examples of errors in communication, with firms being informed that files had gone missing or had been closed by mistake. Other respondents reported that, among other things, they had received incorrect notifications and documents or that these had been sent out in the wrong order.

The latest information obtained by *WTR* suggests that things are starting to settle down and Larramendi points to at least one positive change observed by his firm since the reorganization. "The examiner in charge of a trademark application is far more readily identifiable because he/she now handles all aspects of prosecution of the application, including any oppositions encountered. Before the reorganization, applications were analyzed by several different examiners, depending on the stage of prosecution concerned."

Di Carlo confirms that this was one of the key motivations for moving to a single department. "We wanted to reinforce the one file, one examiner approach put in place over the past two years," he says. He acknowledges that users may have experienced a dip in service levels immediately after the departmental restructuring. However, he is confident that the change will prove to be beneficial for users in the long run.

Taking charge

The reorganization puts the focus on quality and the equal treatment of files. The Department for IP Policy, headed by Vincent O'Reilly, is now responsible for managing and documenting the knowledge base, processes and protocols intended to improve the quality of examiners' work. While many respondents to *WTR*'s survey expressed their approval for tighter controls on quality and consistency, some questioned the appointment of Juan Ramón Rubio Muñoz (previously the director of the Quality Management Department) as the director of the new, streamlined trademark department.

Top representative filers of CTM applications from Germany from June 1 2008 to June 1 2009

Position	Representative name	CTM filings
1	Grünecker, Kinkeldey, Stockmair & Schwanhäusser	311
2	Boehmert & Boehmert	250
3	Graf Von Westphalen	238
4	Bardehle Pagenberg Dost Altenburg Geissler	202
5	Harmsen & Utescher	175
6	Mitscherlich & Partner	163
7	Meissner Bolte & Partner GbR	146
8	Beukenberg Rechtsanwalte	138
9	Hoffmann · Eitle	137
10	Wuesthoff & Wuesthoff	132

Much of Rubio Muñoz's time at OHIM has involved the management of human resources at the office. Certain commentators would have liked to have seen a person with greater legal knowledge take over the role. But Di Carlo is adamant that Rubio Muñoz has the right skill set for the job. "The key responsibility for the new director is the uniform and equal treatment of files, which requires proper workflow and organizational management. Rubio Muñoz's skills and experience make him particularly suitable for this job." Di Carlo also stresses that the new director will work closely with O'Reilly who is highly experienced in the field of trademark law.

As part of the wider reorganization process, OHIM has brought together the teams handling CTM cancellations and registered design invalidation actions within a separate department. They are joined by OHIM's IP litigation team, which represents the office in appeals before the European courts. The new department is headed by Beate Schmidt. "We concluded that people handling cancellation and invalidity actions have the same type of experience and knowledge as those dealing with IP litigation," notes Di Carlo. "Thus, it made sense to bring all this experience together within one department."

Overall performance

WTR's exclusive survey of the leading agent filers of CTMs also covered OHIM's performance over the past 12 months. In general, opinions were positive. As indicated by Figure 8 on page 21, 25% of respondents described OHIM's performance over the previous 12 months as 'good'; 55% said performance was 'satisfactory' and 20% were not satisfied.

Respondents provided a wide range of suggestions when asked to state the most significant improvement at OHIM of the past year. However, the fee reduction received the majority of votes. Improved examination times and the implementation of new e-business tools were also mentioned.

Despite being generally happy with OHIM's overall level of service, some respondents commented that performance was badly affected in early 2009 when the office overhauled its electronic file management system. On February 26 2009 OHIM introduced Euromarc++ to replace

the Euromarc system, which had been in place since 1996.

"The data migration from the old system to the new one was completed successfully," points out Di Carlo. "However, we do acknowledge that there have been problems." Implementing a system as complex as Euromarc++ was always likely to have an impact on users and Di Carlo is keen to reassure anyone affected that the office is working hard to bring performance back up to speed. "The office's level of service in terms of timeliness has gone down, but we expect to recover from that relatively soon," he says. "There were quite a few problems in March but for some weeks now the service has been stable. Users have been kept informed of the situation and of any service disruption through the website."

