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AD HOC WORKING GROUP ON THE LEGAL DEVELOPMENT OF THE MADRID SYSTEM FOR THE INTERNATIONAL REGISTRATION OF MARKS

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REVIEW OF THE REFUSAL PROCEDURE AND THE SAFEGUARD CLAUSE OF THE
MADRID PROTOCOL AND POSSIBLE AMENDMENTS TO THE COMMON
REGULATIONS

Document prepared by the International Bureau

I. INTRODUCTION

1. Article 5(2)(e) and Article 9^{sexies}(2) of the Madrid Protocol envisage the review by the Assembly of the Madrid Union of, respectively, the refusal procedure and the so-called “safeguard clause” upon the expiry of a period of 10 years from the entry into force of the Protocol, i.e., as from December 1, 2005.

2. At any time, the Assembly of the Madrid Union may amend the Common Regulations under the Madrid Agreement and Protocol, for example with a view to improving the procedures that apply under the Madrid System for the International Registration of Marks.

3. The *Ad Hoc* Working Group on the Legal Development of the Madrid System for the International Registration of Marks (hereinafter referred to as “the Working Group”) has been convened by the Director General to assist in:

(i) the preparation of the reviews envisaged in the above-mentioned provisions of the Madrid Protocol, which the Assembly may decide to undertake in 2006; and

(ii) the preparation of proposals for amendment of the Common Regulations to be submitted for adoption by the Assembly in 2006.

4. The present document gives background information and invites comments from the Working Group on various questions relating to the review of the refusal procedure (Chapter II), the review of the safeguard clause (Chapter III) and the preparation of amendments to the Common Regulations (Chapter IV). No specific proposals (draft provisions for amendment of the Protocol or the Common Regulations) are being put forward at this stage, since it would first appear necessary to obtain the views of the Working Group on the various questions set out in the present document.

5. The conclusions of the Working Group will be reported to the Assembly of the Madrid Union in September 2005 and will serve as a basis for the International Bureau to prepare specific proposals (draft provisions for amendment of the Protocol and the Common Regulations, as may be required) for adoption by the Assembly in September 2006. If required, the Working Group would be convened to meet again in the first half of 2006 to consider the draft provisions prepared by the International Bureau before they are finalized for submission to the Assembly.

II. REVIEW OF THE REFUSAL PROCEDURE UNDER THE MADRID PROTOCOL

6. Article 5(2)(e) of the Madrid Protocol provides that, upon the expiry of a period of 10 years from the entry into force of the Protocol (namely as from December 1, 2005), the Assembly shall examine the operation of the refusal procedure established by subparagraphs (a) to (d) of that Article, and that such provisions may be modified by a unanimous decision of the Assembly.

7. The main features of the refusal procedure provided for by Article 5(2)(a) to (d) of the Protocol are set out below. They are implemented by Rules 16 to 18 of the Common Regulations under the Madrid Agreement and Protocol.

Subparagraph (a)

8. Subparagraph (a) provides in particular that, subject to the exceptions referred to in subparagraphs (b) and (c) (see paragraphs 12 to 37, below), *the maximum time limit* within which a refusal of protection must be notified to the International Bureau by the Office of a designated Contracting Party is *one year* from the date on which the notification of the international registration or the subsequent designation, as the case may be, has been sent to that Office by the International Bureau.

9. Regarding the consequences of the refusal period, it is recalled that if no refusal of protection has been notified by the Office of a designated Contracting Party within the applicable time limit, it automatically follows, pursuant to Article 4(1)(a) of the Protocol, that the mark which is the subject of the international registration enjoys the same protection as if it had been registered by the Office of that Contracting Party.

10. The one-year refusal period referred to in Article 5(2)(a) was chosen under the Protocol in order, primarily, to correspond with that provided for in Article 5(2) of the Agreement. In addition, it was considered by the Diplomatic Conference that adopted the Madrid Protocol that a one year time limit enabled reconciliation of the interests of Offices (which must have a sufficient period of time to carry out the substantive examination provided for in their domestic law) and those of holders of international registrations (who should not wait too long before knowing whether an objection will be raised against the protection of their marks).

11. As these considerations still appear relevant at present, this provision does not seem to require modification.

Subparagraph (b)

12. Subparagraph (b) provides for the possibility for a Contracting Party of declaring that the time limit of one year to notify a refusal of protection be replaced by an 18-month time limit.

13. As of the date of issuing of the present document, the following 31 Contracting Parties have required an extension to 18 months of the refusal period under Article 5(2)(b) of the Protocol: Armenia, Australia, Belarus, Bulgaria, China, Cyprus, Denmark, Estonia, European Community, Finland, Georgia, Greece, Iceland, Iran (Islamic Republic of), Ireland, Italy, Japan, Kenya, Lithuania, Norway, Poland, Republic of Korea, Singapore, Slovakia, Sweden, Switzerland, Turkmenistan, Turkey, Ukraine, United Kingdom and the United States of America.

14. The possible extension of the refusal period to 18 months was instituted under the Madrid Protocol in 1989 because, at that time, a number of Offices argued that they could not be certain of completing their substantive examination within 12 months.

15. The recordings of the International Register show that, in recent years, most of these Offices have accelerated their examination procedure and are now able to issue refusals within shorter periods.

16. However, taking into account the fact that any change to Article 5(2)(b) of the Protocol would require a *unanimous* decision of the Assembly, and considering that an 18-month refusal period could still be necessary for potential new Contracting Parties to be in a position to accede to the Madrid Protocol, this provision does not seem to require modification.

Subparagraph (c)

17. Subparagraph (c) deals exclusively with refusals *based on an opposition*¹. It comprises a *chapeau* and two items ((i) and (ii)).

18. The *chapeau* of subparagraph (c) provides that the declaration referred to in subparagraph (b) (extension of the refusal period to 18 months) may also specify that a refusal of protection may, where it is based on an opposition, be notified *after* the expiry of the 18-month time limit.

