

Quo vadis, Boards of Appeal?

*The Evolution of EU Agencies' Boards of Appeal
and the Future of the EU System of Judicial Protection*

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STANDARD OF REVIEW AND THE RIGHT TO AN EFFECTIVE JUDICIAL PROTECTION: A REFLECTION FROM THE EUIPO'S PERSPECTIVE

*Lo standard di controllo e il diritto a una tutela giurisdizionale effettiva:
una riflessione dal punto di vista di EUIPO*

*Le niveau de contrôle et le droit à une protection juridictionnelle effective :
une réflexion du point de vue de l'EUIPO*

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1. Introduction

This contribution will follow the agenda prepared by Prof. Alberti for coordinating the debates of the Roundtable and, thus, I will address those issues one by one.

2. How does the EUIPO Boards of Appeal scrutinise Agency decisions?

The EUIPO Boards of Appeal are composed of five individual Boards. Four Boards deal exclusively with trade mark matters and are each composed of four members and one chairperson. One Board deals with design cases and is composed of members from various trade mark Boards

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who come together *ad hoc* for the design cases. Trade mark cases represent the main area of business (with design decisions constituting some 106 appeal decisions out of 2621 decisions notified by the Boards in 2023). Currently, the chairperson of the second Board of Appeal also acts as chairperson of the design Board.

In all regular decisions, a Board sits as a panel of three members (two members and one chair)¹. The chairperson of each Board participates in all decisions taken by his or her Board. The two other members of the panel rotate from among the members of the individual Board concerned. There are also single member decisions (which, in practice, are reserved for inadmissibility decisions and decisions that formally close proceedings where the parties have reached a negotiated settlement). In addition, decisions of the Grand Board are taken as a panel of nine.

Decisions are taken by majority. Members of the Boards of Appeal are both independent and neutral insofar as decision taking is concerned². Independence is not absolute. The Boards are regarded as a department of the EUIPO – both managerially speaking and administratively speaking. However, decision-making independence is guaranteed by a number of safeguards. For example, members and the chairpersons that sit on the three-person panels must recuse themselves if they feel that there is any conflict of interest, and they may be objected to by the parties. It is also possible for the parties to object to their participation on the ground of lack of neutrality. In either case, the remaining members of the Board, or a different panel, will decide on whether that objection is sustainable or not.

Any party who is adversely affected by a decision taken before the first instance of the EUIPO may file an appeal against that decision. Appeals are firstly assessed for their admissibility by the Board of Appeal.

The work of the EUIPO Boards of Appeal is divided into *ex parte* and *inter partes* cases. The majority of the work performed involves *inter partes* appeals. Based on 2023 figures, it currently stands at about 73% of the work of the Board, meaning that most proceedings before the Boards of Appeal are adversarial. The corollary of that is that the Board seized of an *inter partes* case can only look at the facts and arguments brought by the parties on appeal. Obviously, the Board can also rely on well-known facts – that is, facts that are known by everybody and, to that extent, can go to beyond the facts and arguments adduced. In addition, the Boards apply the case of both the Court of Justice and the General Court, and also have

¹ See Article 165(2) of the Regulation (EU) n. 2017/1001 of the European Parliament and of the Council of 14 June 2017, on the European Union trade mark, in OJ L 154, 16.06.2017, p. 1 ff.

² *Idem* Article 166.

a vast body of their own case law going back to 1997, with which they strive to be to be consistent. Nevertheless, subject to these additional considerations, the decision-taking Board must stay within the confines of the facts, arguments (claims), and evidence brought forward by the parties in their appeal.

For *ex parte* cases, the situation is different. The decision-taking Board is able to make a *de novo* assessment of the case and is not simply bound to a control of legality³. However, the new assessment cannot, in principle, be *reformatio in pejus* – meaning that the appellant should not be put in a worse position than had the appeal not been made.

