



European Communities Trade Mark Association

July 7, 2016

ECTA POSITION PAPER ON THE DEPENDENCY ISSUE AND ON THE POSSIBILITY OF A CENTRAL ELECTRONIC FILING FOR INTERNATIONAL REGISTRATIONS AND SOME DEFICIENCIES OF THE SYSTEM

I- THE DEPENDENCY OF THE BASIC MARK

The deletion of the requirement of a basic application or registration and the Dependency Clause according to which, if the basic national application/registration fails during a period of 5 years after the registration of the international trademark, the corresponding international trademark follows the same fate in all the countries where it has been extended (Article 6, paragraphs 2 & 3 of the Madrid Agreement and Protocol) are very closely linked (central attack).

In this respect, it should be remembered that at the beginning of the International system, and practically for 70 years, until the Nice revision in 1957, the link was perpetual and that it was only at that time reduced to 5 years.

It should be also noted that a cancellation (or refusal) decision of the basic trademark need not necessarily be reached within 5 years. It is sufficient that a legal action has been started within the 5 years, which leads to a final decision of partial or total cancellation of the basic (home) trademark, which will then lead to the cancellation of the international trademark. This may take place many years after.

The above-mentioned system seems to have worked efficiently so far.

ECTA members have studied the question whether the dependency of the international registration from the basic application or registration is a legal tool which should be maintained or whether other alternatives should be introduced such as the suspending of the dependency or reducing it to 3 years. ECTA is aware that "AGENDA ITEM 8: USER SURVEY ON MADRID DEPENDENCY PRINCIPLE ISSUES of the document No. MM/LD/WG/13/9 (Summary by the Chair) of the Madrid Working Group states in Clause 21. that:

"21. The Chair concluded that there was no consensus on the suspension of the operations of Articles 6(2), (3) and (4) of the Agreement and of the Protocol and that the Working Group had agreed to request that the International Bureau present a new document, to be discussed at its next session, with other proposals to make the Madrid System evolve to meet the needs of all its members and be more flexible and effective, without questioning its fundamental principles, for which the Chair invited delegations and observers to make further contributions to the International Bureau."

ECTA has also noted that the document No. MM/LD/WG/14/4 on the Future Development of the Madrid System for the International Registration of Marks, a document prepared by the



European Communities Trade Mark Association

International Bureau dated April 27 has been put on WIPO's website among the Madrid Working Group documents, which document also studies the question of dependency. ECTA would like to state that we only reflected to those parts of the Future Document which fall in the area of the present Position Paper.

Considering that there was not an unanimous view among ECTA members but our colleagues had shared views, we are now exposing these different views:

a) Maintaining the dependency as it is

According to the majority of ECTA members, the current system perfectly reflects a well weighted balanced situation between on the one hand, the interests of the newcomers who would like to easily and rapidly register a new trademark in as many countries as possible and on the other hand, the interests of those who already have a trademark right and would like to defend it properly and easily against possible new conflicting identical or confusingly similar trademarks.

The Madrid System in its current form clearly responds to the balance as above described:

- The newcomer, on basis of his national registration /application is entitled to file with one procedure in one language an international trademark extendable in every Member State (except his own country) with the benefit of centralized procedures for notification of modifications: assignments, change of name, renewal, further extensions, etc.
- On the other hand, the owner of a prior right – thanks to the *Dependency Clause* (central attack) – is entitled by one legal procedure, which must be started within 5 years of the international registration, to obtain the cancellation of the home registration and consequently of the entire international trademark.

Therefore, one filing proceeding and one cancellation proceeding during a limited five years period seems to be a fair balance.

This system has worked smoothly for more than 100 years.

Thus, according to most of our Members, the Central attack should be maintained against the home registration in its current form.

Firstly, because it is the basis of the International Trademark system and has up until now apparently functioned in a very successful way, as the users of the system know the rules of the game.

Secondly, because the owner is in the best situation to ensure himself, by making the necessary searches, that his basic trademark stands on firm grounds in his country and will not be cancelled.

Thirdly, because practice has shown that, in most circumstances, if the owner of an International Registration has his trademark cancelled in his own country, he will not be interested to pursue his trademark in foreign countries. It appears that central attack has not



European Communities Trade Mark Association

very often occurred, because – as indicated – a knowledgeable trademark owner, before filing his international trademark, first makes a thorough search to be assured that his home trademark stands on firm grounds.

Fourthly, even if it has been said that the central attack is unfair because the reasons for which cancellation of the trademark has been obtained in the home country, may not exist in all other claimed Madrid Member States, the possible harshness of this situation has been drastically softened.

Namely, the central attack is limited to 5 years after the registration and most important, the Madrid Protocol foresees the possibility of transforming the failed International registration into national applications. The owner of an International Registration confronted with this situation may apply for national trademarks in the Member States he has claimed, retaining the date of the International Registration (Transformation).