19. As of the date of issuing of the present document, 18 Contracting Parties (among the 31 which have made the declaration referred to in Article 5(2)(b)) have also specified in their declaration that, pursuant to Article 5(2)(c), a refusal based on an opposition may be notified after the expiry of the 18-month time limit: Australia, China, Cyprus, Denmark, Estonia, Finland, Iran (Islamic Republic of), Ireland, Italy, Kenya, Lithuania, Norway, Republic of Korea, Singapore, Sweden, Ukraine, United Kingdom and the United States of America.

20. The possibility of notifying refusals based on an opposition after the expiry of the 18-month time limit was introduced in the Protocol in order mainly to take into consideration national or regional systems of Contracting Parties:

– which provide both for a substantive examination and an opposition procedure,
and

– in respect of which the examination and the opposition periods run *consecutively*, that is, the opposition period starts to run only after the examination stage has been completed and any *ex officio* refusal (based on absolute and/or relative grounds) has been finally disposed of.

21. For such Contracting Parties, a refusal based on an opposition, in some circumstances, may be notified only after an 18-month time limit has elapsed. The following example may illustrate this point:

It is assumed that the law of a Contracting Party provides for a system referred to in paragraph 20, above.

In January 2005, the International Bureau notifies to the Office of that Contracting Party an international registration in which it is designated. (If a maximum 18-month time limit applied, it would follow that any refusal of protection, including refusals based on an opposition, would have to be notified to the International Bureau by July 2006 at the latest.)

¹ It is recalled that, under the Madrid system, when an Office notifies a “refusal based on an opposition”, that Office is simply stating that an opposition has been lodged by a third party against the international registration concerned; it does not mean that the Office has taken a decision as to whether the opposition is well founded or not. (There is no time limit provided for by the Madrid system for an Office to notify to the International Bureau its decision on the opposition).

Following the substantive examination carried out by the Office, a refusal of protection, based for example on lack of distinctiveness of the mark, is notified to the International Bureau by that Office in September 2005. According to the law of that Contracting Party, a two-month time limit is allowed to the holder of the international registration to request a review of such refusal before the Office.

In November 2005, the holder requests such a review. The Office confirms however its refusal in a decision rendered, for example, three months later, in February 2006. Such decision, under the law of the Contracting Party in question, may be further appealed before a tribunal (external to the Office) within a two-month time limit.

In April 2006, the holder lodges such an appeal before the competent tribunal. At this stage, due to the time needed by the tribunal to render its decision, it becomes apparent that, in the event that the tribunal reverses the decision of the Office (so that the opposition period will start to run), the opposition period will begin too late for any refusal *based on an opposition* to be notified by the Office to the International Bureau within the 18-month time limit (expiring in July 2006).

22. To deal with such circumstances, it was therefore necessary to provide a legal mechanism allowing the Offices concerned to notify to the International Bureau refusals based on an opposition *after* the expiry of the 18-month time limit. This is the reason why subparagraph (c) was introduced in the Madrid Protocol.

23. Given that the same considerations are still relevant at present, it is not proposed to modify the principle laid down in the chapeau of subparagraph (c), allowing a Contracting Party to declare that a refusal based on an opposition may be notified *after* the expiry of the extended refusal period.

24. However, even where a Contracting Party has made the declaration referred to in subparagraphs (b) and (c), a refusal based on an opposition may be notified after the expiry of the 18-month time limit only if two *additional* conditions are met. These conditions are set out in items (i) and (ii) of subparagraph (c).

Item (i) of subparagraph (c)

25. Where the type of situation outlined in paragraph 21, above, occurs, item (i) requires the Office concerned to inform the International Bureau, *before* the expiry of the 18-month time limit, of the possibility that, with respect to the international registration concerned, oppositions may be filed after the expiry of the 18-month time limit.

26. Rule 16(1)(b) of the Common Regulations provides that, in addition to the information relating to the possible filing of oppositions after the expiry of the 18-month time limit, the Office concerned must also indicate to the International Bureau the dates on which the opposition period begins and ends².

² If such dates are not yet known at the time the Office informs the International Bureau that oppositions may be filed after the expiry of the 18-month period, they must be communicated to the International Bureau at the latest at the same time as any notification of a refusal based on an opposition (Rule 16(1)(b), second sentence).

27. The information relating to the possible filing of oppositions after the expiry of the 18-month time limit with respect to a given international registration, along with the dates on which the opposition period begins and ends, is recorded in the International Register, transmitted to the holder of the international registration and published in the *WIPO Gazette of International Marks*.

28. The condition referred to in item (i) of subparagraph (c) was introduced for the sake of transparency. It allows both holders of international registrations and third parties (in particular potential transferees) to be aware of the status of protection of the mark and, in particular, that oppositions may still be filed in the Contracting Party concerned, in spite of the fact that the 18-month time limit has expired.

29. Given that these considerations still appear relevant at present, the condition referred to in subparagraph (c)(i) does not seem to require modification.

Item (ii) of subparagraph (c)

30. Where a refusal based on an opposition may be notified only after the expiry of the 18-month time limit, in the circumstances outlined in paragraph 21, above, item (ii) of subparagraph (c) provides that such refusal has to be notified within a time limit of “not more than seven months from the date on which the opposition period begins or, if the opposition period expires before this time limit of seven months, within a time limit of one month from the expiry of the opposition period”.

31. It results from subparagraph (c)(ii) that the time limit within which an Office may notify a refusal based on an opposition can *never* exceed one month from the *expiry* of the opposition period. (The reference in that provision to a seven-month time limit “counted from the date on which the opposition period *begins*” results from the fact that, at the time of adoption of the Protocol, the maximum opposition period known in the laws of Contracting Parties was six months.)

32. The implementation of subparagraph (c)(ii) may be illustrated as follows. Coming back to the example mentioned in paragraph 21, above, it is assumed that the Tribunal has reversed the decision of the Office and that, according to the law of the Contracting Party concerned, the opposition period starts to run as from September 2006.

