

Summary Report

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Question 239

The basic mark requirement under the Madrid System

This Working Question concerns the basic mark requirement under the Madrid System. In short, the basic mark requirement requires a basic registration or application in the country of origin following which other parties to the system can be designated as part of an international registration. The purpose of this question is to study the current use of and issues arising in the context of the Madrid System insofar as relating to the basic mark requirement, the desire (if any) for changes in this respect and to establish if harmonization is desired.

National Groups from the following countries (in alphabetical order) have submitted reports: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Mexico, The Netherlands, Paraguay, Philippines, Portugal, Regional Group Central America and the Caribbean, Republic of Korea, Romania, Russia, Singapore, Sweden, Switzerland, Turkey, UK, USA and Venezuela, in total 35 reports.

This report summarizes several of the issues discussed in the National Group Reports but does not purport to fully describe the accounts of the different national laws made by the National Groups. For a detailed account of any particular answer, reference is made to the respective National Group Report.

I. Current law and practice

The Groups were invited to answer the following questions under their national laws:

1) Is your country party to (i) the Madrid Agreement Concerning the International Registration of Marks, (ii) the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and/or (iii) the Trademark Registration Treaty?

Most of the responding National Groups are a member of the Madrid Agreement and/or the Protocol, but have not signed the Trademark Registration Treaty.

The countries of the responding National Groups that are not a party to either the Madrid Agreement or the Protocol are the following: Argentina, Brazil, El Salvador (Regional Group Central America and the Caribbean), Paraguay and Venezuela. In addition, Canada is not yet a party to the Protocol but steps have been taken in this respect.

2) a) To the extent it can be established, in how many published cases was a central attack used in the past ten years in your country?

The responses of the National Groups of the countries where the central attack is available, in general state that exact numbers are unknown and that the central attack seems to be used sometimes, but not very often. Some Groups emphasize its importance in settlement negotiations.

b) If these cases contain important considerations regarding the rationale, effect and effectiveness of a central attack, please summarise such.

It seems that such considerations cannot really be derived from the limited number of cases available. The French Group's report contains an analysis of the relevant cases and in particular highlights three decisions in which the basic mark was invalidated but the court ruled that it could not cancel the international mark, such being within the jurisdiction of the International Bureau of WIPO; in practice, the court registry apparently often forwards the decision to the French office, which then proceeds with the necessary formalities (but it is recommended that interested parties follow-up on this with the French office and/or WIPO).

3) a) In your experience, is the system of international registrations often used (rather than alternatives, such as the filing of separate national registrations)?

Most National Groups confirm that the system of international registrations is often used. Several National Groups remark that national registrations (and/or, in the EU, Community Trade Marks) may be more suitable though depending on the territory where the applicant/registrant is or intends to be active.

The Danish Group states that Danish companies also file nationally in some countries where it has proven difficult to enforce other rights and mentioned China as an example.

Sweden mentions a decrease, probably because of the increasing role of Community Trade Marks.

In Ireland, the system is rarely used. Also in the Philippines and in Mexico the system is not used much yet; it is a fairly recent introduction there. The US Group notes that experience varies, but that it is not often used.

b) If the answer is no, is this because it is difficult to obtain the basic application or registration and/or are there other reasons? If so, which are those other reasons?

In Ireland, the system is not often used because (i) of the high filing costs, (ii) many choose to use and register local translations of marks in foreign markets of interest, using national applications/registrations and (iii) not all countries of interest are a member of the Protocol. In Mexico, it is as mentioned still a fairly recent introduction.

The US Group mentions a number of reasons, among which are that (i) many US trademark owners are unfamiliar with the (not very, namely ten years, old system), (ii) the system is perceived as expense reallocation, (iii) the triple identity rule (basic mark/trademark owner/goods) is seen as a problem, (iv) intent to use is required in the US and (v) the US has a relatively high opposition rate, a strict examination procedure and a large register of potentially conflicting trademarks.

c) If the answer is yes, is this because it is more efficient in terms of costs or otherwise and/or are there other reasons? If so, which are those other reasons?