The consequence thereof, is that he will not lose any rights, although he will obviously lose some fees. The same situation applies to the European Union Trademarks (whether filed directly or through the International system – opting back).

When evaluating whether or not the Dependency Clause should be maintained, in our view, it should be considered as a particular feature of the International System in order to compensate the cost effectiveness and easy handling.

Further, it should not be ignored that in any event, there is a safety net as previously stated, in view of the possibility of transformation.

It also constitutes a simple procedure for attacking infringing trademarks.

Finally, it should be noted that the aim of the system is limited to the internationalization of “the same mark” that means that the mark must be written in the same characters (Latin, Mandarin, Arabic...)

In this regard and concerning to the arguments raised by Japan and South Korea years ago to the Norwegian Proposal, it should be noted that their problem is also the problem of European Union companies in other EU countries with different languages which wish to have their marks adapted to the local markets. South Korea and Japan underlined the difficulties resulting from the fact that for the export market, they usually had to file in Latin characters, whilst for their own country, they obviously filed in Korean and Japanese characters respectively.

When a European company wishes to export to Korea and Japan, it will have to file trademarks for these markets because they will not use Latin characters and they will have to file national trademarks, the Madrid system being of no use for these purposes.

Likewise, a Japanese or Korean company, who purports to export goods and or services with marks in Latin characters that will not be used in their home country should also consider registering this Latin character trademark as home registration. In fact, if it does not do so, it runs the risk that a third company would do it, preventing that company to export, given the fact that use for export purposes is considered use in the country of origin of the export. For the same reason, no revocation for lack of use would be possible for those marks, even if the Proprietor only uses them for export purposes.



European Communities Trade Mark Association

To conclude, regarding the results of the survey conducted by WIPO on this issue, it should be noted that they appear to be of around 1,300 or fewer respondents, which does not seem to be a very significant number taking into account the important number of International Registrations filed worldwide.

b) Reducing the dependency period from 5 to 3 years

ECTA has noted that WIPO raised the possibility of shortening the dependency period to 3 years in Clause 38 of the Future Document. If WIPO wishes to compromise, some ECTA Members consider that changing the Dependence period from 5 to 3 years would increase the use of the International Registration process in view of the limited period of dependency. It is stated in Article 19 of the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) that a registration may be cancelled due to non-use after an uninterrupted period of at least three years of non-use. Based on the minimum provided in TRIPS, in a number of Contracting Parties non-use cancellation threat period lasts only for 3 years.

Further, such reduction would still give trademark owners an ability to enforce their trademark rights cost effectively within a reasonable amount of time. Finally, it would continue to reflect that the International Registration is an extension of trademark rights in one country to another country and that it is not in itself an independent trademark right being consistent with the use requirement in many countries.

A reduced part of our Members was in favor of the abolishment of the dependency period. In this respect, it was stated that the big companies can overcome the risk of a central attack quite easily. If they want to have a safe and cheap extension of their trademarks, they just have to choose a “safe” country for the basis trademark and have it registered through a local subsidiary or a trustee, extend it from there, and then even might have the basis of the trademark transferred back to them.

A company sitting in a safe market can cheaply extend a trademark without risking a central attack meanwhile a company sitting in a risky market cannot do with the same trademark although the conflict may only effect to the home country.

In this respect, it was questioned why, one single market should govern the extension of the mark in other markets with different conditions.

Finally, it was noted that the transformation is only possible for Madrid Protocol Trademarks, nowadays covering nearly all countries.

c) Introducing a so-called central attack at WIPO

Some of our members are of the opinion that it would be good to abolish the dependency of the international registration from the basic mark, but at the same time introducing a new legal instrument, namely a central cancellation of the international registration by the International Bureau should be introduced (central attack without home application / registration). Such central attack should entail relative grounds and the ground of non-use as it is extremely burdensome to cancel non-used international trademarks from the registry (in some countries the trademark can be registered for a few hundred swiss francs but you need ten thousands of swiss francs to cancel the same trade mark in court).



European Communities Trade Mark Association

Therefore, ECTA suggests for WIPO to examine the possibility of a central attack at WIPO. It would then be possible to file a central attack request at WIPO (based on certain relative grounds or non-use in one of more of the member states). WIPO will then forward this request to the respective national office and the procedure will then be handled there. In case the proprietor does not reply or in case of other obvious reasons, the international trade mark can then be cancelled immediately by WIPO, otherwise the procedure starts at the national level. This option will make most of the arguments detailed in clause a) /maintaining the dependency clause/, which all deal with the status quo, obsolete. One could even imagine a “virtual dependency” in so far as an attack against the national part of the “home country” of the applicant / proprietor within the first 3 or 5 years which would lead to a cancellation of the IR as a whole, even though there is no national base application/registration. The IR applicant should then be forced to at least designate the home country if the IR is filed centrally.