33. It results from subparagraph (c)(ii) that any refusal based on an opposition must be notified by the Office to the International Bureau, at the latest, in April 2007 (i.e., not more than seven months from the date on which the opposition period *begins*). However, if the opposition period expires before April 2007, for example if the opposition period is three months and therefore expires in December 2006, it follows that any refusal based on an opposition must be notified, at the latest, in January 2007 (i.e., within one month from the *expiry* of the opposition period).

34. This provision is often said to be too complex, and frequently generates problems of interpretation as well as of practice. For the sake of simplicity and given that, to the knowledge of the Secretariat, no country provides for an opposition procedure which is longer than six months, it could be proposed to delete in item (ii) the reference to the maximum seven-month time limit, and retain only the general requirement to notify a refusal based on an opposition within a one-month time limit from the *expiry* of the opposition period.

35. Such amendment would not be detrimental to holders of international registrations since, as regards the timing of a notification of refusal based on an opposition, it is the most favorable requirement which would remain under subparagraph (c)(ii) (namely the need to notify such refusal within a one-month time limit from the *expiry* of the opposition period).

36. It should also be noted that the notification of a refusal based on an opposition after the expiry of the 18-month time limit is extremely rare in practice: in 2004, only 44 international registrations were the subject of such refusal after the expiry of the 18-month time limit.

37. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to delete the reference to the maximum seven-month time limit in Article 5(2)(c)(ii) of the Protocol be submitted to the Assembly of the Madrid Union for adoption.

Subparagraph (d)

38. Subparagraph (d) provides for the timing of the declaration made by Contracting Parties under subparagraphs (b) and (c) (i.e., in the instrument of accession or later), and its respective date of effect.

39. This provision has never given rise to difficulties and therefore does not seem to require modification.

Subsequent Reviews of the Operation of the Refusal Procedure Under the Protocol

40. Article 5(2)(e), providing for the review by the Assembly of the refusal procedure under subparagraphs (a) to (d), and the requirement of unanimity for any modification of those provisions, was introduced in the Madrid Protocol for the sake of flexibility and to ensure that any modification of these principles, considered as fundamental, would be accepted by all Contracting Parties to the Protocol.

41. It should however be noted that Article 5(2)(e), which makes express reference to the review of the refusal procedure under subparagraphs (a) to (d), does not specifically include *itself* as part of the said review. The question has therefore arisen as to whether, following the present review of the refusal procedure, the Assembly of the Madrid Union would be entitled to undertake further reviews of the refusal procedure established by subparagraphs (a) to (d), as amended. In the opinion of the Secretariat, such later reviews are clearly supported by the term “thereafter” in the second sentence of Article 5(2)(e).

42. For the sake of legal certainty, however, it is suggested that an interpretative statement be submitted to the Assembly of the Madrid Union, to the effect that Article 5(2)(e) of the Protocol is to be understood as allowing the Assembly to examine the operation of the system established by subparagraphs (a) to (d), as last amended, and that any further modification of those provisions should require a unanimous decision of the Assembly.

43. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that the interpretative statement referred to in paragraph 42, above, be submitted to the Assembly of the Madrid Union for adoption.

III. REVIEW OF THE SAFEGUARD CLAUSE

Background Information

44. Article 9*sexies*(1) of the Protocol, commonly known as the “safeguard clause”, provides that where, with regard to a given international application or international registration, the country of origin is party to both the Protocol and the Agreement, the provisions of the Protocol “*shall have no effect in the territory of any other State that is also party to both this Protocol and the Agreement*”.

45. In other words, it is the provisions of the *Agreement* which, as part of the international registration procedure, remain applicable in the relations between States bound by *both* the Agreement and the Protocol.

46. As of the date of issuing of the present document, the following 45 Contracting Parties are bound by both the Agreement and the Protocol: Albania, Armenia, Austria, Belarus, Belgium, Bhutan, Bulgaria, China, Croatia, Cuba, Cyprus, Czech Republic, Democratic People’s Republic of Korea, France, Germany, Hungary, Iran (Islamic Republic of), Italy, Kenya, Kyrgyzstan, Latvia, Lesotho, Liechtenstein, Luxembourg, Monaco, Mongolia, Morocco, Mozambique, Namibia, Netherlands, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Serbia and Montenegro, Sierra Leone, Slovakia, Slovenia, Spain, Swaziland, Switzerland, Syrian Arab Republic, The former Yugoslav Republic of Macedonia and Ukraine.

47. The introduction of the safeguard clause results from the following considerations: one of the main reasons why the Protocol was adopted in 1989 was to expand the membership of the Madrid Union. To that end, the Protocol introduced into the international procedure a number of new features, with a view to alleviating obstacles that potential new Contracting Parties were seeing to their participation in the Madrid system.

48. Considering however that the Madrid Agreement had been giving satisfaction to users, and in order that these users could continue to rely as widely as possible on the provisions of the Agreement (especially until the implementation of the Protocol proved to be successful), it was agreed that, in the mutual relationships between States bound by both the Agreement and the Protocol, it is the Agreement which would be the binding treaty (with a view to “safeguarding” the provisions of the Agreement).

49. It follows that where the country of origin is bound by both the Agreement and the Protocol, the designation (in an international application or subsequent designation) of any Contracting Party *also* bound by both treaties *is governed by the Agreement*. The applicability of the Agreement (instead of the Protocol) is of direct relevance with respect to six features of the international procedure, namely:

- (a) the refusal period (see paragraphs 53 to 59);
- (b) the individual fee system (see paragraphs 60 to 65);
- (c) the possibility of requesting a transformation of an international registration into one or more national or regional applications in the event of a central attack during the five-year dependency period (see paragraphs 66 to 72);
- (d) the required basis for filing an international application (see paragraphs 73 to 79);
- (e) the issue of the so-called “cascade” (see paragraphs 80 to 88);
- (f) the presentation to the International Bureau of subsequent designations and requests for the recording of cancellations and renunciations (see paragraphs 89 to 95).