Most National Groups cite cost and other efficiencies. Also the ease of extension to other countries and one-stop-shop in the country of origin are mentioned.

4) If your country is party to the Protocol: is transformation often used in your jurisdiction? Why, or why not?

Data on this are often unavailable, but to the extent known and from the experience of the responding Groups, transformation seems to be only rarely used. Recurring reasons given for this are that it is costly, and also that central attacks do not appear to be used very often. The German Group notes that the basic registration will often be important for the trademark owner and that he will develop a new brand if he cannot have the basic registration for the originally desired mark in his home country. The US Group mentions that there is also an unfamiliarity with how Madrid transformation works.

Still, several National Groups remark that it is a useful tool. The Czech Group reports a recent surge of interest. The Japanese Group mentions that from December 2011-November 2012, there were 22 cases of transformation due to cancellation of international registrations.

The French Group remarks that neither the transformation nor the central attack option seem to constitute the main attraction of the system of international registrations.

II. Policy considerations and proposals for improvements of the current law

5) a) Should the basic mark requirement be abolished? Why, or why not?

The majority (22) of the responding Groups is against the abolishment of the basic mark requirement. However, a substantial number (7) of Groups favours abolishment. In addition, two Groups have not responded to this question, while four Groups have responded to the question listing one or more considerations, but have not taken a position, or not a very distinct position.

The Groups that are against abolishment generally mention that the system works well, has a convenient first port of call in the home jurisdiction, allows for an easy extension to other countries, has the convenient central attack option and facilitates the management of international portfolios. The German Group emphasises that trademarks are different from designs in that the latter have a novelty requirement, which requires immediate action: thus, it makes sense that the system for international trademarks works differently than the design system (in which respect the former allows some time for obtaining protection in a gradual procedure, suited for the applicant at issue). The Japanese Group sees the basic mark requirement as fundamental to the system, despite there being several reasons to support abolishment; the Group suggests to create a separate system, in which users can choose. Several Groups remark that the basic mark provides a first "quality" check of the mark, preventing "hopeless cases" to continue.

Of the Groups that favour abolishment, the Australian Group notes that the requirement serves little purpose, that the central attack option is not often used (and that there is a transformation option anyway), that there is often no intent to use e.g. a Chinese character mark in Australia and also remarks that often an additional home registration is required to meet requirements in other countries of e.g. the goods specification, thus causing costs and delay. The French Group notes that the issue was strongly discussed, but that the present system presents too many constraints and failures (such as the required goods identity). The

Italian Group finds the central attack too risky for the applicant. The Korean Group favours a further simplification of the procedure and also mentions that it can be a burden to be obliged to file a domestic trademark application for a Latin letter trademark. The Swedish Group cites simplicity, economy and time efficiency reasons.

The Danish Group reports that it could not agree on an overall conclusion, and lists an extensive number of advantages and disadvantages.

b) If the answer to (a) is yes, how should the new system work:

(i) should any national registration or application qualify as a basic registration?

or

ii) should there be new central filing at WIPO with WIPO functioning as a mailbox receiving applications and forwarding those to the designated jurisdictions for examination?

or

iii) should WIPO even do more, such as engaging in harmonisation (see below under III)?

The Groups are divided as to the question whether any national registration or application should qualify as a basic registration. The Chinese and Russian Group think this should be the case and also the Dutch Group considers this an option. The Swedish Group considers it a second-best option, after central filing with WIPO. The Argentinian, Bulgarian, Hungarian and UK Group however emphasise that this would carry a risk of forum shopping with it. The Australian Group does not see the need for a basic mark at all. The Danish Group could not reach consensus on the question.

A number of the Groups see a role for WIPO. The Australian Group favours a centralised WIPO-based system, without a basic mark being required. Also the Chinese Group sees a role for WIPO, as a filing centre responsible for basic examination, subsequently forwarding the application to designated jurisdictions for further examination, and with any mark being able to function as a basic mark. The Danish, Irish, Israeli, Italian, Korean, Romanian, Swedish and US Group also see WIPO as a prospective central filing unit.

