E

WIPO

MM/LD/WG/2/3.
ORIGINAL: English
DATE: May 1, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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

Second Session
Geneva, June 12 to 16, 2006

REVIEW OF ARTICLE 9*SEXIES* OF THE MADRID PROTOCOL

Document prepared by the International Bureau

I. INTRODUCTION

1. Article 9*sexies*(1) of the Protocol to the Madrid Agreement Concerning the International Registration of Marks (hereinafter referred to as "the Protocol" and "the Agreement", respectively), 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 the Protocol and the Agreement.

2. In simple terms, in the relations between States bound by both treaties, it is the provisions of the Agreement which apply as part of the international registration procedure.

3. Under paragraph (2) of Article 9*sexies*, the Assembly may, by a three-fourths majority[1], 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, 1995), 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 also been fulfilled[2], repeal or restriction of the scope of the safeguard clause became possible on the tenth anniversary of the coming into force of the Protocol, namely on December 1, 2005.

4. 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") was convened by the Director General in order to, *inter alia*, facilitate the review of the safeguard clause envisaged by Article 9*sexies*(2) of the Protocol.

5. At its first session, in July 2005, the Working Group undertook a first analysis of the implications of a repeal of the safeguard clause with respect to six features of the Madrid system procedure. The Working Group concluded, in principle, that the safeguard clause should no longer be maintained with regard to four of those features, namely, the required basis for filing an international application, the determination of the entitlement to file according to the "cascade" principle, the presentation of subsequent designations and requests for the recording of renunciations and cancellations, and the possibility of transformation. However, the Working Group was unable to reach a consensus as to whether the safeguard clause should or not be maintained with regard to two further features of the Madrid system procedure, namely, the time period for the notification of provisional refusals and the fee system.

6. On another question, namely the use of languages under the Madrid system, a feature which is only *indirectly* concerned by the application of the safeguard clause[3], the Working Group recommended at its first session that the Common Regulations be amended so as to provide for the application of all three languages (English, French and Spanish) in the mutual relationships between States bound by both treaties.

---

[1] 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.

[2] This 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.

[3] By virtue of the definition of the three types of international application, in Rule 1, (viii) to (x) of the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement ("the Common Regulations").

7. At its 36th session (September-October 2005), the Assembly of the Madrid Union took note of the conclusions of the Working Group and decided that the Director General should convene a further meeting of the Working Group, *inter alia*, to continue the preparatory work for a review of Article 9*sexies*(1) of the Protocol. Such work should aim in particular at enabling the Assembly to decide whether the safeguard clause should be repealed or its scope restricted (see documents MM/A/36/3, paragraph 15 and MM/A/36/1, paragraph 18).

8. The present document is aimed at facilitating the further discussions of the Working Group in preparation for the review of the safeguard clause by the Assembly, by providing additional background information and statistical data for consideration by the Working Group.

9. No 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 more guidance from the Working Group on the review of Article 9*sexies*, in particular as to whether the safeguard clause should be repealed in its entirety (and whether such repeal should be accompanied by any other measure or measures), or whether the scope of the safeguard clause should be merely restricted and in what manner.

10. The conclusions of the Working Group will be reported to the Assembly of the Madrid Union in September 2006 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 due course.

II. APPLICATION OF THE SAFEGUARD CLAUSE

11. As of the date of issuing of the present document, the Madrid Union consists of 78 members. Of these, 45 are bound by both the Agreement and the Protocol[4], 23 by the Protocol only, and 11 by the Agreement only[5].

12. The designation of a Contracting Party is governed by the treaty (Agreement or Protocol) that is common to both the designated Contracting Party and the Contracting Party whose Office is the Office of origin. Where, however, the Contracting Parties in question are bound by both treaties, the designation in such case is governed by the Agreement, in accordance with Article 9*sexies*, i.e., the safeguard clause.

---

[4] 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 (45).

[5] Following the recent accession of Viet Nam to the Protocol, there will be 46 Contracting Parties bound by both the Agreement and the Protocol and 10 bound by the Agreement only, on July 11, 2006, the date on which the accession of Viet Nam will enter into force.