Repeal or Restriction of the Scope of the Safeguard Clause

50. Under paragraph (2) of Article 9*sexies*, the Assembly may, by a three-fourths majority, either repeal *or* restrict the scope of the safeguard clause, after the expiry of a period of 10 years from the entry into force of the Protocol (December 1, 2005), but not before the expiry of a period of five years from the date on which the majority of States party to the Madrid (Stockholm) Agreement have become party to the Protocol. To the extent that this latter condition has been fulfilled since April 1, 2003³, repeal or restriction of the scope of the safeguard clause will be possible from the tenth anniversary of the coming into force of the Protocol, namely as from December 1, 2005.

³ This latter condition has been fulfilled since April 1, 2003, following the (simultaneous) accession to the Protocol of Belgium, Luxembourg and the Netherlands, with effect from April 1, 1998. At that time, out of 39 countries party to the Madrid Agreement, 21 had become party to the Protocol.

51. As part of the review of the safeguard clause, the Assembly may decide that, in the mutual relationships between States bound by both the Agreement and the Protocol, it is the provisions of the Protocol (instead of the Agreement as at present) which will apply:

- in respect of *all* the features mentioned in paragraph 49, above (“repeal” of the safeguard clause), or
- in respect of *only some* of these features (“restriction of the scope” of the safeguard clause).

52. Article 9*sexies*(2) further provides that in the vote of the Assembly, “only those States which are party to *both* the Agreement and the Protocol shall have the right to participate”. This is accounted for by the fact that, by definition, the safeguard clause only comes into play in the mutual relationships between States bound by both treaties. (Where a Contracting Party is bound by only one treaty of the Madrid system – Agreement or Protocol – it is of course such treaty which applies with respect to that Contracting Party, so that the safeguard clause is in such case without object.)

Consequences of the Repeal or the Restriction of the Scope of the Safeguard Clause

(a) With Respect to the Refusal Period

53. The time limit to notify a refusal of protection is necessarily one year under the Agreement, while such time limit *may*, under the Protocol, be extended to 18 months, or longer in the case of a refusal based on an opposition (provided that the Contracting Party concerned has made the declaration referred to in Article 5(2)(b) and (c) of the Protocol).

54. Where a Contracting Party bound by both the Agreement and the Protocol is designated by an applicant or holder whose country of origin is also bound by both treaties, such designation is, by virtue of the safeguard clause, governed *by the Agreement*. It follows that the Office of this designated Contracting Party must necessarily notify a refusal of protection within a one year time limit, *even if that Contracting Party has requested an extension of the refusal period to 18 months under the Protocol*.

55. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to the refusal period, where the country of origin is bound by both the Agreement and the Protocol, the designation (in an international application or a subsequent designation) of a Contracting Party also bound by both treaties is to be governed *by the Protocol*.

56. The consequence would be that, in the same circumstances as those outlined in paragraph 54, above, the Office of the designated Contracting Party would be able to notify a refusal of protection, instead of one year at present, within an 18-month time limit or after the 18-month time limit in the case of a refusal based on an opposition (provided of course that such Contracting Party has made the corresponding declaration under Article 5(2)(b) and (c) of the Protocol).

57. As of the date of issuing of the present document, such change would be of direct significance for the Offices of 12 Contracting Parties⁴ (which would have more time to notify a provisional refusal when designated by an applicant or holder whose country of origin is a country bound by both the Agreement and the Protocol), and would be indifferent for all other Offices.

58. As far as users are concerned, applicants and holders (whose country of origin is a State bound by both the Agreement and the Protocol) designating any of these 12 Contracting Parties would then have to wait for 18 months (or longer in the case of refusals based on an opposition), instead of 12 months at present, in order to know whether they enjoy protection in the territory of such designated Contracting Parties.

59. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to the refusal period be submitted to the Assembly of the Madrid Union for adoption.

(b) With Respect to the Individual Fee System

60. Under the Agreement, the designation of each Contracting Party gives rise to the payment by the applicant or holder of “standard” fees (the amounts of which are 73 Swiss francs, plus 73 Swiss francs for each class of goods and services beyond the third). Under the Protocol, instead of the standard fees, the designation of a Contracting Party may give rise to the payment of an “individual fee” if such Contracting Party has made the corresponding declaration under Article 8(7) of the Protocol. (The amounts of the individual fee are determined by each Contracting Party concerned, but may not be higher than the fee which the Office of that Contracting Party would be entitled to receive in the case of a direct filing.)

61. Where a Contracting Party bound by both the Agreement and the Protocol is designated by an applicant or holder whose country of origin is also bound by both treaties, such designation is, by virtue of the safeguard clause, governed *by the Agreement*. It follows that only the standard fees are payable in respect of the designation of that Contracting Party, *even if the latter has opted for an individual fee under the Protocol*.

62. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to the individual fee system, where the country of origin is bound by both the Agreement and the Protocol, the designation of a Contracting Party also bound by both treaties is to be governed *by the Protocol*.

⁴ Namely the Offices of Contracting Parties, bound by both the Agreement and the Protocol, which have requested an extension of the refusal period to 18 months under the Protocol: Armenia, Belarus, Bulgaria, China, Cyprus, Iran (Islamic Republic of), Italy, Kenya, Poland, Slovakia, Switzerland and Ukraine.

63. The consequence would be that applicants or holders (whose country of origin is a State bound by both the Agreement and the Protocol) would be required to pay an individual fee, instead of standard fees at present, when designating the Contracting Party concerned.

64. As of the date of issuing of the present document, such change would be of direct significance for 11 Offices of Contracting Parties⁵ and would be indifferent for all other Offices. As far as users are concerned, applicants or holders (whose country of origin is a State bound by both the Agreement and the Protocol) would have to pay higher fees when designating any of the 11 Offices of Contracting Parties in question.

65. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to the individual fee system be submitted to the Assembly of the Madrid Union for adoption.

(c) With Respect to Transformation

66. Article 9*quinquies* of the Protocol provides that, in the event that an international registration is cancelled at the request of the Office of origin under Article 6(4) (i.e., where the basic mark has ceased to have effect within the five-year period of dependency, as a result of a so-called “central attack”), the holder of the international registration may request the transformation of his international registration into national or regional applications, while keeping the original date of the international registration.