In *ex parte* cases, there is only one party to the proceedings, namely, the applicant for an EU trade mark or design. While, in this context, the decision of the Agency to refuse registration of such IP rights is based on one or more so-called ‘absolute grounds’, it is possible for the Board to raise another absolute ground of refusal that may substitute or be in addition to those already raised. In those circumstances, the deciding Board has the possibility of either pursuing the examination and assessment of that new ground itself (so-called ‘functional continuity’)⁴ or, alternatively, of remitting the case to the first instance examiner for further prosecution. Remittal is also quite common where the contested decision has an insufficient statement of reasons (including contradictory reasoning), such that neither the appellant nor the Board is in a position to fully understand the reasons and assess their correctness. In addition, reasons should be stated in the Board’s decision as to why it is exercising its discretion in one way or another.

There is also the possibility of cross appeals in *inter partes* cases. This is because in such cases there is not necessarily always a winner and a loser. Oppositions and cancellations may be partially successful – meaning that the contested trade mark may be refused or cancelled for certain goods and services it covers but not for everything.

One of the biggest challenges faced by the Bords is the admissibility of belated evidence in *inter partes* cases. There is a discretion to accept it or not. Generally-speaking, if the evidence that is brought forward on appeal supplements what has already been adduced at first instance, then it is admissible. If it is completely new, then it is likely to be inadmissible – unless it was not previously available. However, the boundary between

³ See Article 165(2) of the Regulation (EU) n. 2017/1001, of the European Parliament and of the Council of 14 June 2017, on the European Union trade mark, *cit.*

⁴ The principle of functional continuity was first affirmed by the General Court in the judgment of June 8th 1999, case T-163/98, *The Protector and Gamble Company v OHIM (Baby-Dry)*, ECLI:EU:T:1999:145, para 38, due to the appointment and removal procedures of the members of the EUIPO Boards of Appeal.

new and supplementary (i.e. building on evidence that has been previously raised) is not always easy to determine. This a factor that distinguishes us from the General Court, where no new, supplementary or any other sort of belated evidence can be admitted.

Finally, in taking the best quality decisions it can, the Boards must be mindful of multiple considerations, including factors such as: fulfilling the duty to state reasons by ensuring clarity and precision and avoiding contradictory reasoning, observing the right to be heard and the right of defence, integrating into the application of EU trade mark and design law considerations from other areas of law such as freedom of expression, taking account of public interest considerations, smooth administration and procedural economy.

The need for quick resolutions, combined with the sheer volume of work, must be carefully balanced with quality. Part of that quality consideration is the need for clarity and simplicity. While self-representation (i.e. acting without a legal representative) before the Boards is not the norm, it is a possibility. Board decisions must be understandable to laypersons.

In some respects, the life of the EUIPO Boards of Appeal is made easier than that of their counterparts in other Agencies by the fact that the subject matter of the decisions at the EUIPO is not technical. Even designs are not usually overly technical, since it is the outward appearance of the design that is primarily considered. Therefore, there is little excuse for over complication and over use of legal or technical jargon.

3. How Article 58a of the Statute of the Court of Justice changed the level of scrutiny at the EUIPO Boards of Appeal?

The EUIPO BoAs has always been in-depth. Perhaps the great difference between the subject-matter dealt with by the EUIPO BoAs, as compared with that handled by the Boards in other Agencies, is that trademarks, and even designs, are not as technical. Nevertheless, the EUIPO BoAs have made some ‘tweaks’ to the level of scrutiny performed. There is a realisation that the importance of the filtering role performed by the EUIPO BoAs has increased significantly. It is now very difficult to further appeal judgments of the General Court (in cases originating from the EUIPO) to the Court of Justice. That means that the EUIPO and its Boards must sit out and significantly reduce the number of disputes that come before the General Court (which already amount to about a third of the Court’s case load), otherwise that Court could be flooded.

Bearing in mind that almost 90% of appeals go no further than the EUIPO Boards of Appeal, it is important to reassure parties that there is

a full and fair appeal process. Therefore, one of the things being considered is the need to increase the number of oral hearings that take place before the EUIPO Boards of Appeal. In addition, the General Court changed its practice of almost always automatically holding oral hearings and decided to grant them only upon request of the parties and when justified. This led the EUIPO to believe would be fewer oral hearings. However, it actually seems that oral hearings are nearly always granted when requested by the parties and that the General Court, in trade mark and design matters at least, is actually having slightly more oral hearings than before. So, perhaps the pressure on the EUIPO BoAs to hold more oral hearings to compensate for the General Court, has been lifted for the time being.

