

Finding its feet: 10 years of OHIM practice

Created out of a void, the pan-European system of trademark registrations run by OHIM has exceeded all expectations in the numbers of applications filed as well as in the way it has impacted on trademark owners' protection strategies in Europe

If you are to have a European common market, it follows that a pan-European trademark system will also be necessary, as trademarks are at the heart of the modern economy and competition. But logic is one thing: getting something done in Europe, especially when it involves controversial issues such as language, is quite another. It is hardly surprising, therefore, that it took nearly 40 years from the time the idea of a Community trademark (CTM) was first expressed in the late 1950s to the acceptance by the Office for Harmonization in the Internal Market (OHIM) of the first CTM applications on April 1 1996.

Since then the CTM system has profoundly changed the way brand owners plan their protection strategies in Europe: they no longer think country by country, but rather adopt a pan-European approach which spans 25 countries and covers a market of 460 million customers.

An office with a difference

OHIM, which was set up under the provisions of the Community Trademark Regulation (40/94), is at the heart of the CTM system. Its role is to promote and manage CTMs within the European Union. Since April 1 2003 it has also fulfilled this function for Community designs. In essence, this means that OHIM:

- carries out registration procedures for CTMs and Community designs;
- keeps public registers of these titles; and
- shares with the courts of the EU member states the task of pronouncing judgment on requests for invalidation of registered titles.

Based in Alicante, Spain, OHIM enjoys legal, administrative and financial independence from other EU institutions and from the member states. "OHIM enjoys a degree of administrative and financial autonomy vis-à-vis central authorities that few national offices seem to have," comments João Miranda de Sousa, OHIM's director for general affairs and external relations. "Fees charged by OHIM stay within OHIM," he adds, "and are not transferred to the

general budget of any central authority; their amount is fixed so as to ensure that the revenue is sufficient for the OHIM budget to be balanced." In fact, OHIM has enjoyed a budget surplus, which led to a fee reduction last November. "Because OHIM is not used for tax collection, its budget surplus had to be passed on to users," explains Miranda de Sousa, who sees this fee reduction as one of the office's most significant actions to date: "Reducing something as tangible as the cost of filing CTMs has an obvious impact on users, who assess OHIM mainly on the basis of cost, speed and quality." The reduction is also symptomatic of OHIM's philosophy. As Miranda de Sousa puts it: "Very few organizations reduce their fees when they have the opportunity to do so. The fact that OHIM did it shows that it is here to serve the industry."

Another difference between OHIM and national offices, besides the fact that OHIM does not handle patents and copyrights, and that the rights it does grant have a unitary dimension across the member states, is the degree of automatization of the office's processes, especially at the users' end. "Around 70% of all CTM applications are now filed online, which makes OHIM's e-filing rate one of the highest in Europe and close to that of the Japanese Patent Office," says Miranda de Sousa, who admits that the move towards an e-office is probably easier for OHIM than for national offices. "Because we are such a young organization," he explains, "we did not have to get rid of decades of established paper practice to make room for e-filing."

The multicultural and multi-linguistic dimensions of the CTM system and OHIM are also key features. The language aspect not only sets OHIM apart from its national equivalents, which normally deal with only one language (three in the case of the Benelux office), but is also unusual among EU institutions: OHIM broke from tradition by choosing five official languages (English, French, German, Italian and Spanish), rather than accept all EU national languages to conduct all proceedings. This reduced selection means that *ex parte* proceedings can be carried out in any of the 20 languages of the European Union, but *inter partes* proceedings must be carried out in one of the five primary languages. However, languages remain at the heart of OHIM's organization: files are allocated on a language basis first and then on a rotation basis, depending on each examiner's workload. CTM applications are put under the scrutinizing eyes of a native speaker of each of the 20 EU languages to assess whether the mark is descriptive in any of them.

A simplified structure

Around 700 staff work at OHIM, with another 100 people providing outside services, such as information technology, cleaning and

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security. OHIM’s organization is horizontal – the department directors report directly to the office’s president. This was not always so. In fact, OHIM’s original structure was rather complex, with one vice president overseeing legal affairs and another vice president looking after technical and administrative affairs. Nowadays, however, there is just one vice president and the duties of the former vice presidents have been split among several departments.