The Danish Group proposes that if a new system would be introduced, a system similar to the Hague system for designs might be best.

Also the French Group proposes a new system, similar to the system adopted for international patents and designs: the applicant would file a international trademark, without a basic mark being required and would then have a certain period of time (e.g. six months) to pay fees relating to the countries/territories that are of interest to it (maintaining priority). In addition, the applicant could always make subsequent designations. Harmonised examination would be done by WIPO: such would at least cover formal requirements - harmonisation of substantive requirements (relative and absolute grounds) would be opportune but probably difficult.

The Chinese Group would like WIPO to provide a "risk warning" if there is an identical conflict according to the Madrid database.

c) Do you foresee problems in the implementation of such a new system? If so, which?

As also mentioned above, several Groups see a potential forum shopping problem.

Several difficulties are mentioned. The French Group mentions that states and intergovernmental organisations may not be willing to give up tasks to WIPO. Also several

other Groups anticipate political difficulties; for example, the US Group remarks that diplomatic renegotiation of the Madrid Agreement and Protocol may be required, which could be difficult and lengthy. Also, several Groups remark that WIPO's work would increase significantly. However, the French Group remarks that it should be possible for WIPO to perform a role as suggested, given that a similar system works well for patents and designs. The Bulgarian Group thinks that central filing with WIPO would slow things down.

The Finnish Group remarks that a new system would likely be costly and carry administrative problems with it.

6) a) *Should the dependency on the basic mark be abolished? Why, or why not?*

The majority (19) of the responding Groups is against the abolishment of the dependency. However, a substantial number (11) of Groups favours abolishment. In addition, two Groups have not responded to this question, while three Groups have responded to the question listing one or more considerations, but have not taken a position, or not a very distinct position.

Several Groups remark that the present system provides a fair balance, especially with the transformation option. The central attack is seen as a valuable tool.

The UK Group remarks that the abolishment of the dependency is a more plausible option than removing the requirement, but also notes that there is a good argument for retaining a period of dependency as it assists to settling global disputes early and effectively.

The Australian Group however considers that the dependency does not serve any practical purpose and unnecessarily complicates the international system. Also the Irish Group notes that the dependency does not serve a real purposeful function other than administrative. The Chinese Group remarks that the applicant has paid registration fees and that once the applied mark has gone through the, differing, examination procedures of different countries, the mark should be separate from the basic mark. The Korean Group considers the effect of a central attack excessive. The Russian Group states that the reasons of cancellation of the basic registration may be particular to that country and not apply elsewhere.

b) If not, should the dependency be changed? If so, how (e.g. to a different period, to applying in case of particular cancellation grounds only or to having effect only in jurisdictions where the attacker has prior rights)? Why?

A number of Groups supports a reduction of the dependency period. The Austrian Group proposes to let the dependency end once the basic application has matured into a registration and it has survived an immediate post-registration challenge (or such has not occurred). The Chinese Group takes a similar view, finding that there should only be dependency during the filing period.

The Canadian and Portuguese Groups consider that a three year dependency period may be more reasonable. If the dependency is retained, also the Korean Groups finds a three year period more appropriate; and the Swedish Group states it should not be more than three years. The UK Group states that three years may be long enough and would provide an earlier level of certainty. The Czech Group mentions two years.

The Dutch Group proposes a longer dependency period, of six years, arguing that this would enable the attack of registrations that cannot be attacked for non use in the first five years; it notes that this would be appropriate in view of the dissimilarity with first-to-use systems, and may ensure that the registrant will be more careful with broad goods/services specifications in first-to-file countries if there is no intent to use.