Greater use is also being made of the Grand Board, which is an enlarged board of nine members. The president of the BoAs sits as chairperson and all four chairpersons of the individual Boards sit as members on every case of the Grand Board. In addition, four ordinary members, drawn on a rotating basis from the individual Boards, make up the remainder of the composition of that Board.

Cases are referred to the Grand Board where there is diverging case law of either the Boards themselves or of the General Court, or where the issues to be determined are of particular legal or other importance. Decisions of that Board are binding on the individual Boards and on the first instance of the EUIPO. It is therefore a wonderful tool for ensuring coherence and consistency.

Further efforts to promote greater coherence and consistency have materialised in the creation of the ‘Consistency Circles’ within the Boards. These ‘Circles’ study and analyse specific trade mark and design legal topics in-depth and try to identify case law trends and prevailing principles. These findings are recorded in ‘Consistency Circle’ reports on chosen topics. Certain members of individual Boards have volunteered to head these ‘Circles’ and are assisted by support staff (including legal assistants) from within the BoAs.

In addition, networks – such as the Judicial Quality Assurance and Legal Practice Panel (comprised of IP judges from Member State courts) and the Appeal Bodies Network (composed of the appellate organs of national IP offices in the EU) – feed into the Consistency Reports, with comments and input. This further contributes to making sure that the reports are as useful as possible, even though they are designed as an aid to research and are in no way intended to act as guidelines or instructions for members or chairpersons.

Ensuring a high degree of predictability is fundamental from the perspective of the parties. If they see us as the EUIPO Boards of Appeal

being coherent and consistent, they may be less inclined to appeal further to the General Court. The higher the quality of decisions of the Boards, the less chance there is of success before the General Court. At present, of the 11% of decisions of the Boards that are appealed to the General Court, over 87% of them were upheld in the judgments of that Court.

Where annulments occur, they are usually on procedural matters. The Boards strive to learn from the judgments of the of the General Court and try to reduce the margin for making errors.

The EUIPO is a party to all appeals before the General Court. The Agency generally defends the decisions of the Boards. However, they do not necessarily have to defend if they think that the deciding Board has taken a route that has departed from Office practice in a way that is unreasonable, or which could cause problems for first instance examiners. In such cases, they may either not enter a defence, or they may state that they 'leave the matter to the wisdom of the court'. At present, the EUIPO agents work under the managerial leadership of the Boards of Appeal and meetings are held to try and coordinate the position to be adopted in cases that are considered sensitive. Efforts are made to arrive at a common understanding, and, if necessary, votes are cast by the chairpersons and other senior staff as to whether a particular case will be defended and the manner of that defence.

As more IP competences start to come to the EUIPO in the future through legislation in the areas of geographical indications, standard essential patents and supplementary patent certificates, the Boards may find that the subject-matter they are involved with becomes more technical. Whether this will have ramifications for the level of scrutiny currently performed, remains to be seen. It may also increase the use of alternative dispute resolution (particularly mediation and conciliation), currently offered to parties coming before the Boards of Appeal and thus act as a further filter to reduce the volume of appeals going from the EUIPO BoAs to the General Court.

4. Are the EUIPO Boards of Appeal equipped to perform a deep(er) scrutiny?

As can be seen from the above, the reply to the question if the EUIPO Boards of Appeal are equipped to perform a deep(er) scrutiny can only be in the affirmative.

The BoAs benefit from a high-quality staff, with very rigorous selection and appointment procedures for the president, chairpersons and members. The members and chairpersons of EUIPO BoAs are fully independent and their mandate lasts for 5 years, renewable for successive

5-year periods up until retirement age is reached. The mandate of the president of the BoA is for a term of 5 years and may only be renewed once⁵. They fall within the scope of Protocol n. 7 of the TFEU on Privileges and Immunities and/or the EU Staff Regulation, even though not as officials of the EU but as temporary staff – with all the safeguards that this implies.

All the members currently have a legal background. While it is theoretically possible to have one (or even two) technically qualified members in the regular three-person decision-taking panel, this does not happen in practice. In the whole 27 years of existence of the EUIPO BoA there has only been one non-legally qualified member. That person was qualified as an architect.