13. With the Agreement and the Protocol operating as independent, parallel treaties, with separate, but overlapping, memberships, it follows that, by virtue of the application of the safeguard clause, there exist three types of international applications (and of international registrations resulting therefrom):

(a) those governed exclusively by the Agreement – where all the designations are governed by the Agreement;

(b) those governed exclusively by the Protocol – where all the designations are governed by the Protocol; and

(c) those governed by both the Agreement and the Protocol – where at least one designation is governed by the Agreement and at least one designation is governed by the Protocol.

14. In 2005, the International Bureau recorded 356,487 designations made in international registrations or in subsequent territorial extensions. These consisted of 198,894 designations governed by the Agreement and 157,593 designations governed by the Protocol.

15. In turn, of the 33,169 international registrations recorded by the International Bureau in 2005, 6,655 resulted from international applications governed exclusively by the Agreement (i.e., containing only designations governed by the Agreement), 11,691 resulted from international applications governed exclusively by the Protocol (i.e., containing only designations governed by the Protocol) and 14,823 resulted from international applications governed by both the Agreement and the Protocol (i.e., containing at least one designation governed by the Agreement and also at least one designation governed by the Protocol).

III. REPEAL OF THE SAFEGUARD CLAUSE AND IMPLICATIONS WITH RESPECT TO THE MADRID SYSTEM PROCEDURE

16. At the first session of the Working Group, in July 2005, a number of arguments were given by delegations in favor of or against the repeal of the safeguard clause. Among the arguments given in favor of the repeal of the safeguard clause, were the following: the safeguard clause had originally been conceived as a transitional provision and the Protocol was destined or well placed to become the sole treaty governing the international procedure in the future; the Protocol had proven to be a much more efficient instrument than the Agreement; the repeal of the safeguard clause would result in a better application of the principle of equality of treatment between all Contracting Parties and would allow the setting up of a fairer balance between those Contracting Parties; the repeal of the safeguard clause would result in a considerable simplification of the international registration procedure.

17. The fact was also highlighted that the repeal of the safeguard clause would have positive consequences for users with respect to at least four of the features of the Madrid system procedure, namely, the required basis for filing an international application, the determination of the entitlement to file, the presentation to the International Bureau of certain requests and the possibility of transformation, as well as with respect to the use of languages.

18. On the other hand, a number of delegations gave arguments against the repeal of the safeguard clause, highlighting in particular the negative effects that such measure might have for users with respect to the duration of the refusal period and/or with respect to possible increases in the amounts of fees to be paid for an international registration.

19. Among those delegations that were in favor of the repeal of the safeguard clause, some proposed that the repeal of the safeguard clause be accompanied by the adoption of complementary measures to counterbalance possible negative consequences that might result for users concerning the duration of the refusal period and the amounts of fees to be paid for an international registration (see Chapter VI, below).

Implications of a Repeal of the Safeguard Clause for the Madrid System Procedure

20. At its first session, the Working Group undertook a first analysis of the implications of a repeal of the safeguard clause on the following six features of the international procedure, in respect of which the application of the safeguard clause is of *direct* relevance:

(a) the required basis for filing an international application;

(b) the determination of the entitlement to file according to the "cascade" principle;

(c) the presentation of subsequent designations and requests for the recording of renunciations and cancellations;

(d) the possibility of transformation;

(e) the refusal period; and

(f) the fee system.

21. The Working Group concluded that, at least with regard to the first four features mentioned above, the safeguard clause should no longer be maintained. With respect to the other two features, namely the refusal period and the fee system, the Working Group did not reach a consensus as to whether the safeguard clause should be maintained or not.

22. Additionally, as mentioned earlier, the Working Group examined the implications of a repeal of the safeguard clause on the use of languages under the Madrid system, a feature which is *indirectly* concerned by the application of the safeguard clause, and recommended that the Common Regulations be amended so as to provide for the application of all three languages (English, French and Spanish) in the mutual relationship between States bound by both treaties.

23. At its second session, the Working Group may wish to further examine the implications of a repeal of the safeguard clause on certain features of the Madrid system procedure. To assist the Working Group in this task, the International Bureau has compiled additional information and more recent statistical data, which is presented in this Chapter. In addition, other issues relating to the implementation of a repeal of the safeguard clause, including operational consequences and the need for transitional provisions are addressed in Chapters IV and V, below.