WTR's survey also canvassed opinion on OHIM's performance in key work areas – namely examination, opposition and appeal. The results in relation to examination were largely positive but, according to the majority of respondents, opposition and appeal actions remain problematic.

Examination

CTMs and e-filing

Only 5% of respondents to *WTR*'s survey said they were less than satisfied by OHIM's performance in terms of examination over the past 12 months (see Figure 9 on page 22). Improvements to the e-filing system and faster turnaround times were cited as major changes by those rating OHIM's examination procedure as 'satisfactory' (55%) or 'good' (40%).

OHIM upgraded the CTM e-filing system in February and now receives almost 90% of applications online. "The changes were based on users' feedback because they were not happy with the previous version," explains Di Carlo. Users are much happier now judging by the results of *WTR*'s survey with a total of 85% (20% – 'much better'; 65% – 'better') acknowledging that e-filing had improved since the introduction of the new system (see Figure 10 on page 22).

OHIM will no doubt welcome this positive feedback, but respondents also noted that they would like to see quicker turnaround times for straightforward applications (ie, applications involving no national searches, objections or oppositions). Di Carlo argues that OHIM is responding to such concerns.

In the last quarter of 2008 OHIM altered the way it measures performance for straightforward files. Under the previous model, it committed to examining 70% of all applications received within 25 days. Now, the office promises to deal with 99% of straightforward cases within 25 days. "We know this is a very ambitious target," says Di Carlo. "At present, we are examining around 83% of straightforward files in 25 days. To put things into context, in 2004 the office examined 80% of CTM applications within 200 days so we have made considerable progress in recent years."

The target for registration is 11 weeks and OHIM is still some way short of meeting that. "We achieve our target here in only around 40% of cases," observes Di Carlo. In relation to straightforward applications, the average pendency time for registration over the course of the first half of 2009 was 36 weeks; this is down from 44 weeks for the same period in 2008.

Top representative filers of CTM applications from Italy from June 1 2008 to June 1 2009

Position	Representative name	CTM filings
1	Perani Mezzanotte & Partners	575
2	Barzano & Zanardo	443
3	Jacobacci & Partners SpA	440
4	Giambrocono & C SpA	216
5	Bugnion SpA	214
6	Società Italiana Brevetti SpA	185
7	Dott Prof Franco Cicogna	163
8	Modiano	159
9	Signus Srl	138
10	De Simone & Partners SpA	136

Top representative filers of CTM applications from Spain from June 1 2008 to June 1 2009

Position	Representative name	CTM filings
1	Elzaburu SLP	521
2	Clarke Modet y Cia SL	440
3	Pons Patentes y Marcas Internacional SL	404
4	Ungria Patentes y Marcas SA	374
5	Udapi & Asociados	357
6	J Isern Patentes y Marcas	321
7	Abril Abogados	262
8	Herrero & Asociados	259
9	Interpatent	152
10	Curell Sunol	137

RCDs a continuing success story

OHIM launched a new RCD e-filing system in May this year, which simplified the electronic form and updated the system to overcome some of the technical limitations in the previous version. The change has been welcomed by users, as borne out in the filing figures since the revamp. Around 65% of RCD applications now go through the e-filing system – up from 40% before the overhaul.

Opposition

The opposition backlog has long been a concern for users – as has the inconsistency of decision making at this level. Both were highlighted as being in need of urgent improvement by almost all respondents to *WTR*'s survey, with 30% stating that OHIM's performance was 'unsatisfactory' and a further 15% rating it as 'poor' (see Figure 11 on page 22).

Since the turn of the year OHIM has taken steps to improve services. In January it established a special opposition group made up of eight staff members. The group is guided by three highly experienced examiners. This group handles straightforward cases that are in English and concern only one ground of opposition: likelihood of confusion. "Such cases make up the bulk of actions passing through the opposition system so having a team dedicated to dealing with them should help to reduce delays," explains Di Carlo. OHIM is also using the group to test new working methods. The office is revising the way examiners draft opposition decisions and has introduced tools to help raise levels of efficiency and consistency in decision making. According to Di Carlo, the results are promising. "At this point in the year we had expected the group to have drafted approximately 200 rulings and it has already surpassed that total. The quality of decision making also meets OHIM's internal targets." The office will continue to monitor the progress of the opposition group and its working practices for several more months before determining whether to implement the same working practices across the entire opposition division.