67. The national or regional applications resulting from this transformation must be filed directly with each Office concerned. Apart from the special provisions regarding date, these national or regional filings are not governed by the Protocol or the Common Regulations, nor is the International Bureau involved in any way.

68. To the extent that the transformation mechanism is provided for only in the Protocol (but not in the Agreement), its benefit can be claimed only in respect of a Contracting Party whose designation is governed by the Protocol.

69. It follows that holders whose country of origin is bound by both the Agreement and the Protocol are not entitled to request such transformation in respect of a designated Contracting Party also bound by both treaties (such designation being, by application of the safeguard clause, governed by the Agreement).

⁵ Namely the Offices of Contracting Parties, bound by both the Agreement and the Protocol, which have requested an individual fee under the Protocol: Armenia, Belarus, Benelux, Bulgaria, China, Cuba, Italy, Kyrgyzstan, Republic of Moldova, Switzerland and Ukraine.

70. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to transformation, where the country of origin is bound by both the Agreement and the Protocol, the designation of a Contracting Party also bound by both treaties is to be governed *by the Protocol*. The consequence would be that transformation would become possible in respect of such a designated Contracting Party.

71. Such change would be beneficial to users of the Madrid system without being detrimental to Offices.

72. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to transformation be submitted to the Assembly of the Madrid Union for adoption.

(d) With Respect to the Required Basis for Applying for an International Application

73. Under the Agreement, an international application must be based on a prior *registration* of the mark concerned with the Office of origin (“basic registration”). Under the Protocol, an international application may be based on either a basic registration or on an *application for registration* filed with the Office of origin (“basic application”).

74. It follows that international applications governed exclusively by the Protocol may be based either on a basic registration or basic application, while international applications governed exclusively by the Agreement, or by both the Agreement and the Protocol, must necessarily be based on a basic registration⁶.

75. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to the required basis for applying for an international application, where the country of origin is bound by both the Agreement and the Protocol, the designation of a Contracting Party also bound by both treaties is to be governed *by the Protocol*.

76. The consequence would be that a number of international applications which, by virtue of the safeguard clause, are currently governed exclusively by the Agreement, or by both the Agreement and the Protocol, would become governed exclusively by the Protocol (and could therefore be based either on a basic registration or on a basic application).

⁶ It is recalled that three kinds of international application exists: those governed exclusively by the Agreement (i.e., all Contracting Parties have been designated under the Agreement), those governed exclusively by the Protocol (i.e., all Contracting Parties have been designated under the Protocol), and those governed by both treaties (i.e., at least one Contracting Party has been designated under the Agreement, and at least one Contracting Party has been designated under the Protocol).

77. According to the statistics for 2004, 10,597 international applications (36% of the total) would have been concerned by such change⁷.

78. Restriction of the scope of the safeguard clause with respect to the required basis for applying for an international application would be beneficial to users of the Madrid system (who would have more flexibility for deciding whether to base their international applications on a basic registration or a basic application) without being detrimental to Offices.

79. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to the required basis for applying for an international application be submitted to the Assembly of the Madrid Union for adoption.

(e) With Respect to the “Cascade”

80. Under the Agreement, the country of origin is determined according to a hierarchy among the possible entitlements of the applicant (on the basis of the applicant’s establishment, domicile and nationality). The country of origin is defined as:

- the country in which the applicant has a real and effective industrial or commercial establishment. If, and only if, the applicant does not have such an establishment in a Contracting Party, the country of origin is
- the country in which the applicant has its domicile. If, and only if, the applicant has neither an establishment nor a domicile in a Contracting Party, the country of origin is
- the country of which the applicant is a national.

81. The applicant must follow this so-called “cascade” and therefore does not have a free choice of the country of origin.

82. Under the Protocol, in contrast, no such cascade applies. The country of origin may be freely chosen by the applicant on the basis of establishment, domicile or nationality. For example, if the applicant has an establishment in country A, a domicile in country B and the nationality of country C, the country of origin may be country A, B or C, at the applicant’s option (it being understood that there can be *only one* country of origin in respect of a given international application).

⁷ The international applications concerned are those whose country of origin is bound by both the Agreement and the Protocol, and contain the designation of at least one Contracting Party bound by both treaties, without containing the designation of a Contracting Party bound only by the Agreement.

83. It follows that no “cascade” applies in respect of international applications governed exclusively by the Protocol, while such “cascade” does apply in respect of international applications governed exclusively by the Agreement, or by both the Agreement and the Protocol.

84. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to the determination of the country of origin, where the country of origin is bound by both the Agreement and the Protocol, the designation of a Contracting Party also bound by both treaties is to be governed *by the Protocol*.

85. The consequence would be that a number of international applications which, by application of the safeguard clause, are currently governed exclusively by the Agreement, or by both the Agreement and the Protocol, would become governed exclusively by the Protocol (so that the country of origin could be freely chosen by the applicant, as described in paragraph 82, above).

86. The international applications concerned by such change are the same as those referred to in paragraph 77, above (namely, 10,597 international applications received in 2004, representing 36% of the total).

87. Such change would be beneficial to users of the Madrid system (who would have more flexibility in choosing their country of origin) and to Offices (which would be relieved from the need to check that they are the correct Office of origin under the “cascade”).

88. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to the issue of the so-called “cascade” be submitted to the Assembly of the Madrid Union for adoption.

(f) With Respect to the Presentation to the International Bureau of Subsequent Designations and Requests for the Recording of Cancellations and Renunciations

89. Where all Contracting Parties which are the subject of a subsequent designation are designated under the Protocol, or where a request for the recording of a renunciation or a cancellation affects a Contracting Party whose designation is governed by the Protocol, the said subsequent designation, or the said request for the recording of renunciation or cancellation, may be presented to the International Bureau *either* directly by the holder or through the intermediary of the Office of the Contracting Party of the holder (at the holder’s option).

90. In contrast, where any of the Contracting Parties which are the subject of a subsequent designation is designated under the Agreement, or where a request for the recording of a renunciation or a cancellation affects a Contracting Party whose designation is governed by the Agreement, the said subsequent designation, or the said request for the recording of renunciation or cancellation, must necessarily be presented to the International Bureau through the Office of the Contracting Party of the holder.