The carrying out of the cancellation procedure of the given national part would remain in the competence of the given national office.

Conclusion:

In Conclusion, a majority of our members supports maintaining the existing dependency period as it is considered to be a very powerful and useful instrument, which carries considerable weight in trademark prosecution strategy. Although situations may arise that are not completely fair (such as non-use cancellation actions), the introduction of the possibility of transformation has compensated this.

In view of the above and in order to maintain a right balance between national, international and EU trademark registrations, it is considered as crucial to maintain the central attack option.

In this respect and although a reduction of dependency principle from 5 to 3 years would be accepted in general, most of our members consider that the dependency period should be maintained for the 5 year period, as the 5 year period of use of the trademark in many countries argues in favor of maintaining the 5 years dependency.

However, if WIPO wishes to compromise, as stated in Clause 38 of the document No. MM/LD/WG/14/4 on the Future Development of the Madrid System for the International Registration of Marks (a document prepared by the International Bureau dated April 27), ECTA considers that changing the Dependence period from 5 to 3 years could be a workable option, maintaining at the same time that most ECTA members wish to keep the 5 years dependency period as stated in the above section.

ECTA also noted that Clause 41 of the document on the Future Development of the Madrid System states that “Transformation is perceived as a cumbersome and onerous procedure. Moreover the time limit to file a national or regional application resulting from transformation, three months from the cancellation of the international registration, could be rather short where, in particular, representation to file that application is required. An alternative procedure for the transformation of cancelled international registrations could be considered, with the International Bureau handling all the formalities”.



European Communities Trade Mark Association

ECTA is not against or even we are in favour of alternative procedures for transformation, if the essence is kept, namely that the owner may apply for national trademarks in the Member States he has claimed, retaining the date of the International Registration.

In case WIPO shares the alternative view of ECTA about deleting the dependency and introducing a possible central cancellation action at WIPO, then we are providing now WIPO with this new idea, the details of such procedure should be of course worked out by the Member States in the future, they need deeper study by WIPO to be examined later on in details. This same applies to our new idea raised in the coming section II. b) about central filing of international registrations at WIPO.

II- THE POSSIBILITY OF A CENTRAL ELECTRONIC FILING FOR INTERNATIONAL REGISTRATIONS THROUGH WIPO

Right now, it is practically impossible to file IR marks electronically, because each national office has a different system and many are not compatible with the WIPO system.

ECTA has considered whether a formal central filing at WIPO (without abolishing the dependency and by keeping the competency of the home Office) could be a good solution for trademark owners and representatives to facilitate filing.

In this respect, most of our Members still consider that the existence of a basic application/registration is beneficial for the International Registration's owner for the following reasons:

- For small and medium size companies, it is evident that it is preferable for them to initiate the Madrid procedure by filing in their own language and country.
- As a consequence of the above, it is obvious that the applicant of an IR will more easily obtain information in his own country with examiners speaking the same language than going to WIPO where finding an examiner speaking his language may be hard to find.
- In the event of a central filing, if WIPO conducts full checking on formalities and examination, WIPO fees will necessarily drastically increase. There is no doubt on the differences in remuneration of local examiners compared to WIPO examiners. In view of the above, it is far from being sure that today's fees of national applications are much less than filing a WIPO application through WIPO directly which latter has much higher costs.
- The national offices would see a diminution of their incoming fees.
- It has been recognized that in most circumstances if the owner of a trademark cannot get protection in its own country, he will be no longer interested in

obtaining and using that mark in the other countries. At present, the examination, as to the substantive validity of the trademark, is first done in his own country. If this examination was conducted by WIPO, the trademark owner will have to wait for examination in his own country after he has filed with WIPO, after having paid the fees, including extension fees and after WIPO has conducted its checks and examination. The procedure will be in fact much longer than presently.

- Another advantage of the first filing in the home country is enabling the holder to benefit from the 6 months Paris Convention priority. In this respect, when the applicant files his trademark application in his home country, he can wait 6 months to invest in higher international fees. During this period, he can make additional searches and evaluate his commercial chances of success before extending to other countries.

In view of the above, the majority of ECTA colleagues considers that the basic application/registration system should be maintained. Nevertheless, the above does not mean that improvements to the mere filing possibilities cannot be proposed:

Right now paper filing of IR marks is still necessary with most IR offices, even with the highly electronically operating EUIPO.

There is another problem: According to Article 3.4 of the Madrid Agreement and Protocol, as well as Rule 24.6)b) of Common Regulation, the application shall be forwarded from the National Offices to the International Bureau within a period of two months. Unfortunately, some national offices do not always respect this deadline with the irreversible consequence: the applicant lost the priority claimed.