(a) Required Basis for Filing an International Application

24. 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").

25. 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 registration.

26. If the safeguard clause were to be repealed, 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.

27. As already noted, of the 33,169 international registrations recorded by the International Bureau in 2005, 6,655 resulted from applications governed by the Agreement, 11,691 resulted from applications governed by the Protocol, and 14,823 resulted from applications governed by both treaties.

28. If the safeguard clause had not been in place in 2005, of those 33,169 international registrations recorded, only 175 would have resulted from applications governed exclusively by the Agreement (instead of 6,655)[6], 26,470 would have resulted from applications governed exclusively by the Protocol (instead of 11,691), and 6,524 would have resulted from applications governed by both treaties (instead of 14,823).

29. This would have meant that an *additional* 14,779 international registrations would have resulted from applications governed *exclusively by the Protocol* and thus could have been based either on a basic application or a basic registration filed with the Office of origin.

30. In conclusion, repeal of the safeguard clause would, insofar as the required basis for applying for an international application is concerned, allow users of the Madrid system greater flexibility when deciding whether to base an international application on a basic registration or a basic application. At the same time, it is not anticipated that such a change would be detrimental to Offices and it would not have any direct implications for the International Bureau.

[6] 114 international registrations originating from the 11 States bound exclusively by the Agreement and 61 international registrations originating from States bound by both the Agreement and the Protocol, but not containing any designation governed by the Protocol.

(b) The Cascade

31. 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 applicant must follow this so-called "cascade" and therefore does not have a free choice of country of origin.

32. Under the Protocol, in contrast, no such cascade applies. The country of origin may be freely chosen by the applicant from among those in respect of which the applicant is entitled on the basis of establishment, domicile or nationality (it being understood that there can be *only one* country of origin in respect of a given international application).

33. It follows, therefore, that in respect of international applications governed exclusively by the Protocol, the cascade does not apply, while in respect of international applications governed exclusively by the Agreement, or by both the Agreement and the Protocol, the cascade must be followed.

34. If the safeguard clause were to be repealed, 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, as a result, the country of origin could be freely chosen by the applicant from among those in respect of which the applicant is entitled.

35. As already noted, of the 33,169 international registrations recorded by the International Bureau in 2005, 6,655 resulted from applications governed by the Agreement, 11,691 resulted from applications governed by the Protocol, and 14,823 resulted from applications governed by both treaties.

36. If the safeguard clause had not been in place in 2005, as already mentioned, of those 33,169 international registrations, only 175 would have resulted from applications governed exclusively by the Agreement (instead of 6,655), 26,470 would have resulted from applications governed exclusively by the Protocol (instead of 11,691), and 6,524 would have resulted from applications governed by both treaties (instead of 14,823).

37. In practical terms, this would have meant that an *additional* 14,779 international registrations would have resulted from applications governed *exclusively by the Protocol* and in respect of which the Office of origin could have been freely chosen by the applicant (from among domicile, nationality and establishment).

38. Thus, repeal of the safeguard clause would, insofar as the cascade is concerned, result in a significantly increased number of users having greater ease and flexibility in choosing their country of origin from among those in respect of which they are entitled. Such a change would also be advantageous to Offices, insofar as they would be relieved of the necessity to ensure always that an international application is being filed through the appropriate Office.

39. It is not envisaged that such a change would have any consequences for the International Bureau.

(c) Presentation to the International Bureau of Certain Requests

40. Where all the 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, such subsequent designation, or 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).

41. 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, that subsequent designation, or request for the recording of renunciation or cancellation, must be presented to the International Bureau through the Office of the Contracting Party of the holder.

42. If the safeguard clause were to be repealed, the consequence would be that an increased number of subsequent designations and requests for the recording of renunciations and cancellations[7] would become governed by the Protocol and, as a result, could 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.

43. According to the statistics for 2005, the number of subsequent designations recorded in that year which included the designation of a Contracting Party governed by the Agreement (and therefore required to be presented through the Office of the Contracting Party of the holder) was 6,832 (67 percent of the total).

44. With regard to renunciations and cancellations recorded by the International Bureau in the same year, the number of those which affected a Contracting Party whose designation was governed by the Agreement was 366 (46 percent of the total) and 150 (65 percent of the total), respectively.