91. As part of the review of the safeguard clause, the Assembly of the Madrid Union could decide that, with respect to the presentation to the International Bureau of subsequent designations and requests for the recording of renunciations and cancellations, where the country of origin is bound by both the Agreement and the Protocol, the designation of a Contracting Party also bound by both treaties is to be governed *by the Protocol*.

92. The consequence would be that an increased number of subsequent designations and requests for the recording of renunciations and cancellations⁸ would become governed by the Protocol and, as a result, could be presented to the International Bureau *either* directly by the holder or by the Office of the Contracting Party of the holder.

93. According to the statistics for 2004, the number of subsequent designations, renunciations and cancellations received by the International Bureau during that period, of the kind referred to in paragraph 92, above, was, respectively, 4,373 (40% of the total), 273 (34% of the total) and 131 (26% of the total).

94. Restriction of the scope of the safeguard clause with respect to the presentation of subsequent designations and requests for the recording of cancellations and renunciations would be beneficial to users of the Madrid system (who would have more flexibility in choosing how to present to the International Bureau the communications concerned) and to Offices (which would be relieved from the need to act as intermediary between users and the International Bureau).

95. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to restrict the scope of the safeguard clause with respect to the presentation to the International Bureau of subsequent designations and requests for the recording of cancellations and renunciations be submitted to the Assembly of the Madrid Union for adoption.

⁸ The subsequent designations and requests for the recording of renunciations and cancellations concerned are those in respect of which the holder's country of origin is bound by both the Agreement and the Protocol, and the Contracting Party which is designated subsequently, or the Contracting Party affected by the cancellation or renunciation, is also bound by both treaties.

Additional Features to Be Considered as Part of the Review of the Safeguard Clause

96. The consequences of the repeal or a restriction of the scope of the safeguard clause should also be considered with regard to two additional features of the Madrid system, namely: (a) the requirements concerning the address of a representative appointed before the International Bureau at the international application stage, and (b) the applicable language regime.

97. The reason why these two features are examined separately from those listed in paragraph 49, above, lies in the fact that they are provided for in the *Common Regulations only* (while the features examined in paragraphs 53 to 95, above, are provided for in the Agreement and Protocol *themselves*)⁹.

(a) Address of Representative

98. As regards the requirements concerning the address of a representative appointed in an international application, the repeal or a restriction of the scope of the safeguard clause would have no effect on that issue if the amendment proposed to be made to Rule 3(1) was approved (see paragraphs 114 to 119, below).

(b) Language Regime

99. The Common Regulations provide for two alternative regimes for languages: either a trilingual regime (English, French, Spanish) or a monolingual regime (only French), as follows:

– international applications *governed exclusively by the Protocol, or by both the Agreement and the Protocol*, and other communications relating thereto (such as refusals of protection, requests to record changes in ownership or limitations), may be filed in English, in French or in Spanish; the corresponding international registrations are recorded in the International Register and published in the WIPO Gazette in all three languages of the Madrid system (trilingual regime);

– international applications *governed exclusively by the Agreement*, and other communications relating thereto, must necessarily be filed in French. The corresponding international registrations are recorded in the International Register and published in the WIPO Gazette in French only (monolingual regime).

⁹ The Common Regulations provide that the requirements concerning representation before the International Bureau and the determination of the applicable language regime, depend on whether the international application concerned is governed “exclusively by the Agreement”, “exclusively by the Protocol”, or “by both the Agreement and Protocol”, as defined in Rule 1.

100. By virtue of the safeguard clause, it currently follows that where an applicant, whose country of origin is bound by both the Agreement and the Protocol, designates only countries also bound by both treaties, such international application is governed exclusively by the Agreement, and can therefore be filed only in French. The corresponding international registration is recorded in the International Register and published in the WIPO Gazette in French only.

101. Should the Assembly of the Madrid Union decide upon the *repeal* of the safeguard clause (i.e., if it were decided that the Protocol should become applicable with respect to the six features referred to in items (a) to (f) of paragraphs 53 to 95, above), such repeal would entail as a natural consequence a revision of the provisions in the Common Regulations determining the applicable language regime.

102. The consequence of such repeal would be that a number of international applications which, by virtue of the safeguard clause are currently governed exclusively by the Agreement and can therefore be filed only in French, would become governed exclusively by the Protocol, or by both the Agreement and the Protocol, and could be filed in any of the three working languages of the Madrid system.

For example, if an applicant whose country of origin is Spain (bound by both treaties) designates Cuba and Portugal (also bound by both treaties), such international application, which at present is governed exclusively by the Agreement by virtue of the safeguard clause and can therefore be filed only in French, would be governed exclusively by the Protocol and could be filed in English, in French or in Spanish. The corresponding international registration would then be recorded in the International Register and published in the WIPO Gazette in all three languages of the Madrid system.

103. According to the statistics for 2004, 6,254 international applications (21% of the total) would have been affected by such change¹⁰. This would be advantageous for users of the Madrid system, without being detrimental to Offices¹¹.

104. In the case of a repeal of the safeguard clause, the monolingual regime would continue to be applicable, however, to applications solely containing designations of States bound only by the Agreement and to the corresponding international registrations. The monolingual regime would also continue to be applicable to all existing international registrations currently subject to the monolingual regime, unless and until a subsequent designation of a Contracting Party bound by the Protocol is requested with respect to any such registration.

¹⁰ The international applications concerned are those whose country of origin is bound by both the Agreement and the Protocol, and contain the designation of at least one Contracting Party bound by both treaties, without containing the designation of a Contracting Party bound only by the Protocol.

¹¹ In fact, as regards the language of an international application, the Office of origin would remain entitled, under Rule 6(1)(b), to restrict the choice of the applicant to only one language, or to two languages, or could permit the applicant to choose between any of the three languages. Concerning the language of communications addressed by the International Bureau to Offices, Rule 6(2)(b)(iii) would continue to allow Offices to notify the International Bureau that, irrespective of the language of the international application, such communications are to be in English, or in French or in Spanish.