If we look how technology develops and changes our lives and that the business of law will soon change as well, and if we think about the future of IP services and how technology dramatically develops, it will soon force us to think different and to change the way we handle trademark cases and filings.

Thus, ECTA suggests that the international trademark filing procedure should be centrally handled by WIPO, while examination is done nationally as until now, including the first examination of the home application: The idea is practically “to use WIPO as an electronic postbox” so all filings can be done centrally and electronically at WIPO.

There will be one single portal at WIPO.

Then, after e-filing at WIPO, WIPO will forward the application, including the fee of the home country, to the Office of the home country, and then the application is first checked at the Office of the home country as usual. Once the home office has acknowledged the validity, examined the identity of the list of goods and services with the home application/registration, etc... WIPO will be informed (no application has to be transmitted, because WIPO already has the application) and then WIPO would inform all designated Offices as before. This would be an easy application process while all the involved parties (WIPO, national offices) would still have as much income as they do now.

The central filing idea does in fact keep the status quo, it would now also facilitate the filing, namely electronically with WIPO. Keeping on track with today's very fast changes in technology which has already been taken into consideration with EUIPO where trademarks are e-filed, this should be followed in case of international trademarks as well. If WIPO and the national offices will not support this idea and the system of "old fashioned" paper filing of today will not be changed, then we will paper file still in the future, while the revision of the Madrid system is just currently taking place.

Such central e-filing with WIPO will solve the other problem raised, namely that there is often a delay in sending international applications to WIPO by the national offices. The central filing would eliminate this problem and an international application number would be given by WIPO right away and the date of filing could be kept.

Any delay in the filing process, which is not in the power of the applicant, should not affect the filing date of the international application, since it is not a responsibility of the applicant. We have always thought that the consequences of Article 3.4 of the Madrid Agreement and Protocol to applicants, that are beyond their control, are unfair.

The terms established by the Madrid system should not start to apply, until WIPO receives the confirmation of the details of the basic trade mark from the National/Regional receiving Office.

III - DEFICIENCIES TO BE SOLVED BY WIPO OF THE CURRENT SYSTEM, TO BE SOLVED PARALLEL OR BEFORE CONSIDERING ANY REVIEW OF THE SYSTEM

Finally, some of our Members consider that prior to introducing new changes, the current International system should be improved and WIPO should revise how to better implement the system already in place. Users have been insisting that there are several deficiencies that have not yet been resolved, as for example:

- a. The long delays in giving application numbers to International Applications. From the date when WIPO receives the application, it takes between 6 and 12 weeks as an average, to give the application/registration number.
- b. The application of Rule 6.4.a) of the Common Regulations, when applicants file translations of the goods and services of the International Registrations into official languages of the system also raises problems. WIPO ignores these translations and prepares new ones, without submitting the changes to the applicant, something that WIPO is deemed obliged to do, according to Rule 6.4.a). This very often creates costly problems to the applicants, because, when a wrong translation made by WIPO is produced, this originates official actions in some designated states that could have been avoided if the correct translation filed by the applicant would have been used.
- c. Often problems of classification with new products particularly with new products or services not included in the alphabetical list of goods/services of the International Classification occur. In the past, WIPO used to have a service of classification reports



European Communities Trade Mark Association

that was very useful. Applicants were able to request a report of classification to WIPO paying a fee. This report was very useful to applicants when different interpretations of classification were being made by different national offices. This service could be re-established in WIPO. It is not clear why they abolished it and why they are reluctant to re-establish it

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European Communities Trade Mark Association



ECTA, which was formed in 1980, is an organisation concerned primarily with trade marks and designs. ECTA has approximately 1,500 members, coming from all the Member States of the EU, with associate Members from more than 50 other countries throughout the world. ECTA brings together those practising in the field of IP, in particular trade marks, designs and related matters. These professionals are lawyers, trade mark and patent attorneys, in-house lawyers concerned with IP matters, and other specialists in these fields. ECTA does not have any direct or indirect links to, and is not funded by, any section of the tobacco industry.

The extensive work carried out by the Association, following the above guidelines, combined with the high degree of professionalism and recognised technical capabilities of its members, has established ECTA at the highest level and has allowed the Association to achieve the status of a recognised expert spokesman on all questions related to the protection and use of trade marks, designs and domain names in and throughout the European Union, and for example, in the following areas :

- Harmonization of the national laws of the EU member countries;
- Community Trade Mark Regulation and Directive;
- Community Design Regulation and Directive;
- Organisation and practice of the OHIM.

In addition to having close links with the European Commission and the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM), ECTA is recognised by WIPO as a non-Government Organisation (NGO).

ECTA does also take into consideration all questions arising from the new framework affecting trade marks, including the globalization of markets, the explosion of the Internet and the changes in the world economy.