A Department of IP Policy (DIPP), headed by Vincent O’Reilly, was created to take responsibility for the preparation and revision of guidelines for examiners and users. Two trademark departments, created by a decision of OHIM’s management committee in April of this year and operational since July 3, regroup the tasks and responsibilities that were formerly those of the examination, opposition and cancellation divisions, as well as various technical departments previously split between the two vice presidencies. Council Regulation 422/2004 of February 19 2004 created the role of president of the Boards of Appeal – a position filled by Paul Maier since January 2006.

Besides the two trademark departments and DIPP, which together have 300 staff, OHIM has three other core business departments: the Design Department, the Litigation Unit and the Boards of Appeal. The other five departments (General Affairs and External Relations, Finance, Information Technologies and Facilities Management, Quality Management and Human Resources) provide support to the core business departments.

Grounds for appeal

What a glance at the office’s organization chart may not show is that the Boards of Appeal are out of the hierarchical line of the office: they have to do their job in full independence from OHIM policy. However, the boards’ reviewing function does not mean that there is any conflict with the rest of the office: “The spirit of reviewing what the others do is not about giving lessons,” declares Maier. “You have to accept that in trademark and design matters, very often one opinion is as valuable as another; it’s a question of whether the decision is rightly motivated.” But because the system gives the boards the final say, their decisions are what counts.

The boards’ independence (and open-mindedness) is apparent in the stance they have taken on unconventional marks, such as sound marks, which are now accepted by examiners, and smell marks – even though they remain isolated on this latter point, as neither the Court of First Instance (CFI) nor the European Court of Justice (ECJ) nor OHIM examiners have followed them down that path.

Maier makes another important point on the relationship



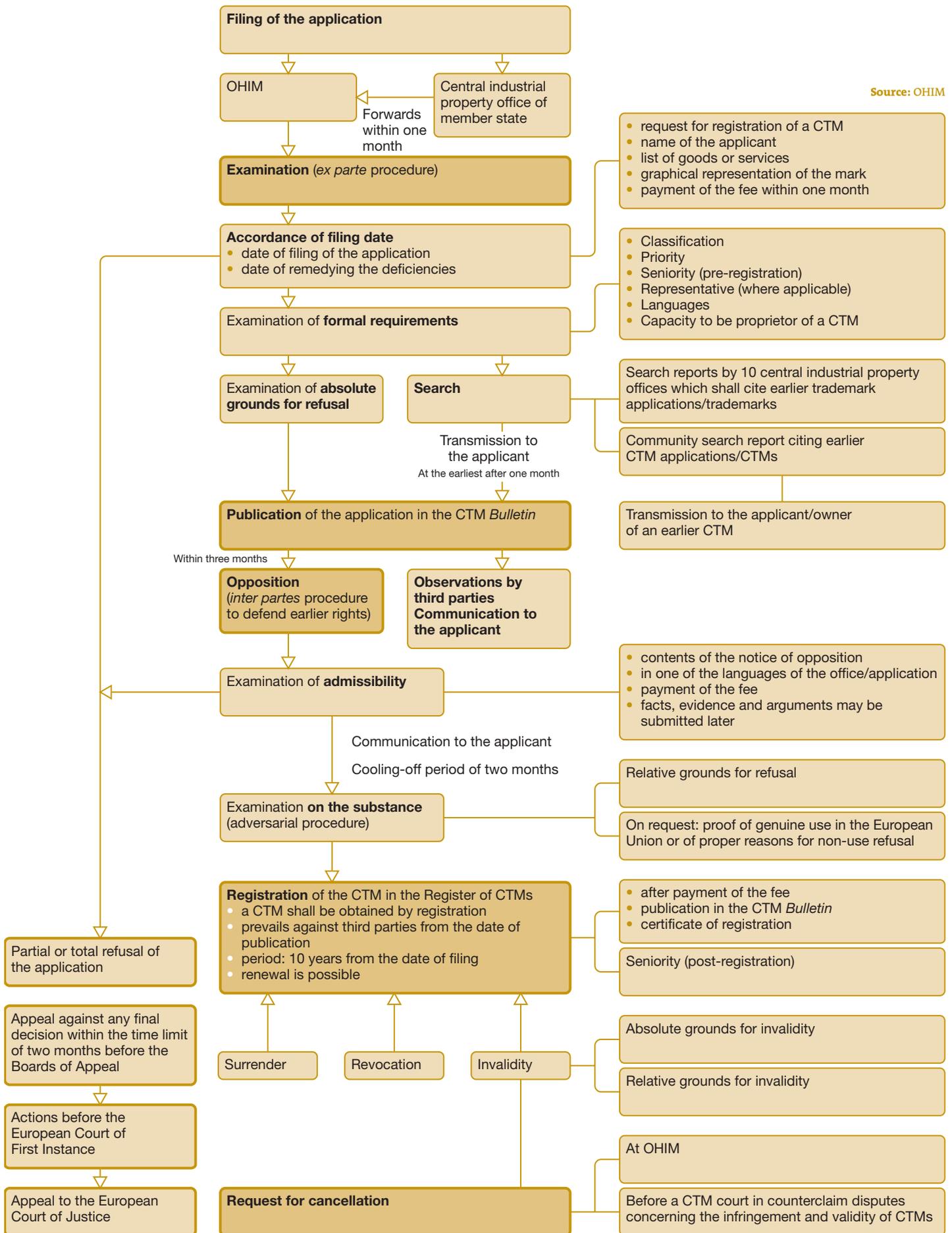
João Miranda de Sousa
Director of the General Affairs and External Relations Department

