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# Preparing for the storm

*WTR's exclusive Global Trademark Survey is a groundbreaking attempt to calibrate the true impact of the financial crisis on trademark professionals worldwide. The results serve as a warning that today's challenging market looks set to become even tougher*

**T**he veritable hurricane unleashed by the latest financial crisis appears to have left no market unscathed and the trademark sector is no exception. National and international registries are reporting major slowdowns in filings. Budgets are being slashed, jobs cut and departments pared down to the bone. Yet amid all the turmoil there are pockets of resilience, with reports from some jurisdictions suggesting that it is still very much a case of 'business as usual'.

To determine how the economic meltdown is affecting trademark professionals around the globe, *WTR* set out in March this year to gather objective data that reveals the true extent of its impact. Opinions were canvassed from more than 4,000 senior corporate counsel and leading figures from private practice to provide a unique snapshot of the trademark market in a time of upheaval, and to predict how things might unfold in the coming months. The *WTR* Global Trademark Survey 2009 – the first and only of its kind – draws together evidence of how the international financial catastrophe is influencing the sector, affording a bird's-eye view of the global trademark landscape and highlighting the best practices and strategies being employed to address today's unprecedented challenges. It pinpoints key trends, sheds light on current tribulations and reveals what experts forecast for the immediate future.

Unsurprisingly, the results confirm that in-house counsel are beset by budgetary cuts, team restructurings and dwindling brand value. Meanwhile, many private practitioners are being forced to offer

significant discounts and radically rethink their working practices. But the underlying message is even more ominous: trademark practitioners have yet to feel the full force of the financial maelstrom. As Nick Baker, head of brands protection at Rouse & Co, responded: "The real effects will hit trademarks this coming year." The warning is stark: an epic storm is brewing and those in the trademark sector must prepare themselves before the thunderheads break.

## **Strip-downs and shake-ups**

Financial constraints are forcing corporate counsel to become increasingly creative. As the outlook darkens, many are taking preemptive action by restructuring their trademark portfolios. A leaner, keener portfolio has a greater chance of surviving the impending onslaught than one overburdened by weak marks. The *WTR* Global Trademark Survey reveals that some in-house practitioners are delaying filing to register the marks they use, while others are seizing opportunities to relaunch old brands. But all respondents seemed to agree that mark owners can make immediate savings by cutting back on luxuries such as defensive filings. "They help us on the enforcement side later on, but they are not necessary to the way we do business," says Ruby Zefo, head of trademarks at Intel. At MasterCard, meanwhile, marks that will soon be due for renewal are coming under heightened scrutiny. "They don't cost a lot of money, but renewing only essential marks is a way to save a little bit," says Colm Dobbyn, MasterCard's senior vice president and associate general counsel.

# WTR Global Trademark Survey

## – key results

Figures 1 to 10: In all cases practitioners were asked to compare the 12-month period up to March 2009 with the situation in the preceding 12 months

Of course, mark owners must be incredibly astute in selecting which marks to shed. As Diane Hamer, trademark counsel at the BBC, says, “Nobody wants to be the person who let a mark go that later turned out to have some value.” So in-house trademark teams have to think smarter. While many corporations react reflexively in hard times, suggests Zefo, Intel has adopted a more measured approach. “We are taking one step at a time,” she explains. “You have to plan better and be aware that things will change.”

And it is not only trademarks that are being reshuffled. One-third of in-house respondents to the survey confirmed that the gloomy outlook is forcing them to restructure their teams. This does not always involve job losses: for example, Zefo is busy reorganizing her team so that more work can be taken on in-house. Instead of relying on paralegals at outside firms to perform certain investigatory work, Zefo has instructed her own docket clerks and support staff to take much of this on board themselves. “That has saved us a lot of money on investigations,” she says. By contrast, Microsoft has found it more cost effective to outsource some clerical work. Russell Pangborn, head of the trademark team at the software giant, used to rely on internal contingent staff for the data-entry aspects of prosecutions. But these casual staff members were not on permanent contracts and had to be replaced regularly – a revolving-door policy that swallowed up a lot of time and money. “We were able to take the budget for contingent staff and allocate it to an offshore vendor that can do this more efficiently, with a higher level of quality and for lower cost,” explains Pangborn. “This has been very effective.”