Despite concerns from respondents regarding delays, according to OHIM, average pendency times for oppositions are falling. The timeframe between the opposition examiner being in a position to make a decision and the decision being notified to the parties was 34 weeks on average in the first half of 2009, down from 39 weeks for the same period in 2008. "We are very far from our objective of finalizing opposition decisions within 17 weeks," notes Di Carlo. "At present we are achieving this in only around 20% of cases and the target is 80%. We acknowledge that the rate of change is too slow and we are not satisfied with our overall performance on the opposition side."

Perhaps a fully functioning e-opposition procedure will help bring down pendency times and resolve lingering communication problems. OHIM plans to unveil the new system in 2010. The average rate of use of the e-opposition procedure has been around 20% since it was first implemented. The lack popularity is largely due to the fact that although the procedure can be commenced electronically, the majority of the process has to be conducted by fax or standard mail.

Under the new procedure, the relevant representative at OHIM and the parties involved in the opposition action will have access to an online platform onto which they can upload their observations. These will be accessible immediately to the other side and OHIM will record all relevant dates for reasons of legal certainty. The entire procedure will be handled electronically, eliminating certain administrative steps.

Appeals

According to respondents to *WTR*'s survey, the main problems

Top representative filers of CTM applications from the United Kingdom from June 1 2008 to June 1 2009

Position	Representative name	CTM filings
1	Marks & Clerk LLP	769
2	Boult Wade Tennant	465
3	Kilburn & Strode LLP	429
4	Lovells LLP	418
5	Murgitroyd & Company	344
6	RGC Jenkins & Co	302
7	Field Fisher Waterhouse LLP	301
8	Forrester Ketley & Co	288
9	Jeffrey Parker and Company	257
10	FJ Cleveland	243

Top representative filers of CTM applications from other EU jurisdictions from June 1 2008 to June 1 2009

Position	Representative name	Country of origin	CTM filings
1	FR Kelly	IE	320
1	Zacco Sweden AB	SE	140
1	Berggren Oy AB	FI	132
1	Sandel, Løje & Wallberg	DK	130
1	J Pereira Da Cruz SA	PT	124
1	Kaminski Sobajda Kaminska	PL	67
1	Herlitz	AT	53
1	Danubia Szabadalmi És Jogi Iroda Kft	HU	51

"The main problems pinpointed at opposition level recur on the appeal side too ... Delays and inconsistent decision making are the chief concerns"

pinpointed at opposition level recur on the appeal side too (for the general approval rating see Figure 12 on page 22). Delays and inconsistent decision making are the chief concerns. But some also complained of a lack of appetite within the office to make use of the Grand Board, which was introduced in 2004 to hear complex matters of law. Very few cases have made it to the Grand Board so far. According to one commentator, requests are often turned down even for important legal and procedural issues (for analysis of two recent rulings from the Grand Board see "Decisions from OHIM's Grand Board of Appeal" on page 25).

Change at the top

Over the past year a number of milestones have been reached in the development of the CTM system. The next 12 months are likely to prove just as important. Details of the management board and work programme for the allocation of the cooperation fund should be in place within the next few months and the European Commission's study of the EU trademark system should get underway too. OHIM will also need to ramp up the recruitment process to replace its top tier of management staff. On May 4 OHIM published a draft vacancy notice for, among others, the posts of president and vice president of OHIM and president of the Boards of Appeal.