All staff are IP specialists and some have even been national judges in this area. There is no distinction between legally and technically qualified members, except that non-legally qualified persons may not take single member decisions (see above). It is possible that upcoming new legislative initiatives that would confer competence on the EUIPO for different types of IP, such as geographical indications (GIs), supplementary patent certificates and standard essential patents, would require the EUIPO BoAs to rethink the need for technical expertise in the composition of Boards. While the matter is still to be discussed in-depth, there is some questioning by user groups whether the BoAs will put in place a specialist Board for GIs, in the wake of the new Regulation (EU) n. 2023/2411 on craft and industrial product GIs⁶, and the expected revamping of the agricultural product, food, wine and spirits GI Regulations into one codified Regulation.

In any event, greater use of the Grand Board, oral hearings (including hybrid options), consistency circle reports and automated IT tools to facilitate drafting will all serve to ensure that the BoAs can continue to take a deep-dive into cases. Clearly, it is not easy to balance the sheer volume of appeals (2621 notified decisions in 2023, produced by 20 rapporteurs) with the need for quality excellence.

Indeed, volume is a factor that weighs heavily in the work equation. It must be borne in mind that, last year, some 0.27 mio IPRs (trademarks and designs) were either filed directly at the EUIPO or designated the EU (thereby triggering the EUIPO's intervention). For both trademarks and

⁵ See Article 166(2) of the Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, *cit.*

⁶ Regulation (EU) 2023/2411 of the European Parliament and of the Council of 18 October 2023 on the protection of geographical indications for craft and industrial products and amending Regulations (EU) 2017/1001 and (EU) 2019/1753, in *OJ L* 56, 27.10.2023, p. 1 ff.

designs, China is the top filer – with over 14% of trade marks being applied for by Chinese parties and nearly 25% of designs.

While Chinese parties have so far shown themselves to be reluctant litigants, that may change. To-date, Chinese parties rarely defend opposition or cancellation actions and hardly ever appeal. It would seem that, instead, they simply re-file the contested trade mark or another sign. State subsidies for trade mark protection (even abroad) and increases in attorney fees for defending IP office proceedings (as compared with mere filing work) may explain that behaviour. However, Chinese government subsidies have (and in some instances already have) come to an end. The knock-on effect may then well be to encourage Chinese parties to re-think their strategy and to start becoming more aggressive in their defence of their IP registrations at the EUIPO.

Whether the discontinuation of subsidies would discourage the current high volumes of Chinese applications at the EUIPO, remains to be seen. Nevertheless, one could probably expect that appeals of existing applications or registrations that are contested would become more likely. Combined with the new IP registration competences that are contemplated for the EUIPO, the net effect would be even higher volumes of appeals for the BoAs.

Given that nearly 90% of all appeals go no further than the BoAs, it follows that the Boards help shape EU trade mark and design law. Yet shaping that law is becoming increasingly more difficult as the complexity of cases increases. Although the subject-matter the EUIPO BoAs face is less technical than that coming before the Boards of other Agencies, the legal difficulty of appeal cases is growing. Party submissions are becoming more voluminous. The quantities of evidence adduced are also significantly higher than in the past, resulting in Board decisions that are lengthier (averaging some 30 pages for appeal decisions regarding cancellation of trade marks).

Why is this? The probable causes are twofold: the maturity of the trade mark register and AI. The EUIPO started to register trademarks almost 30 years ago.

Regarding the first consideration, one must have in mind that once a trade mark has been on the register for a minimum of 5 years, it may be put to proof of use. The same applies to earlier rights that are used to challenge EU trade mark applications. As time passes, more and more trademarks become vulnerable to being put to proof of use. That use requirement necessitates adducing evidence that the registered trade mark has been used for each and every product and service for which it is registered. Since there is no requirement to use a mark at the time of application, applicants tend to apply for more goods and services than they

will actually end-up using. Naturally, they will endeavour to demonstrate use of their mark for as many goods and services as possible. That endeavour often results in voluminous documentation and considerable debate about whether actual use of a particular product has been shown or whether it is in fact use of a sub-category (e.g. evidence may tend to demonstrate use of a registration covering ‘clothing’ for ‘men’s underwear’ only).