### Value for money

While a significant proportion of corporate counsel respondents revealed that they are restructuring their teams and workloads, they also highlighted how external systems can help them save money. In these straitened times, corporate counsel must continually seek new ways to get maximum bang for their buck. So today more than ever, one would expect the acclaimed efficiency of the Community trademark (CTM) system to appeal. But while the CTM system has grown from strength to strength since its launch in 1996, the recession has finally reversed this trend. The Office for Harmonization in the Internal Market has braced for a decline by allocating €190 million from its CTM fee surplus as a survival fund.

These preparatory manoeuvres appear prescient, as the WTR survey confirms that the number of CTMs filed recently has fallen for 20% of in-house respondents (60% report that it has stayed the same, and 10% have seen an increase). While it is difficult to assess how the financial crisis will affect CTMs in the long run, it has already dampened the enthusiasm of some filers, as in a tough economic climate applicants do not want the added burden of dealing with tricky enforcement issues. Dobbyn, for instance, believes that the CTM is a “very efficient idea”, but is concerned that “there is still uncertainty as to the enforceability of the CTM in some less developed member states”. Tobias Unterguggenberger, senior IP counsel at Allianz, has similar fears: “We don’t know if the local judge in the United Kingdom, Hungary or France will draw the same conclusions from the law.”

Notwithstanding these concerns, it is likely that a dramatic fee reduction introduced on May 1 could make the CTM a more attractive option. With resources drying up, mark owners are looking to protect their rights across multiple jurisdictions for as little money as possible. The reduction has animated the in-house trademark community, provoking both cynical and positive reactions. “The move is a positive step because the CTM was overpriced,” says Dobbyn. “But I don’t really see it having a major impact on the number of applications.” He dismisses the suggestion