Miranda de Sousa joined OHIM in 1995 as a member of the Legal Department, became head of service for coordination and for financial and staff affairs in 1998, and was nominated assistant to the president of OHIM in 2000. Before joining OHIM, Miranda de Sousa was permanent legal counsel for different Portuguese public institutions and senior lecturer in administrative and economic law at the Universidade Católica Portuguesa. In 1992 he was appointed senior lawyer at the European Investment Bank in Luxembourg.

between OHIM and the Boards of Appeal, which is that, even though the boards are independent, there is a functional continuity between OHIM and the boards – a principle that has been confirmed by the courts. According to the continuity principle, the Boards of Appeal must consider all arguments submitted by the parties with respect to facts and legal issues. However, a pending case may set a limit to this principle of continuity. In *ARCOL/CAPOL* (R 782/2000-3), a board refused a new element of evidence brought before it by the applicant because, in the proceedings before the Opposition Division, that element of evidence had been filed outside the time limit. The CFI held that the board should have looked at that evidence in totality, regardless of whether it had been filed too late to be considered by the Opposition Division. What the court said, essentially, was that an appeal before the boards starts a new procedure and so new evidence can be considered. Maier is not comfortable with this. “The danger from our point of view is that a party may not feel obliged to bring all evidence at first instance if more can be considered on appeal,” he explains. Normally OHIM would have followed the CFI’s decision but it was so unhappy with the ruling that it appealed to the ECJ – a rare occurrence. The oral hearings have taken place and the decision is expected before the end of the year.

In any case, the boards’ decisions often prompt an immediate

Source: OHIM



practice change at the examiners' level. This occurred after the 1998 *IX Case* (R 4/1998-2), which changed the way examiners deal with two-letter marks. The examination guidelines written prior to the CTM launch stated that three letters could be distinctive and thus registrable as trademarks, but two letters could not. Fuji Photo Film Co Ltd applied to register the letters 'IX' as a CTM and the examiner refused the application. The Board of Appeal disagreed and found that two letters can be distinctive. OHIM's examination guidelines were amended straight away.

The impact of the *Giacomelli Case* (R 46/1998-2) of 1999 was less direct but just as important: the Second Board of Appeal held that an application in relation to retail services may be registrable, as long as a reference to the field of activity connected to the retail services is made. OHIM did not change its practice straight away: it first liaised with national offices, and after a year-long consultation process OHIM decided to change its practice, which has now been in place for six years.

With over 7,000 decisions issued by the boards, very little legal or procedural territory remains uncharted, and so individual decisions have less and less impact on OHIM's general practice. However, one issue that remains unsettled is whether genuine use of a CTM in one member state will always be sufficient to fill the use requirement. "This is something I would very much like to see the courts tackle," confesses O'Reilly.