The Belgian Group does not really see the merit of changing the length of the period (although it does mention that three years could be a compromise), but considers it appropriate to limit the effect of the dependency to jurisdictions where the central attacker has prior rights. At the same time, it does note that it may be inconvenient to have to analyse the validity of prior rights (in particular non registered trademarks). Also the Danish Group finds the five year period a good term as it corresponds to the use requirement period, but notes that it may be considered to limit the effect to prior rights cancellations and only to countries where the attacker has prior rights. The Finnish, Korean and Swedish Groups agree to a similar prior rights restriction.

Several Groups do not support a change, including among others Brazil, Germany, Hungary, Turkey and Switzerland. The Swiss Group emphasizes that in fact, the five-year period is already less than the former unlimited dependency; the Group furthermore takes the position that if there would be change, legal certainty must be ensured and there should be a request from the users/statistical evidence. Also the Turkish Group is against a change.

7) Do you support a freeze of the application of the five year dependency clause and what are your considerations in this respect?

The majority (20) of the responding Groups does not support a freeze. However, still a sizable number (8) does support the freeze. Furthermore, the Australian Group states that it supports the retrospective removal of the dependency. The Danish Group does not support a freeze as such, and only as a compromise. The Japanese Group remarks that a freeze should only be used to keep a status quo when there is already a decision on a course of action and that something should not be frozen on an experimental basis. Several other groups have made additional remarks, not taking a very strong position for or against.

Opponents of the freeze mention, among other things, that the dependency is a balancing factor and that if it were abolished, a treaty revision would be required. Also legal certainty is seen as an issue. The French Group notes that it does not favour an interim solution, but an actual repeal of the dependency; the basic mark system and dependency are indivisible so should remain until repealed. The German Group mentions, among other things, that it is not clear what would happen with the transformation option after the freeze.

The supporters of the freeze generally state that it would be a good test and enable the member states to assess the effects.

8) a) Do you find that the basic mark requirement does not function well in the context of translations, transliterations and transcriptions in countries with different writing systems/languages? If so, would you support a change to the Madrid System with the purport that, when assessing genuine use, use of a translated, transliterated or transcribed mark is considered use of the mark? Please list any requirements such use should meet in your view (e.g. identical pronunciation and/or meaning).

Several Groups do not really see a problem. For example, the Swiss Group notes that use for export also qualifies as use, and that this solves the issue.

A substantial number of Groups finds that the basic mark requirement indeed does not function well in this context, but this does not mean that they all favour a change as mentioned above.

The Brazilian Group does support a change and finds that good faith use of translations, transliterations and transcriptions should indeed be sufficient to evidence use. The Canadian Group takes the same position, noting that in a truly international system, countries with

different writing systems and languages must be accommodated. The Turkish Group thinks that transliteration should qualify as genuine use, but translation should not. The UK Group proposes that use "in an equivalent form" should suffice; at the same time though, it notes that often a different version is only required in a limited number of countries so that this could be taken care of with national registrations.

The Irish Group identifies a particular issue in situations where there is an intent-to-use requirement: the basic mark requirement can result in registrations in the Irish register which are not intended for use in Ireland.

The Bulgarian Group notes that in general the basic mark is filed in the Cyrillic alphabet with a transliteration in Latin letters. Use with the same pronunciation is considered genuine use, but the Bulgarian Group notes that national laws must be considered.

A number of Groups do not find a change advisable, for a number of reasons. For example, the Madrid system is not deemed the place to deal with use as such is dealt with by local law. The Australian Group notes that in its proposal, simply separate registrations can be made in the relevant countries. The Austrian Group does not see a workable alternative.

Some Groups note that this is an issue that would require a separate study.

b) Are there any other aspects relating to the basic mark requirement that do not function well and if so, what should be changed?

A number of Groups do not answer this question, or respond with "no". However, some Groups offer suggestions.

The Chinese Group notes that if the designated goods/services of the basic mark are standard descriptions in the Nice classification, those should be accepted if extended. Also the Danish Group focuses on the wording of goods and services, expressing the frustration that can occur if the basic mark offices and WIPO do not agree thereon. The French Group voices similar issues. Several Groups advocate harmonisation of the list of products/services.