Figure 1. Corporate counsel

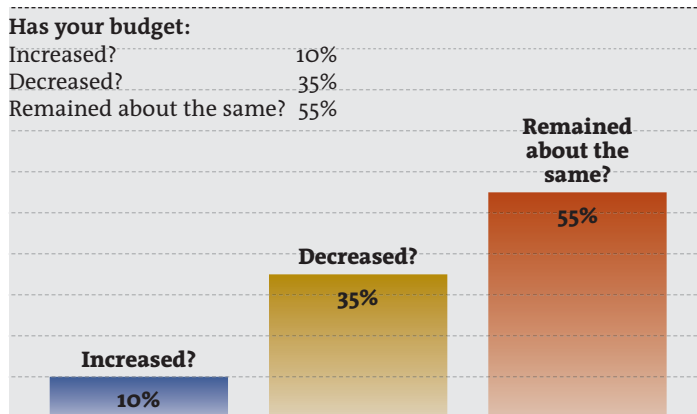


Figure 2. Corporate counsel

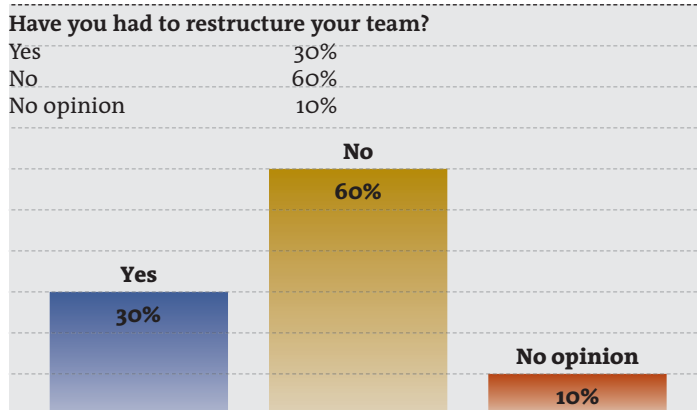


Figure 3. Private practice

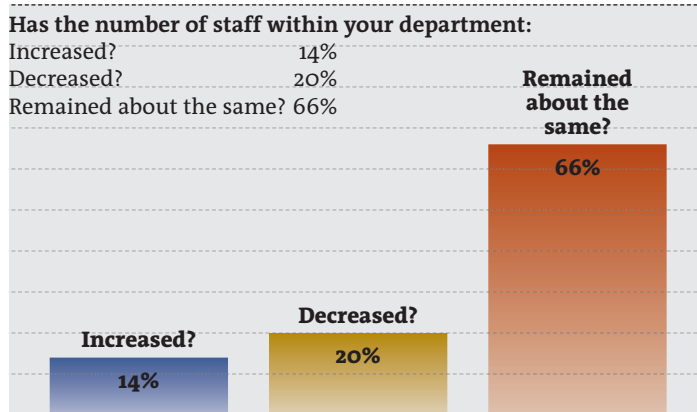


Figure 4. Corporate counsel

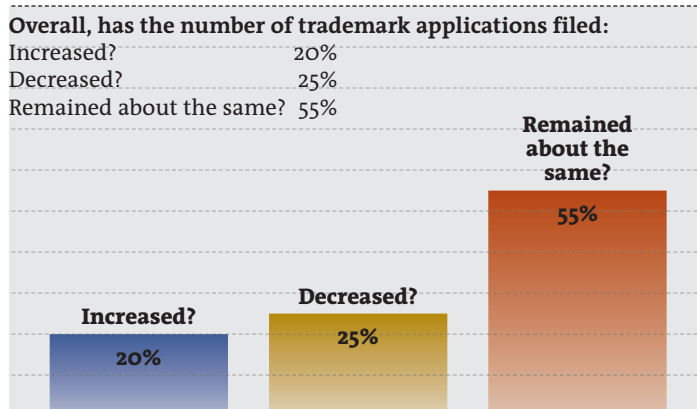


Figure 5.1 Corporate counsel

Will the CTM system supersede national procedures as mark owners look for better value for money?

Yes	50%
No	40%
No opinion	10%

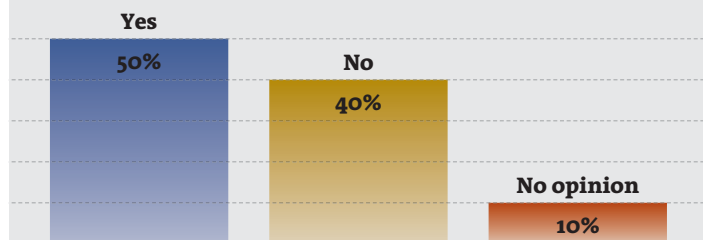


Figure 5.2 Private practice

Will the CTM system supersede national procedures as mark owners look for better value for money?

Yes	43%
No	19%
No opinion	38%

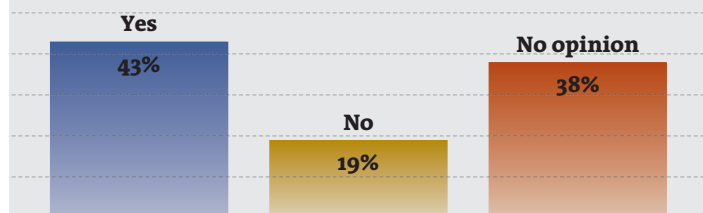


Figure 6.1 Corporate counsel

Should national IP offices reduce their fees?