The relationship between the boards (and OHIM in general) and the courts is different. The CFI and the ECJ check the legality of the boards' decisions and the boards (and the office) are bound by law to apply the courts' rulings to the case at hand. (Interestingly, the CFI has so far upheld 80% of the boards' decisions.) Maier quotes the ECJ decisions in *BABY-DRY* (C-383/99 P) and the *Kik Case* (C-361/01) as having had an important impact on the boards. In *BABY-DRY*, the ECJ held that a combination of two descriptive words was capable of forming a new and distinctive trademark. The decision was important not only because of the decision on substantive law, but also from a procedural point of view, as it confirmed the continuity principle. For its part, the *Kik Case*, in which the language rules of the CTM were challenged as being unconstitutional and in violation of general principles of EU law, confirmed that the linguistic regime of the office is in fact valid.

Whether the boards and the office as a whole also follow the courts' jurisprudential trends is another matter. But O'Reilly dismisses the implied criticism that OHIM's decisions lack coherence and predictability. For him, if the office has not always followed the ECJ jurisprudential trends in the past (OHIM's reluctance to apply the principles of the *BABY-DRY* decision is famous), it is because it was still early days and there were still a fair number of grey areas. "Besides," he adds, "the ECJ itself did not follow its own *BABY-DRY* ruling in later cases."

Successes so far

The CTM system is on the whole very successful, as the number of CTM applications filed since 1996 bears out. Instead of the 15,000 annual applications originally expected, an average of 50,000 applications have been filed each year over the past 10 years; over 37,000 applications were filed in the first half of 2006 alone.

Besides the impressive filing statistics, the success of the CTM system can be assessed by looking at how OHIM has dealt with the seemingly insurmountable hurdle that was the enlargement of the CTM system to 10 new countries when Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the European Union on May 1 2004.

O'Reilly plays down OHIM's role in the successful enlargement,

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Vincent O'Reilly
Director of the IP Policy Department

O'Reilly joined OHIM in 1995 as head of the Examination Division. In 2002 he was appointed director of the Administration of Trademarks and Designs Department. Prior to joining OHIM he worked in various Irish government departments, including the Irish Patent Office.

Opposition procedures

There is no substantive examination to identify any prior rights that would conflict with the registration of the requested Community trademark (CTM). Prior rights may be asserted only by their owners or third parties in specific cases. Only 20% of all CTM applications are opposed.

There are four principal grounds for opposition, which may all be used in the same opposition:

- ownership of an identical or similar prior trademark that is registered for identical or similar goods or services;
- ownership of an earlier trademark with reputation against a subsequent CTM application that designates different goods or services;
- ownership of a non-registered trademark or other sign used in the course of trade of more than mere local significance if, pursuant to the law of the member state governing the sign, it entitles its owner to prohibit the use of a subsequent trademark; and
- filing of the CTM application by the agent or representative of a trademark owner without its consent.

If the mark upon which the opposition is based has been registered for more than five years as of the date of publication of the contested CTM application, the applicant may request proof of the genuine use of the prior mark. If no proof is submitted or OHIM considers the proof inadequate, the opposition will be rejected.

The OHIM building
Copyright: OHIM



CTM applications

Year	CTM	Total
1996	43,137	43,137
1997	27,277	70,414
1998	31,626	102,040
1999	41,293	143,333
2000	57,379	200,712
2001	48,908	249,620
2002	45,219	294,839
2003	57,669	352,508
2004	58,953	411,461
2005	64,770	476,231
2006 (to July 31)	37,082	513,313

Source: OHIM

CTM registrations

Year	CTM	Total
1997	576	576
1998	24,244	24,820
1999	34,256	59,076
2000	34,756	93,832
2001	38,529	132,361
2002	35,885	168,246
2003	34,305	202,551
2004	34,434	236,985
2005	59,737	296,722
2006 (to July 31)	37,882	334,604

Source: OHIM

CTM oppositions

Year	Oppositions received	Oppositions settled			Oppositions pending
		By a decision	By not proceeding to judgment	Total	
1997	851				
1998	11,059	32	293	325	
1999	10,609	414	4,679	5,093	
2000	11,500	1,774	6,000	7,774	
2001	12,879	2,026	6,725	8,751	
2002	9,802	2,422	6,927	9,349	
2003	9,940	2,119	5,503	7,622	
2004	10,721	2,886	5,514	8,400	
2005	17,367	3,750	6,778	10,528	
2006 (to July 31)	8,281	2,334	4,808	7,142	
Total	103,009	17,757	47,227	64,984	38,025

Source: OHIM

though. "Most issues, such as the relationship between national marks and CTMs in the new member states or the new absolute grounds for objection, had been solved in the accession treaty," he explains. "All we had to do was extend the system we had in place for 11 languages to 20 languages." Still, the enlargement has had no perceivable effect on sensitive issues such as proceeding lengths, and for CTM users and applicants the enlargement means that the scope of protection of their rights has increased tremendously, at no extra cost. This is something OHIM is particularly proud of, especially as the office did incur significant extra expense in recruiting and training new staff and adapting its IT infrastructure.