The US Group highlights an issue with subclassification: some local offices subclassify international registrations on their own initiative, causing loss of valuable trademark rights.

The Irish Group notes that under Irish law, goods and services can be transferred to a different class if not classified correctly, but that such is not permitted by WIPO. This causes a problem if the basic application is amended. The Irish Group proposes to allow for retention of such goods and services. The Swedish Group also remarks that there are differences in the possibilities of amending a trademark.

The Romanian Group states that applicants from countries not having a multi-class system have to file several separate national trademarks in order to apply for an international application covering goods/services in several classes.

The French Group furthermore proposes to give the applicant the option to refer a matter concerning the elimination of the basic mark to WIPO rather than to the national office.

The German Group states that the work of the International Bureau should become more efficient and transparent; in any event, the owner of an international registration should be able to monitor each step of the registration (e.g. through online file inspection).

The Korean Group notes that, in countries using other letters than Latin letters, sometimes the examination practice is more restrictive for Latin letter trademarks than for other trademarks; they may thus not obtain a basic mark, while they could acquire the registration in other countries.

The Turkish Group remarks that some offices have an insufficient technical infrastructure.

III. Proposals for harmonisation

9) Should absolute and relative grounds be harmonised, enabling the examination of international registrations to be handled by WIPO, as well as possibly also oppositions and cancellation actions (in a manner similar to Community Trademark registrations handled by OHIM), or should such not be harmonised (because it may not be feasible or for other reasons)? Note that this question only aims to ask whether such harmonisation is desired as a result of a change to the basic mark requirement; the question as to how such a new system should look exceeds the scope of this working question.

Many national Groups indicate that harmonisation of the grounds would to some extent be desirable, but most deem such not feasible/realistic.

The latter applies even more so to a central examination: the Groups tend to support examination by local authorities, not by one central body. The Austrian Group notes that the CTM experience shows that adjudication by one central body is often difficult and not satisfactory. The UK Group takes a similar view.

10) Please briefly list your considerations for the answer given under 9) (which may e.g. relate to feasibility, efficiency, costs, the potential need for new judicial authorities, etc.).

The Groups list several issues, but in general the (lack of) feasibility (the word 'utopian' is used on occasion) is the most listed concern. Also, local authorities are deemed better suited than a central authority (e.g. because of language and cultural issues). Costs are also deemed an issue.

IV. Conclusions

Based on the Group reports, it seems that the system of International Registrations is generally used often, although on some occasions separate national registrations may be more suitable. Both the central attack and the transformation option however do not seem to be used very often; exact data are generally not available though and also several Groups note that they are nevertheless useful tools.

There does not seem to be sufficient support to favour (i) an abolishment of the basic mark requirement, (ii) an abolishment of the dependency and/or (iii) a freeze of the application of the dependency clause. However, this does not necessarily mean that the contrary is true, as in each case also a substantial number of Groups takes a different position while also some do not take a very distinct position. Thus, the Working Committee can expect debate and a resolution can indeed best be worded along the lines as mentioned above (thus e.g. '*AIPPI does not support an abolishment (...)*', rather than '*AIPPI is against abolishment (...)*').

Regarding a potential change to the dependency, the Groups' positions vary. A number favour a reduction to three years, but various different views have been brought forward and it may be difficult to find common ground. The same concerns the position of some countries

that a central attack should only have effect in countries where the attacker has prior rights and/or where the cancellation ground applies.

A substantial number of Groups finds that the basic mark requirement does not function well in the context of translations, transliterations and transcriptions. However, given the responses it seems unlikely that consensus will be reached on a position regarding genuine use (or other changes) in this respect.

Regarding other potential changes to the basic mark requirement, in particular several issues regarding the designated goods and services were mentioned. Among those are harmonisation of the lists of goods and services and the (im)possibility to transfer to a different class. Furthermore, the introduction of online file inspection is mentioned as desirable.

Harmonisation of relative and absolute grounds and central examination is generally not deemed feasible.