Yes	40%
No	30%
No opinion	30%

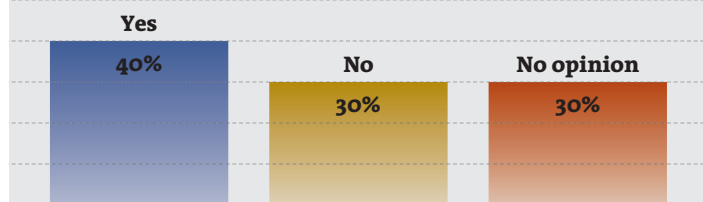
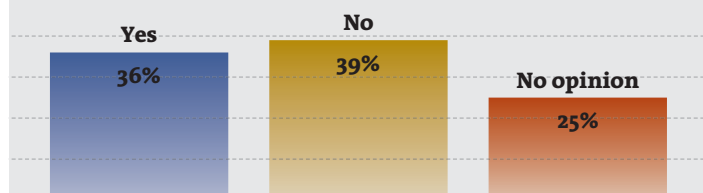


Figure 6.2 Private practice

Should national IP offices reduce their fees?

Yes	36%
No	39%
No opinion	25%



## Global Trademark Survey 2009: aims and methodology

WTR's first Global Trademark Survey was designed to assess the impact of the global financial downturn across a range of industries and jurisdictions, with a specific focus on trademarks. The aim was to slice through conflicting anecdotal evidence in order to arrive at an objective, authoritative assessment of the current health of the trademarks services market.

In March 2009 an online survey was sent to around 4,000 leading practitioners across the world, both in-house and in private practice. Some questions were duplicated across both groups, while others were tailored to the specific practice. The in-house group consisted of senior trademark counsel from a wide range of industries internationally. These respondents were asked 18 multiple-choice questions on topics ranging from budgets to team structure, trademark portfolio management, enforcement, licensing, management of external counsel, and national, CTM and Madrid registration systems.

At the same time, respondents from private practice were asked to complete an online form containing 16 multiple-choice questions on subjects including work volume, work type, income and fees, department staff, department structure, and national, CTM and Madrid trademark systems. WTR collated and analyzed the responses, and then set about sifting through the data to identify significant trends and prevailing opinions with an international flavour. Finally, WTR contacted a select group of respondents to seek further in-depth comment.

that the CTM will replace national procedures (although 50% of in-house respondents believe otherwise).

While private practice would be slower to ditch national procedures, Baker is among the 43% of law firm respondents for whom the CTM is the way of the future. "There are still issues," he says. "The CTM system remains 'cheap but risky' because applicants rarely carry out full pre-filing clearance searches in each and every member state. It's prohibitively expensive to clear everything before you file, so you always have a horrible period of uncertainty." On the whole, though, private practitioners were more supportive of national procedures than cost-conscious corporate counsel – not least, perhaps, because a blend of both Community-based and national-based procedures gives them more work to do. As one anonymous respondent from private practice suggested succinctly: "There is a need and a place for both the CTM and national systems."

National offices are, at least, employed more frequently by the increasingly popular Madrid system. Use of the CTM's older, more 'cosmopolitan' sister expanded by 5.3% last year. This was slower than in previous years, but continued growth at a time when national applications are falling may nonetheless suggest that countries traditionally hesitant to use the Madrid system are finally taking the plunge. Indeed, Japan filed 29.9% more applications under Madrid in 2008. Similarly, corporate counsel who were initially wary of using the system are warming to the idea as belts are tightened. Microsoft's concerns prompted the corporation to probe the efficiency and strength of the system before it engaged. Pangborn told WTR that he initially had concerns about what would happen should his applications come under central attack. An opposition in the home filing country could pull the rug out from beneath the entire application – even though registrants have the option to convert to a national registration at the time of opposition. "But our research shows that central attack is actually quite rare, so the fears raised don't play out in practice," Pangborn explains. He is now preparing to use the Madrid system more over the coming year.