The smooth integration of 10 countries into the CTM system means that OHIM can contemplate the accession of Bulgaria and Romania on January 1 2007 (as well as other future expansions) serenely. "If OHIM and the CTM system can absorb 10 new member states without a hitch," Miranda de Sousa comments, "two more states will certainly not be a problem."

Another of OHIM's big success stories is the link with the Madrid Protocol, which became effective on October 1 2004. In fact, the success of the link took OHIM by surprise – in particular, the use made of CTM applications to file international applications. "We did not expect to have so many international applications (1,800 a year) based on CTMs," Miranda de Sousa admits. Around 15% of CTM applications come from Madrid applications; the total number of applications coming from the United States has increased very slightly – 3% more now than two years ago – but around 20% of the applications originating from the United States come through Madrid applications. (Interestingly, trademark private practitioners' view of how successful or even useful the link is differs from the view at OHIM. See "OHIM and the CTM – the practitioner's perspective" on page 27.)

Another achievement has been the fee reduction introduced in November 2005. This did not present the legal or procedural challenges of the enlargement or the link to the Madrid Protocol, but it has had and will continue to have just as significant an impact on trademark owners, as the reduced fees make the CTM system so much more affordable and thus attractive.

User (dis)satisfaction

But these successes cannot hide the fact that users are not entirely happy with OHIM's services and performances. The user satisfaction survey published in March 2006 shows that a fair proportion of

Views of Alicante
Copyright: OHIM



users (33% of agents and 38.1% of mark owners) are – well, not entirely satisfied with OHIM. The main areas of complaints are:

- the lengthy procedures, in particular in case of opposition or appeal;
- the lack of predictability of the office's decisions;
- the cumbersome administrative procedures;
- the difficulty in getting hold of OHIM staff to discuss matters directly; and
- rather ironically, the office's poor handling of complaints. (It is not the Customer Care Unit, created in 2004 as part of the General Affairs Department, that is at fault. The care unit follows a 10-day turnaround principle that is closely monitored. It is complaints filed with other departments that have attracted criticism.)

The Boards of Appeal scored particularly badly on delays and predictability. "I was shocked to read the figures relating to the Boards of Appeal," Maier admits. For his part, Miranda de Sousa tries to look on the bright side: "Our performances have improved dramatically since 2004." He does acknowledge that all is not perfect in Alicante, but calls for understanding: "People expect a lot of OHIM – rightly so, too – but they should also be indulgent. A lot of the office's mistakes can be put down to its youth and to the complexities generated by its multinational and multilingual nature."

But OHIM is on a mission to correct these failings.

The Boards of Appeal

- The president of the Boards of Appeals manages the boards and chairs the presidium of the boards and the Grand Board.
- There are three trademark boards and one design board, which is made up of members of the other boards.
- Cases are allocated on the basis of objective criteria determined by the presidium (eg, all German cases go to the First and Fourth Boards because the Second Board does not have the linguistic competence). Cases are then allocated on a rotation basis between the boards in chronological order from their arrival at the registry.
- The presidium helps the boards organize themselves while maintaining their independence. It is composed of the president of the Boards of Appeal, the chairpersons of the three trademark boards and three delegates chosen by the 11 board members.
- The presidium:
 - allocates cases between the boards;
 - decides on the composition of the boards; and
 - decides which cases go to the Grand Board and the criteria for the referral of cases to single members.
- The Grand Board decides on cases that are important from a legal point of view or in which there is a divergence between the boards. Cases can be referred to the Grand Board by the board to which they have been allocated or by the presidium. Of the four cases referred as of the end of July, two were referred by the boards to which they had been allocated and the other two by referral of the presidium.
- Cases that present no legal or factual difficulties or that are of limited importance, and in which there are no specific circumstances, can be referred to a single board member by the board to which the case was first allocated. No case has been referred yet because the current feeling in the boards is that: (i) there is no real need to send cases to single members because it is very complicated from a procedural point of view (the board would have to make a decision on referring the case first); and (ii) a single person would not take a decision more speedily than three or four (ie, the total number of persons in the boards).