105. Should the Assembly of the Madrid Union decide upon a *restriction of the scope* of the safeguard clause (i.e., if it were decided that the safeguard clause would continue to be applicable with respect, at least, to one of the features mentioned in items (a) to (f) of paragraphs 53 to 95, above), it would also be necessary to review the provisions in the Common Regulations which determine the applicable language regime.

106. In this respect, upon a restriction of the scope of the safeguard clause, the Assembly of the Madrid Union may decide that:

(a) the monolingual regime will continue to apply to the situation described in paragraph 100, above; or

(b) the trilingual regime will become applicable to that situation (which would mean that a restriction of the scope of the safeguard clause would entail the same consequences as the repeal of the safeguard clause, as described in paragraphs 101 to 104, above).

107. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal to amend the Common Regulations with respect to languages along the lines described in paragraphs 101 to 104, above, in case of repeal of the safeguard clause, or along the lines described in paragraph 106 (a) or (b), in case of restriction of the scope of the safeguard clause, be submitted to the Assembly of the Madrid Union for adoption.

Legal Amendments Resulting From of a Repeal or Restriction of the Scope of the Safeguard Clause

108. Should the Assembly of the Madrid Union decide upon a *repeal* of the safeguard clause, it would seem advisable, rather than deleting Article 9*sexies*, to spell out in that Article that it is the Protocol which applies in the mutual relationships between Contracting Parties bound by both treaties.

109. Should the Assembly of the Madrid Union decide upon a *restriction of the scope* of the safeguard clause, it would seem desirable to indicate in Article 9*sexies* that the safeguard clause, as amended, could again be reviewed by the Assembly after the expiry of a certain period of time (five years for example). In such case, it is also suggested that the current requirements concerning voting rights, as provided for in Article 9*sexies*(2), should remain unchanged (namely the fact that only those States which are party to both the Agreement and the Protocol shall have the right to participate and that repeal or restriction of the scope of the safeguard clause would require a three-fourths majority of the votes cast).

110. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal of the kind referred to in paragraph 108 or 109, above, as the case may be, be submitted to the Assembly of the Madrid Union for adoption.

Subsequent Fate of the Madrid Agreement

111. It should be noted that a repeal of the safeguard clause by the Assembly of the Madrid Union would not automatically lead to the extinction of the Agreement (since, even in the case of repeal, the Agreement would continue to apply in respect of States bound *only* by that treaty).

112. It is only if three circumstances are *cumulatively* met that the Madrid Agreement would no longer be applicable as part of the international registration procedure, namely:

- the Assembly decides to *repeal* the safeguard clause, and
- the 11 Contracting Parties which are currently bound exclusively by the Madrid Agreement¹² become bound by the Madrid Protocol, and
- a decision is taken by the Assembly to “freeze” the application of the Madrid Agreement (as was done in 1991 for the Trademark Registration Treaty “TRT”)¹³, so that no country could accede to the Agreement alone in the future and international applications could no longer be filed under such treaty.

113. Should such be the case, *the Madrid Agreement would become extinguished* and the international registration system would then be governed by the Madrid Protocol only. This would entail a considerable simplification of the procedures under the Madrid system¹⁴.

¹² Algeria, Azerbaijan, Bosnia and Herzegovina, Egypt, Kazakhstan, Liberia, San Marino, Sudan, Tajikistan, Uzbekistan and Viet Nam.

¹³ The Trademark Registration Treaty (“TRT”), of June 12, 1973, entered into force on August 7, 1980. However, due to insufficient use (only five countries acceded to that treaty and only two registrations were filed during the 11 years of its existence), the Assembly of the TRT Union decided to “freeze” the application of this treaty with effect from October 2, 1991.

¹⁴ The possible need for transitional provisions might also have to be examined.

IV. POSSIBLE AMENDMENTS TO THE COMMON REGULATIONS

A. *Address of Representative*

114. Under Rule 3(1)(b)(i) and (ii), depending on whether an international application is governed exclusively by the Agreement or exclusively by the Protocol, the address of an appointed representative must be in the territory of a Contracting Party bound, respectively, by the Agreement or by the Protocol.

115. Such distinctions apply only in respect of international *applications*. Whenever such applications have matured into registrations, the address of the representative appointed before the International Bureau may, pursuant to Rule 3(1)(b)(iv), be in the territory of *any* Contracting Party to the Madrid system (irrespective of the treaty governing the resulting international registrations).

116. For the sake of simplicity and in order to allow more flexible arrangements to users of the Madrid system, it could be envisaged that one single criterion should apply with regard to the address of a representative, i.e., regardless of the treaty – Agreement or Protocol – governing the international application, and regardless of whether the appointment takes place at the application or registration stage.

117. To that end, it could be provided that, in all cases, the only requirement concerning the address of a representative appointed before the International Bureau is that it be in the territory of a Contracting Party to the Madrid system.

118. Alternatively, as under the Hague system Concerning the International Registration of Industrial Designs¹⁵, it could be established that anyone may be appointed in an international application or an international registration to act as a representative before the International Bureau, i.e., not necessarily with an address in a Contracting Party to the Madrid system.

119. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal of the kind referred to in paragraph 117 or 118, above, as the case may be, be submitted to the Assembly of the Madrid Union for adoption.

¹⁵ The Common Regulations under the 1999 Act, the 1960 Act and the 1934 Act of the Hague Agreement do not contain any territorial restriction in respect of the appointment of a representative in an international application or an international registration; it can even be a representative established in the territory of a country which is not party to the Hague Agreement.

B. Treatment of Irregularities Affecting the Date

120. If an international application contains an irregularity affecting the date of the international registration¹⁶, it follows that such registration bears in principle the date on which the correction of that irregularity is received by the International Bureau (instead of the date on which the international application was received by the Office of origin).

121. There is however an exception to that principle: provided that the correction of the irregularity concerned is received by the International Bureau within the two-month time limit given to the Office of origin to forward the international application to the International Bureau, then the date of the international registration remains the date on which the international application was received by the Office of origin.