So Madrid provides eager brand owners with a life-raft: as corporate counsel watch their budgets deflate this year and next, the protocol can offer real savings. But respondents in private practice warn that it is not watertight. Peter Munzinger, a partner at Bardehle Pagenberg Dost Altenburg Geissler in Germany, notes that although Madrid is much cheaper to use than separate national filings, the procedures have pitfalls. For example, relying on your national office to forward your application to the World Intellectual Property

Organization in a timely fashion may sometimes be optimistic. Munzinger dislikes having no control over this part of the application. Moreover, burgeoning use of the system may put a strain on the process, resulting in errors. "I can certainly understand that mark owners in countries that have acceded only recently to this system are still somewhat hesitant to use it permanently," he says.

It is still too early to confirm a major migration to Madrid by previously cautious mark owners. But the evidence suggests that confidence in Madrid is growing and that the system is looking increasingly attractive to the prudent trademark portfolio manager. "The Madrid Protocol and other systems that have multiple countries in a single filing obviously give us immediate cost savings," says Pangborn. "And those are cost savings that can be later utilized to maintain the portfolio."

**Cutting costs**

Perhaps inevitably, the *WTR* Global Trademark Survey found that as the future grows bleaker, money is the issue that worries respondents the most. Financial planning is a pressing task as in-house IP teams take a stock-check before the storm hits. The resulting portfolio reshuffles are not only saving money on the prosecution side, but also putting a dent in external service fees.

Unterguggenberger has felt just a few ripples on his trademark practice since the financial crisis began. Allianz has avoided capping its marketing budget, instead focusing on building the brand as the cost of advertising falls. Independently of market conditions, the insurance heavyweight has for some time been folding smaller acquired entities with different brand identities into the monolithic Allianz brand. "As a consequence of focusing more on the Allianz brand, we are centralizing the trademark work," he says. "Due to this process we now have better leverage with which to negotiate discounts from external counsel."

In fact, 60% of corporate counsel survey respondents have been renegotiating the fees they pay private practice, winning discounts of between 10% and 20% – although interestingly, just 28% of respondents in private practice confirmed that they have been reducing their charges. Other law firms are seizing the initiative themselves: Allen & Overy's litigation practice pre-emptively announced it was fixing fees across the board this year. "We are aware of the higher cost awareness of our clients," says Paul Reeskamp, a partner and IP litigator at Allen & Overy in the Netherlands. "One way or another, we have to meet those demands."

But most firms take their lead from clients. "We have taken a much firmer hand in how we manage external counsel," says Intel's Zefo. In addition to requesting percentage discounts, the company is now rolling out internationally strategies it has tested at a domestic level. "For example," she explains, "we may request that external counsel close, say, 10% of their cases this quarter for a fixed fee." Since Intel started measuring these rates in the United States and several other countries, it noticed that one firm closed more cases for less money than it had done the previous year. Meanwhile, some in-house teams are dumping expensive advisers altogether. "For certain enforcement actions, we're using smaller firms in second cities," reveals Dobbyn.

Just as fee and management structures are changing, so too is the type of work handed to private practice. The decline in the number of prosecutions is giving many cause for concern over the sustainability of their practices as they try to plan for tighter times ahead. As corporate counsel bring more of their own work back in-house in a bid to save money, external advisers are left out in the cold. But for some practitioners, work is picking up, albeit in a different form. In the United Kingdom, Rouse & Co, for one, has seen a surge in oppositions, filed both against and on behalf of its clients. "Perhaps corporate counsel are becoming more protective of what they have already and