Recent changes

Structural changes that have taken place, for the most part, in the past few months could not have been better timed as they appear to afford at least some solutions to the complaints voiced by users.

For example, Maier's appointment as the first president of the Boards of Appeal in January has had an immediate effect: around 1,000 decisions had been issued by the boards by the end of July, which is more than for the whole of 2005. Maier is proud of the results for the few months since he took the job. "People really took on board my call for more efficiency and have responded magnificently," he says. The average time needed between receiving an *inter partes* appeal and the day the decision is notified has been reduced from 213 days in 2005 to 126 in the first quarter of 2006 (*ex parte* cases take a few days longer). But Maier is not complacent. "We want to maintain and even improve this standard," he declares.

The other prominent item on Maier's mission sheet is improving the coherence and consistency of the boards' decisions. "What the office wants from the boards is a high level of predictability," he recognizes. Maier hopes that the newly created Grand Board – an enlarged board that handles particularly difficult cases – will help achieve this goal.

“The boards’ image remains one of delays and, to some extent, unpredictability. We need to work on the image of the boards as much as we do on actual performances”

The workflows in the rest of the office should also be improved by the newly introduced principle of one file, one examiner. Only one examiner needs to become acquainted with each file from beginning to end, which should be beneficial to both OHIM staff and users. “The key words here were ‘empowerment of examiners’ and ‘streamlining of procedures,’” O’Reilly explains.

Priorities

As to the other areas of dissatisfaction, most were part of OHIM’s list of priority issues to tackle even before the survey results were out. Thus, the office has set ambitious targets for its service standards. For example, it intends to send notification of the closure of the adversarial part of an opposition procedure within four months in 80% of cases by the end of 2006. The proportion was only 7.1% in late 2005.

And so, besides aiming to become faster, more reliable and more efficient, OHIM also wants to:

- simplify procedures and eliminate bureaucracy;
- become a true electronic office; and
- be more user-oriented.

(A fourth goal, which is unconnected to the user satisfaction survey but which will help achieve the other goals, is to strengthen its cooperation with national offices.)

These goals go hand in hand. Streamlining procedures implies a re-engineering of processes, such as the limitation of the cooling-off period in opposition proceedings, which should help cut out a lot of bureaucracy and save time. When pre-application searches become optional in 2008, registration time should be cut down by up to three months. (The average time for an unopposed application to mature to registration is now 18 months, with 40% of such applications maturing in less than 13 months.)

As part of its plan to become a true e-office, OHIM has now rolled out an e-opposition system as well as e-payment. Other existing online tools include the CTM consultation database, which is reviewed regularly, and the CTM *Bulletin*. Access to CTM files online should be available in 18 months and an online database of CTM agents is also in the pipeline.

Regarding contact with its staff, OHIM will study the possibility of establishing standards such as guaranteeing a reply to an email enquiry within 48 hours. With regards to complaints, the office will aim to improve the internal handling of complaints and will communicate further with users to engage their assistance in achieving better results.

O’Reilly continues to see his and his department’s priority as



Paul Maier
President of the Boards of Appeal

Maier joined OHIM in 1995 as chief adviser to the first president of OHIM, then was in charge of the Enlargement and Community Design Department. Before joining OHIM he spent several years at the European Commission, working on copyright harmonization issues.

providing clear advice to OHIM staff and users on CTM procedures. New examination guidelines were published at the end of June, the first ever opposition guidelines were issued in July (a consultation period is open until September 30) and the first cancellation guidelines are scheduled for publication in the autumn. O’Reilly will also continue to inform users by speaking at conferences such as the International Trademark Association’s annual meeting.

Interacting directly with office users is something that OHIM should probably do even more. “Dramatic progress has been made already in the past few months,” Maier notes, “but the boards’ image remains one of delays and, to some extent, unpredictability. We need to work on the image of the boards as much as we do on actual performances.” Which is probably also true of the rest of the office. [WTR](#)