As to the second consideration, the body of case law in trademarks and designs that has been generated by the Court of Justice, the General Court and the EUIPO BoAs has grown exponentially over the last two decades. The possibilities that advance in AI offer for making increasingly more precise searches mean that litigants before the Boards cite more case law than ever before and may even draw on other areas of law, such as human rights. The net result is an increase in argumentation, with the consequent need for the decision-taking Board to address each and every argument.

The effect of AI is a two-way street for both parties to appeal proceedings and the decision-taking Board itself. While possibilities for legal research are enhanced for practitioners, the BoAs are also harnessing the potential of AI. One recent example is the goods’ comparison tool that is currently available to EUIPO examiners in opposition and cancellation cases and is now being developed to adapt to the needs of the BoAs. Essentially, this tool automatically trawls through all available decisions of the EUIPO in which the same or similar goods and services (to the ones at issue in a particular case) have already been compared in a previous case. The tool identifies the previous cases, the result of the comparison and, in the event of any divergence, expresses in percentage terms the support for a particular conclusion. In addition, the Boards have fed a number of paragraphs cited verbatim from key judgments into templates that can be used by rapporteurs, if they so wish, to facilitate the drafting of decisions. Relevant conclusions regarding case law trends and principles identified in ‘Consistency Circle Reports’ are also included in topic-specific templates for the same purpose.

The end result of all these efforts is that BoAs are currently coping well with the workload and delivering decisions in a timely manner (averaging 4.2 months for absolute grounds and 5.2 months for relative grounds in 2023).

Nevertheless, in making an in-depth scrutiny of case files, it can sometimes be seen that a decision offering a binary solution is not going to give satisfaction to the parties. For this reason, the Boards promote friendly settlements and actively encourage parties to avail of mediation and conciliation services offered, at no additional cost, by the EUIPO and

its Boards. While alternative dispute resolution is unlikely to ever be the main activity of the BoAs, it is a useful adjunct to the services offered to disputants and serves as an additional filter between the EUIPO and the General Court.

5. Has *Aquind* affected the relationship between the EUIPO Boards of Appeal and the General Court?

The short answer would be ‘not so much’. Nevertheless, the EUIPO prides itself in having obtained first place for several years in World Trademark Reporter ‘IP Office Innovation Ranking’ and in aiming to be a centre of excellence in IP matters. The BoAs also try to provide the best possible service they can to the parties that come before them and thus play a full part in the image of the EUIPO. That means striving to render ‘quality’ decisions on appeal.

A ‘quality’ decision is one that is timely, makes a proper analysis of the legal issues raised, contains clear, logical and readily understandable reasoning as well as being coherent and consistent with existing relevant case law. Deep scrutiny of appeal cases is clearly an integral and vital part of that process and has always been the norm at the Boards.

The low cost of appeal to the BoAs (EUR 720 for trade mark cases and EUR 800 for designs) ensures that they continue to be a quick, accessible and inexpensive resolution forum for trade mark and design registration disputes.

The EUIPO BoAs are fully cognisant of their role as gatekeepers. An effective filtering system between the cases coming before the EUIPO and those that go on to the General Court is vital. Without it, the General Court would be in danger of being overloaded with cases that did not merit judicial intervention and were even frivolously appealed.

Just as the Court of Justice has sought to severely restrict appeals from the judgments of the General Court, so the EUIPO BoAs must ensure that only the most meritorious cases go to the General Court. To do that, the BoAs must inspire the parties coming before them with the maximum possible confidence in the professionalism and competence of this decision-making body. An in-depth scrutiny by the BoAs of the decision given by first level examiners at the EUIPO is non-negotiable.

With parties coming from all across the globe, decisions of the EUIPO BoAs may sometimes even attract media attention (e.g. trade marks concerning the war in Ukraine, such as the recent *RUSSIAN WARSHIP, GO F*CK YOURSELF* case R 438/2023-1)⁷. As a key

⁷ Decision of the First Board of Appeal of EUIPO of 1 December 2023 in case R

component of the EU trade mark and design dispute resolution mechanism, it is incumbent on the BoAs to demonstrate very high standards. That cannot happen without in-depth scrutiny of every case that comes before the BoAs with a view to delivering pragmatic, legally sound decisions.

438/2023-1, now being appealed before the General Court (case T-82/24).