Figure 7. Corporate counsel

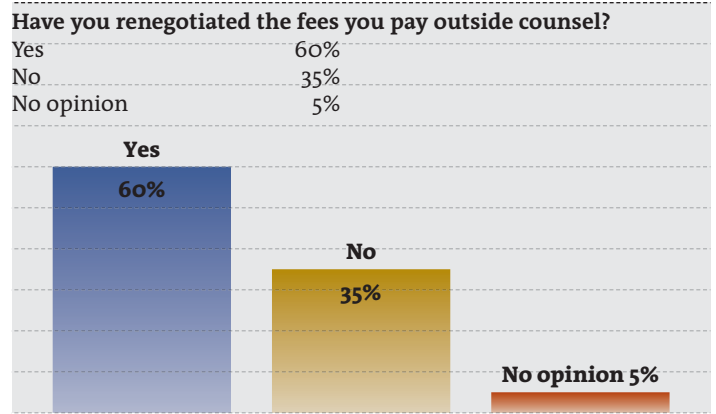


Figure 8. Private practice

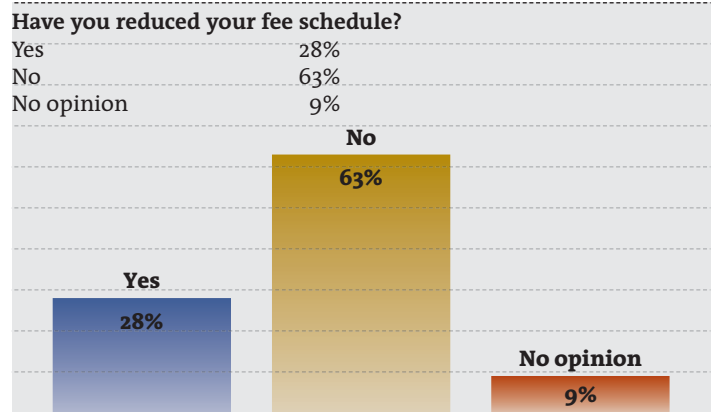


Figure 9. Private practice

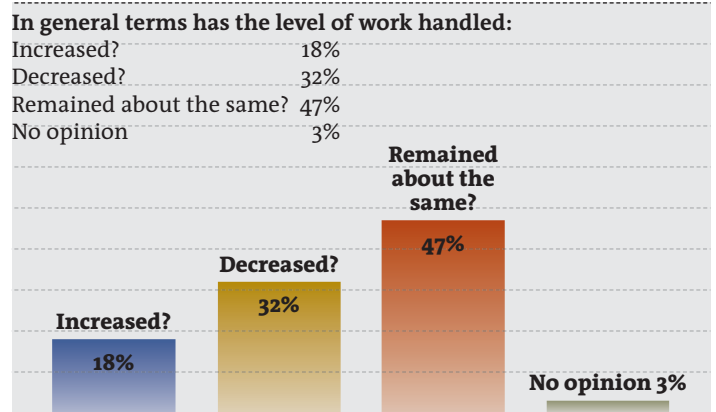
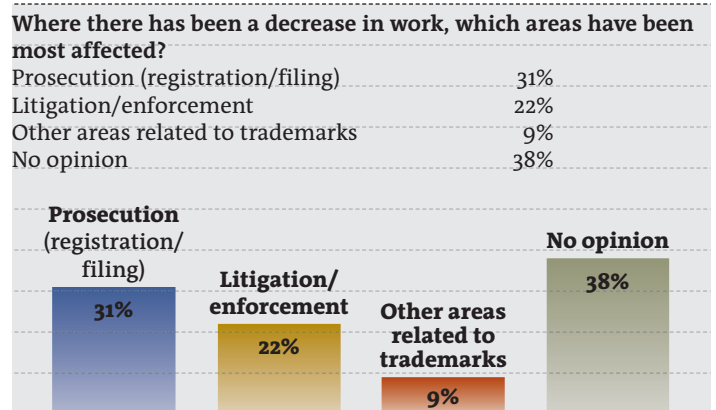