The president of OHIM's mandate expires on September 30 2010, which means that the final vacancy notice, setting out the application criteria, should be published in October 2009. The recruitment process, while based on an open, external selection procedure, is a long and complex one; the final appointment is not expected to be announced until June or July 2010. The current incumbent, Wubbo De Boer, has overseen many crucial changes in his nine years in charge. In his final 12 months in office he, and other key members of the European trademark system, will be putting in place a structure designed to find a compromise between competing interests in an effort to help balance national and Community rights. Judging by the wide range of opinion drawn out by *WTR*'s survey, this will be no easy task. WTR

John Batho, *World Trademark Review*, London

Review of European trademark system

It is now over 15 years since the implementation of the Community Trademark Regulation (40/94), which established the CTM and OHIM in 1994. OHIM began accepting CTM applications two years later. Much has changed since then and the time seems ripe to reflect on the progress made so far and plan for the future of trademark protection in the European Union.

In its conclusions issued in May 2007 regarding the financial perspectives of OHIM and the further development of the CTM system, the European Council, as well as calling on the European Commission to make immediate provision for a reduction of the fees charged by OHIM, also recommended that the commission start work on a comprehensive study of the overall functioning of the European trademark system. The deal to cut fees and the resulting creation of the technical cooperation fund make this study all the more pressing. Respondents to *WTR*'s survey welcomed the news that Margot Fröhlinger, director of Section D (knowledge-based economy) of the European Commission's Directorate-General for Internal Market and Services, has set the wheels in motion. Fröhlinger issued a tender for contract for the study in July 2009 and the closing date for submissions expired on September 4 2009. Preliminary results from the study are expected by early next year.

The tender document notes that "as the CTM system is closely linked to national trademark systems, the study shall also evaluate national systems and, in particular, the relation and interaction between the two systems, including the need for further harmonization". The study is likely to cover a number of legal matters, including an analysis of what constitutes genuine use of a trademark. Respondents to *WTR*'s survey raised this as an issue of particular concern. "A clear concept of genuine use of a CTM must be put forward," argues Lidy-Anne Jeswiet at Gevers & Partners. "We need to know the scope of the territory that should be covered; is use in one country sufficient for example?"

Some respondents called for the period of non-use to be reduced from five to three years, a proposal supported by Andrea Di Carlo at OHIM. Others reasoned that registrants should be required to file a statement of use after five years as is the case in the United States.

Reform of OHIM's opposition procedure also attracted a significant amount of comment. "Proving use in opposition proceedings could be streamlined," argues Luis de Larramendi at Elzaburu. "At present, when the applicant requests proof of use, which is often the case, the opponent must compile documentary evidence for trademarks which clearly are in use. Perhaps it would be better to postpone consideration of the issue of use, making it contingent on a successful challenge against the contested mark, or separate the issue out into different proceedings, even if they are concurrent." Another suggestion is to introduce opposition proceedings after registration, as CTM owners would then at least have a (preliminary) enforceable right.

Larramendi would also like to see a mechanism put in place for collecting costs from the losing party in opposition, cancellation or appeal proceedings. "Claims to collect the costs awarded in OHIM's decisions are frequently met with disdain by certain parties (and even by their representatives). Perhaps part of the funds from OHIM's surplus could be used to coordinate national, expedited cost-collection proceedings with the court systems in member states."

The study is likely to examine enforcement and the role of national bodies in this capacity. There have been some suggestions of using monies from the technical cooperation fund and renewal fees to implement measures through which national offices can assist in the enforcement of IP rights. But a number of respondents to *WTR*'s survey were sceptical. "The creation of new enforcement departments within national offices and/or at OHIM needs very careful consideration," says Jeswiet – a sentiment echoed by the industry groups that are now acting as observers at meetings of OHIM's Administrative Board. In a letter to Fröhlinger, these industry groups stated that moving into anti-counterfeiting work "would require a fundamental change of the mission of national offices" and may not be "an effective way to tackle the issue with quantifiable measures and could be counter-productive".

However, the creation of new CTM dispute resolution systems had the support of many respondents to *WTR*'s survey. "Consideration should be given to setting up a forum at OHIM for first-tier resolution of disputes/infringements," suggests Roger George at RGC Jenkins. "The creation of an arbitration centre for CTM disputes would definitely be of interest," adds Helen Curtis-Oliver at Clarke Modet.