For example, if an international application – containing an irregularity affecting the date – is presented to the Office of origin on July 1, 2005, and received by the International Bureau on August 1, 2005, then assuming that the corresponding correction is remedied prior to September 1, 2005, the date of the international registration remains July 1, 2005.

122. The same mechanism applies in respect of subsequent designations presented to the International Bureau through the intermediary of an Office: where such subsequent designation contains an irregularity affecting the date¹⁷, it normally bears the date on which the correction of the irregularity concerned reaches the International Bureau, unless it is corrected within the two-month time limit given to the Office to forward that subsequent designation to the International Bureau (in which case the date of the subsequent designation remains the date of receipt by the Office).

123. Allowing for the retention of the date of receipt by the Office following the correction of an irregularity within the two-month time limit affects the simplicity of the international registration procedure, and often generates errors or confusion with users of the Madrid system.

124. Moreover, in respect of both international applications and subsequent designations, the possibility of remedying the irregularity concerned within the two-month time limit has proven, in practice, to be of limited benefit. In 2004, of 50 international applications and 28 subsequent designations containing an irregularity affecting the date, only 19 and 17, respectively, were capable of being remedied within the said two-month time limit (which represents 0.06% and 0.15% of the total number of, respectively, international applications and subsequent designations received by the International Bureau in 2004).

¹⁶ Four irregularities are concerned, namely, where the international application does not contain one or more of the following: (i) the identity of the applicant; (ii) the designated Contracting Parties; (iii) a reproduction of the mark; and (iv) the goods and services for which registration is requested (Rule 15(1)(a)).

¹⁷ Four irregularities are concerned, namely, where the subsequent designation does not contain one or more of the following: (i) the international registration number; (ii) the Contracting Party that is designated; (iii) the indication that the subsequent designation is for all or only some of the goods and services covered by the international registration; and (iv) where applicable, a declaration of intention to use the mark (MM18), annexed to the subsequent designation (in practice, where the United States of America is designated) (Rule 24(6)(c)(i)).

125. Therefore, in order to simplify the handling of irregularities affecting the date (without unduly penalizing users of the Madrid system), the Common Regulations could be amended so as to provide that an international application and a subsequent designation containing an irregularity affecting the date will simply bear, if regularized, the date on which the correction is received by the International Bureau.

126. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal, to provide that an international application and a subsequent designation containing an irregularity affecting the date bears the date of receipt of the corresponding correction by the International Bureau, be submitted to the Assembly of the Madrid Union for adoption.

C. Provisional Recording of a Renewal

127. Rule 30(3)(c) of the Common Regulations provides for a mechanism allowing the International Bureau, under some limited conditions, to proceed “provisionally” with the recording of the renewal of an international registration, in spite of the fact that the required renewal fees have not been paid in full.

128. Under this provision, if a notification by the International Bureau concerning an insufficient payment of the renewal fees was sent during the three months preceding the expiry of the “grace period” of six months (to validly renew an international registration after its due date), and provided that the amount of the fees received is, on the expiry of that grace period, less than the amount required but is at least 70% of that amount, the International Bureau must proceed nevertheless with the recording of the renewal, and the notification of such renewal to the Offices of the Contracting Parties concerned.

129. Rule 30(3)(c) further provides that the missing amount must be paid within a three-month time limit, failing which the International Bureau must cancel the renewal, notify accordingly the holder (and the representative, if any), and the Offices which had been notified of the renewal.

130. Rule 30(3)(c) was introduced at the time of adoption of the Common Regulations (i.e., with effect as from April 1, 1996), with a view to avoiding as much as possible an unwanted non-renewal of an international registration. It has, however, proven to be unnecessary in practice: since its adoption in 1996, the procedure referred to in Rule 30(3)(c) has never been applicable to a single international registration.

131. To the extent that a specific computer program is required to be maintained by the International Bureau for the purpose of Rule 30(3)(c), which unduly complicates the administration of the international procedure, it is therefore suggested that this provision be deleted.

132. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal consisting in deleting Rule 30(3)(c) be submitted to the Assembly of the Madrid Union for adoption.

D. Yearly Index

133. Rule 32(3) of the Common Regulations provides for the publication by the International Bureau, on a yearly basis, of an index indicating the names of the holders of the international registrations published in the Gazette each year.

134. This provision was intended to be of use to the public when the *paper form* of the Gazette was the only source of information offered by the International Bureau. Nowadays, users have access to much more developed and up to date tools, such as the WIPO Gazette on CD-ROM, or the Romarin and Madrid Express databases. All of these electronic tools contain search facilities which enable users to obtain, for a given year, the list of names of holders of international registrations (and in a much faster manner).

135. In view of the above, it is suggested that Rule 32(3) be deleted. The practical consequence of such deletion would be that *the paper form* of the yearly index would no longer be issued by the International Bureau.

136. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal consisting in deleting Rule 32(3) be submitted to the Assembly of the Madrid Union for adoption.

E. Date of Recording of Various Communications

137. With respect to the recording in the International Register of invalidations (Rule 19), restrictions of the holder's right of disposal (Rule 20), licenses (Rule 20*bis*), and replacement of a national or regional registration by an international registration (Rule 21), no provision of the Common Regulations expressly mentions that such recordings must be made as of the date of receipt by the International Bureau of a request complying with the applicable requirements (as opposed to other operations concerning international registrations, such as the recording of changes in ownership, changes of name or address of the holder or cancellations) (see Rule 27(1)(b)).

138. This being said, the practice of the International Bureau has always consisted in recording such notifications also as of the date on which the corresponding request, complying with the applicable requirements, was received by the International Bureau. For the sake of consistency and legal certainty, however, it would seem advisable to supplement accordingly Rules 19 to 21 of the Common Regulations.

139. The Working Group is invited to comment on the above and, in particular, to indicate whether it would recommend that a proposal consisting in specifying the date of recording of invalidations, restrictions of the holder's right of disposal, licenses and replacement of a national or regional registration by an international registration (namely the date on which the corresponding request, complying with the applicable requirements, has been received by the International Bureau), be submitted to the Assembly of the Madrid Union for adoption.

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