Figure 10. Private practice



## Top 15 countries filing trademark applications via the Madrid Protocol

Rank	Country	Number of applications made via Madrid Protocol					Share of total	% change filings
		2004	2005	2006	2007	2008		
1	Germany	5,395	5,803	5,663	6,090	6,214	14.80%	2.00%
2	France	3,518	3,497	3,705	3,930	4,218	10.00%	7.30%
3	United States	1,737	2,849	3,148	3,741	3,684	8.80%	-1.50%
4	European Union	354	1,852	2,445	3,371	3,600	8.60%	6.80%
5	Switzerland	2,133	2,235	2,468	2,657	2,885	6.90%	8.60%
6	Italy	2,499	2,340	2,958	2,664	2,763	6.60%	3.70%
7	Benelux	2,482	2,426	2,639	2,510	2,667	6.30%	6.30%
8	China	1,015	1,334	1,328	1,444	1,585	3.80%	9.80%
9	Japan	692	893	847	984	1,278	3.00%	29.90%
10	Austria	1,181	1,191	1,117	1,134	1,245	3.00%	9.80%
11	Russia	575	604	622	889	1,190	2.80%	33.90%
12	United Kingdom	917	1,016	1,054	1,178	1,162	2.80%	-1.40%
13	Australia	683	852	1,100	1,169	1,092	2.60%	-6.60%
14	Spain	866	854	994	859	981	2.30%	14.20%
15	Turkey	593	787	733	717	890	2.10%	24.10%

## The 15 countries showing the greatest decreases in Madrid applications

Rank	Country	Number of applications made via Madrid Protocol		Share of total filings	% decrease
		2007	2008		
1	Hungary	438	214	0.50%	-51.10%
2	South Korea	330	186	0.40%	-43.60%
3	Morocco	93	73	0.20%	-21.50%
4	Bulgaria	431	386	0.90%	-10.40%
5	Norway	403	368	0.90%	-8.70%
6	Iceland	110	101	0.20%	-8.20%
7	Estonia	101	93	0.20%	-7.90%
8	Australia	1,169	1,092	2.60%	-6.60%
9	Romania	103	99	0.20%	-3.90%
10	Portugal	355	344	0.80%	-3.10%
11	Slovakia	190	187	0.40%	-1.60%
12	United States	3,741	3,684	8.80%	-1.50%
13	United Kingdom	1,178	1,162	2.80%	-1.40%
14	Denmark	573	565	1.30%	-1.40%
15	Sweden	478	476	1.10%	-0.40%

Source: WIPO


**Madrid provides eager brand owners with a life-raft: as corporate counsel watch their budgets deflate this year and next, the protocol can offer real savings**

are wanting to ring-fence a little wider," says Baker. On the flipside, some may dodge confrontations and become more selective with oppositions: indeed, MasterCard has cut back on enforcement actions and opposition filings in some marginal cases. "But I won't do anything that will jeopardize our rights," insists Dobbyn.

The survey results were just as mixed when it comes to litigation. While in-house trademark teams were naturally cagey about ongoing litigation, responses from private practice were forthcoming and candid. One Greek respondent mentioned a significant influx of litigation and another respondent in Scandinavia has seen an increase in disputes involving luxury brands. But of those private practitioners experiencing a change in the type of work they are now handling, only one-third said that this is in litigation. "Parties are more inclined to settle their disputes," says Reeskamp, who has noticed first-hand how market conditions directly affect IP litigation. One of his major cases has been put on hold because of the drop in value of the litigants' product. Munzinger points out the nature of litigation makes it hard to pinpoint whether the change is related to the financial crisis. "But I would expect that we will have a more discernable decrease in trademark litigation over the coming year," he says.

### The good news

Conversely, although litigation in Europe and the United States is on a downward spiral, it is definitely on the up in some jurisdictions.



“ Financial planning is a pressing task as in-house IP teams take a stock-check before the storm hits ”

#### Global Trademark Survey 2009: key trends

Unsurprisingly, the results of the *WTR* Global Trademark Survey are mixed. Some in-house respondents are dealing with an increased task list on a tighter budget, while others are experiencing a striking decline in workload. But *WTR*'s editorial team has nonetheless identified a number of common trends. As a rule, in-house trademark teams are streamlining portfolios by not renewing less valuable registrations (defensive, old or otherwise weak marks), and are availing of the Madrid system more frequently as a way to save money. Most have had their budgets cut by an average of 16%; the lowest cut stood at 5% and the highest at 40%. The majority suggested that they had been expecting even more dramatic cuts and were keen to emphasize that they will still protect their rights. Some even insisted that they will continue to file significant numbers of applications.