45. If the safeguard clause had not been in place, the number of subsequent designations recorded in 2005 which would have been required to be presented through the Office of the Contracting Party of the holder (because they included the designation of a Contracting Party governed by the Agreement), would have been 1,833 (18 percent of the total) – that is to say, 4,999 less.

46. As far renunciations and cancellations recorded in 2005 are concerned, if the safeguard clause had not been in place, the number of those for which a request would have been required to be presented through the Office of the Contracting Party of the holder (because it affected a Contracting Party whose designation was governed by the Agreement) would have been 43 (some 5 percent of the total) and 7 (3 percent of the total), respectively.

---

[7] That is to say, those subsequent designations and requests for the recording of renunciations and cancellations 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.

47. Thus, repeal of the safeguard clause would, insofar as the presentation of subsequent designations and requests for the recording of cancellations and renunciations are concerned, be of clear benefit to users of the Madrid system, in that it would grant users more freedom in the management of their portfolios, while at the same time it would be advantageous to Offices, which would be relieved of the need to always act as intermediary between users and the International Bureau.

48. It is not envisaged that such a change would have any significant consequences for the International Bureau.

(d) Transformation

49. 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.

50. To the extent that the transformation mechanism is provided for only in the Protocol, its benefit can be claimed only in respect of a Contracting Party whose designation is governed by the Protocol. 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).

51. If the safeguard clause were to be repealed, the consequence would be that in those situations outlined in the second part of the preceding paragraph, it is the Protocol that would govern the designations in question and therefore transformation would become possible in respect of such designated Contracting Parties.

52. As already noted, in 2005 the International Bureau recorded 356,487 designations made in international registrations or in subsequent territorial extensions. These consisted of 198,894 designations governed by the Agreement and 157,593 designations governed by the Protocol.

53. If the safeguard clause had not been in place that year, of those 356,487 designations, 25,601 designations would instead have been governed by the Agreement and the remaining 330,886 would have been governed by the Protocol. In other words, 173,293 *additional* designations would have been *made under Protocol* instead of under the Agreement and would therefore be eligible for transformation, had the circumstances so warranted.

54. In that context, it should be noted that, in 2005, the International Bureau recorded 851 cancellations of international registrations due to ceasing of effect of the basic registration (Rule 21) of which 543 corresponded to international registrations governed partially or exclusively by the Agreement by virtue of the safeguard clause and which, in the absence of such clause, would have fully benefited from the possibility of transformation.

55. Thus, repeal of the safeguard clause would, insofar as transformation is concerned, be clearly beneficial to users of the Madrid system. With respect to Offices, while it is certainly possible that a widening of the scope of the transformation procedure as a result of the repeal of the safeguard clause may, in the longer term, result in some additional work, it is not considered that this would have a significant impact, in general, on the workload of those Offices, and should not necessitate any additional procedural or infrastructural measures.

56. It is not envisaged that such a change would have any consequences for the International Bureau.

(e) Refusal Period

57. The time limit to notify a provisional refusal of protection is 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 declarations referred to in Article 5(2)(b) and (c) of the Protocol).

58. By virtue of the safeguard clause, 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 governed by the Agreement. It follows that the Office of such designated Contracting Party must necessarily notify a provisional refusal of protection within a one year time limit, notwithstanding the fact that that Contracting Party may have requested an extension of the refusal period to 18 months, or longer, under the Protocol.

59. If the safeguard clause were to be repealed, the consequence would be that, in the circumstances outlined above, the Office of a designated Contracting Party which has made the appropriate declarations would be entitled to notify a provisional refusal of protection within the extended period of 18 months, (or longer, in the case of a provisional refusal based on opposition), instead of within a one year time limit, as at present.

60. As of the date of issuing of the present document, such change would be of direct significance for the Offices of 12 States. These are the Offices of States bound by *both* treaties, and which have requested the extension of the refusal period to 18 months[8]. (Of those 12 States, a further 6 have also made the declaration under Article 5(2)(c) of the Madrid Protocol, permitting the period of 18 months to be extended in the case of the notification of a provisional refusal based on an opposition)[9].

