

## 5.9 Title

### 5.9.1 Introductory Remarks

The allocation of the trade mark to a specific proprietor puts it at his disposal – exclusively or non-exclusively, depending on the type of title.<sup>770</sup> In the majority of all cases, trade mark title exists in the form of single or joint ownership or exclusive or non-exclusive licensee status.

In terms of legal enforceability of the mark, it is important to make sure the trade mark is registered in the correct (natural or legal) person's name. However, the question whether the owner is the 'right' one in a marketing sense is a business strategic rather than a legal issue.<sup>771</sup>

### 5.9.2 Relation to Brand Value

A full owner is enabled to utilise and exploit the trade mark in any form he chooses (as long as he does not violate any third party rights), be it use on goods and/or services as part of a brand, sale, licencing, securitisation, cancellation or other. A licensee's rights are more restricted, depending on the type of exclusivity and the terms of the licencing agreement.<sup>772</sup>

The higher the quality of title in a trade mark, i.e. the closer it is to full ownership, the more possibilities of utilisation and exploitation does the proprietor have. Since utilisation in trade or commerce and exploitation of the brand are prerequisites for and cornerstones of value generation, full trade mark title is more beneficial than restricted title.

On the other hand, need and willingness to value a brand generally decline with the quality of title. Some situations requiring brand valuation only apply to full owners, such as most brand transactions. Nonetheless, as it cannot be *prima facie* ruled out that licensees in rare cases also need to value the respective brand, it should be examined within the legal dimension of the SIM whether the type of trade mark title is sufficient in light of the mark's (intended) use.

<sup>770</sup> Cf. Artt. 16 et seq. CTMR.

<sup>771</sup> Therefore, it needs to be assessed in the course of the business strategic dimension whether the proprietor is in a position to exploit the asset in a best possible way.

<sup>772</sup> More on licencing *infra* at 5.13.1.

## 5.10 Prosecution, Litigation and Settlement

### 5.10.1 Introductory Remarks

In many cases, trade marks are challenged and not registered in the first place or eventually cancelled after registration.<sup>773</sup> Hence, opposition, cancellation and appeal proceedings before OHIM, litigation before the CFI and ECJ and before the Community trade mark courts and other national courts play a key role and can be crucial stumbling blocks on the road to a well established and valuable brand.

The possibility of legal enforcement, if actively used, prevents others from using the trade mark in question or confusingly similar marks which undermine the functions and reputation of the said mark. Without this possibility to ensure the mark's exclusivity against possible third party violations, the value of a mark and therewith of the corresponding brand would be constantly at risk and therefore instable.

### 5.10.2 Relation to Brand Value

The prosecution and litigation status of a trade mark directly correlates with its existence, legal strength and associated cost and therefore also with the respective brand's value (potential). As seen above,<sup>774</sup> even a trade mark application offers a value. However, as a general rule, the more stages of prosecution and possible litigation have been passed successfully, the more certain it becomes that the trade mark will be registered as desired or be upheld respectively. Hence, it needs to be assessed whether all prosecution stages have been completed or, if not, how likely their successful completion is. Furthermore, litigation risk needs to be determined (as this is a cost factor) as well as the likelihood of success or failure in this regard (this is not just a cost factor but also an issue of existence of legal protection and therefore of freedom to operate the brand as desired). Such assessment cannot be carried out without feedback to the findings of other legal issues such as likelihood of confusion or possible dilution of a mark with a reputation in the Community.

<sup>773</sup> For instance, OHIM received 16,468 and closed 12,208 oppositions (4,426 thereof by decision) in the year 2007, cf. *Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)*, Statistics of Community Trade Marks 2007, p. 5.

<sup>774</sup> At 5.1, fn. 626.

Options for settlement may also play an important role, as settlement is a time and cost saver<sup>775</sup> and the less cost needs to be subtracted from (potential) revenue streams derived from the brand the better.<sup>776</sup>

However, building a reputation for toughness in opposition cases can help reduce trade mark maintenance cost, of which prosecution and litigation cost is part. An economic study has found that “brand owners can benefit from a reputation for tough opposition to trade mark applications”, as “such a reputation induces applicants to settle trade mark opposition cases more readily”.<sup>777</sup> Hence, it can be worthwhile to determine whether the proprietor has built such a reputation.

## 5.11 Likelihood of Confusion

### 5.11.1 The Law in General

Likelihood of confusion is the major ground for invalidity of a registered trade mark arising from other proprietors’ rights.<sup>778</sup> It is therefore not being examined *ex officio* by OHIM in the registration procedure but belongs to the so-called ‘relative grounds for refusal’ of trade mark protection which can be raised by third parties during opposition as the earliest possible point in

775 Between 1996 and 2004, Community trade mark opposition cases settled by the parties were closed on average after three years whereas those cases adjudicated by OHIM took more than four years, cf. *von Graevenitz*, Which Reputations Does a Brand Owner Need? Evidence from Trade Mark Opposition, pp. 3, 5.

776 Of the 12,208 OHIM opposition cases closed in 2007, 7,782 were closed without judgment – most likely by settlement. Cf. *Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)*, Statistics of Community Trade Marks 2007, p. 5.

777 *von Graevenitz*, Which Reputations Does a Brand Owner Need? Evidence from Trade Mark Opposition, p. 1.

778 Other such relative grounds for refusal of protection include, for example, double identity, Artt. 8(1)(a), 9(1)(a) CTMR, and the dilution, damage and misappropriation cases concerning marks with a reputation in the Community, Artt. 8(5), 9(1)(c) CTMR. In the case of double identity, that is identity of the mark for which registration is sought with an earlier mark and of the respective goods and services classes, the older mark is protected without further requirements which have to be met. However, double identity cases are rare in practice compared to cases of similarity, for which likelihood of confusion must be proven in order to establish trade mark violation. Double identity will therefore not be further discussed hereafter. Likelihood of confusion shall be the only relative ground for refusal covered in detail in this work due to its outstanding practical significance. In the course of practical application of the SIM, other relative grounds for refusal may have to be included in the legal dimension.