Several senior corporate counsel suggested that national trademark registries should drop their fees, with a number making reference to the CTM fee reduction. "National offices should make some attempt to map their fees to the value of the CTM," said one respondent. Those surveyed also expressed a strong desire that quality be maintained, regardless of any fee reductions.

A high proportion of respondents from private practice revealed that enforcement strategies are changing radically. "We are seeing less aggressive policing," said one respondent. "Clients are more likely to monitor rather than oppose, and are less likely to go after issues in remote or commercially insignificant markets." The average fall in private practice income was 19% – the highest being 50% among those who have been forced to take temporary redundancy as a direct result of the economic downturn. The mood among private practitioners fluctuated between pessimism (many must now handle more and harder work for less money), and unexpected optimism (in those jurisdictions less affected by the crisis, work is already on the rise). A number of respondents cited payment times as a concern, while others complained that "the uncertainty factor is unsettling", and suggested that the "general sense of foreboding is because of all the bad news in the media".

Finally, a significant proportion of respondents, both in-house and from private practice, report that they are reducing the number of outside meetings and are cutting back on travel as a further way of cutting costs.

The global scope of the *WTR* survey has uncovered some unexpectedly sunny patches amid the prevailing gloom. In Australia, where the banking system appears to be weathering the crisis remarkably well, some respondents reported that business is booming. "We are seeing a jump in trademark disputes and licensing work," says Melinda Upton, a partner at Blake Dawson in Sydney. "And I expect that to continue. The cosmetics industry is also doing well at the moment, and we are already seeing an increase in our cosmetics client base." She admits that trademark prosecution is markedly down (a fact confirmed by the trademark registry's recent sacking of 11 contractors), but is nonetheless confident that the worst effects of the downturn will pass the country by, and is adjusting for sustained growth as a result.

The story in Mexico is similar. Although the head of the Mexican trademark office announced a 30% drop in trademark applications in the last quarter of 2008, Agustin Velázquez, senior partner at Mijares Angoitia Cortes y Fuentes in Mexico City, believes this drop will be short-lived. Firstly, the banking crisis has not yet struck the country and, even when it does, Velázquez thinks it will not affect the industry. "We have a worldwide problem," he told *WTR*. "But it's psychological, a loss of confidence. The worst has already gone. By the end of the year we will have started recovering."

And the green shoots of recovery are already in evidence in Canada – historically a bellwether market due to its high level of foreign-originating work, particularly from the United States. Danielle Bush moved from McCarthy Tétrault, one of Canada's oldest firms, to

ChitizPathak exactly one year ago, taking the vast majority of her clients with her. By late 2008, her workload had all but collapsed. "December, January and the beginning of February were just awful," she recalls. "But now it's actually picking up. In March I started to hear from clients I hadn't heard from in two years. It's just bizarre."

#### The challenge ahead

These responses from countries which are bucking the trend should give heart to those in other jurisdictions. The *WTR* Global Trademark Survey reveals that even when resources are scarce, it is still possible for trademark counsel to protect and strengthen their portfolios on a tighter budget by streamlining working practices and demanding leaner, cheaper services. The survey does suggest an underlying tension among private practitioners, but most in-house counsel are battening down the hatches and readying themselves to meet the challenges head on.

According to Bush, in Canada at least, mark owners have stopped holding their breath. "People have decided that they have to carry on with their business whether or not the markets are still buoyant," she says. In fact, 41% of private practitioners surveyed said that they had found new clients since the crisis began. Some cash-rich corporations are even using the crisis to their benefit: Microsoft, for one, is defying the downturn by introducing new brands to a depressed marketplace. "We still need to establish trademarks as new products and features come out," says Pangborn. "We will continue to register new marks." WTR

Adam Smith, *World Trademark Review*, London

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