61. Repeal of the safeguard clause would mean that those Contracting Parties would then, in principle, obtain additional time for the purpose of notifying a provisional refusal, when designated by an applicant or holder whose country of origin is a country also bound by both treaties.

---

[8] Armenia, Belarus, Bulgaria, China, Cyprus, Iran (Islamic Republic of), Italy, Kenya, Poland, Slovakia, Switzerland and Ukraine.

[9] China, Cyprus, Iran (Islamic Republic of), Italy, Kenya and Ukraine.

62. According to the International Bureau's statistics, in 2005 there were 54,079 designations of those 12 Contracting Parties originating from States bound by both treaties, and thus made under the Agreement, by virtue of the safeguard clause. If the safeguard clause had not been in place in that period, then all those designations would instead have been made under the Protocol.

63. Thus, in practical terms, as far as *users* are concerned, the applicants and holders in question, i.e., whose country of origin is a State bound by both treaties, and who designated any of those 12 Contracting Parties, (i.e., also bound by both treaties and which have requested an extension of the refusal period), would in such case, in theory, have been obliged to wait for a period of 18 months (or more), instead of one year, as at present, in order to know whether they enjoyed protection in the territory of the Contracting Party concerned.

64. In that context, it is instructive to consider the factual timing of notifications of provisional refusal issued during 2005 by the Offices of those 12 States *against designations made under the Protocol* (and thus, where the extended period was in fact available).

65. In 2005 the International Bureau recorded 1,476 notifications of provisional refusal issued by the 12 Offices in question, against designations made under the Protocol[10]. Of those notifications, a total of 1,453 were issued within the period of one year, only 20, i.e., about 1.4 percent, were issued between 12 and 15 months, none was issued between 16 and 18 months, and just 3 were issued after 18 months (i.e., concerning provisional refusals based on opposition).

66. Thus, in terms of the *actual* notification of provisional refusals, repeal of the safeguard clause, insofar as the refusal period is concerned, would, in practice, be unlikely to have a significant impact on users of the Madrid system. In those cases where notifications of refusal are issued, it would seem that, by and large, the vast majority of such notifications would, in any event, issue within the period of one year, regardless of whether a designation has been made under the Agreement or under the Protocol.

67. However, it could be said that a repeal of the safeguard clause, insofar as the refusal period is concerned, might otherwise be prejudicial to users, to the extent that in the situations where a notification of provisional refusal has *not* been issued by the Office of one of the 12 States in question, applicants and holders would be obliged to wait for an extended period before knowing definitively whether their mark is protected in the territory of such State[11].

---

[10] In 2005, the total number of designations, made under the Protocol, of the 12 Contracting Parties in question, amounted to 16,015. It should be noted, however, that given the timing aspect, it is not of course appropriate to make a direct correlation between those designations and the 1,476 notifications of provisional refusal referred to in this paragraph.

[11] Article 4(1) of the Protocol provides that, if no refusal is notified *within the prescribed time limit*, the protection of a mark in a designated Contracting Party is the same as if the mark had been registered by the Office of the Contracting Party in question.

68. It should be further added that none of the States in question issues statements of grant of protection, as provided for by Rule 17(6) of the Common Regulations. With the safeguard clause in place today, applicants and holders are nevertheless able to rely upon the expiry of the period of one year in order to know the status of protection of their mark. Repeal of the safeguard clause would result in an extension of this period, without the mitigation of possibly receiving a statement of grant of protection before the period has expired[12].

69. As far as Offices are concerned, repeal of the safeguard clause with respect to the refusal period would be of direct significance only for the Offices of those 12 States concerned. The Offices of those States would need to modify their information systems in order to reflect the new situation, but given the fact that in the appropriate circumstances such Offices already apply the provisions of Article 5(2)(b) and (c) of the Protocol, it is anticipated that the implementation of such modification would not be difficult.

70. Such a change would also require to be incorporated into the administrative and procedural systems of the International Bureau, but it is not anticipated that a repeal of the safeguard clause would have any significant implications for the International Bureau in this respect.

(f) Fee System

71. 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 (and the renewal of that designation) 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.)

72. Where a Contracting Party bound by both treaties 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, therefore, 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.

73. It also follows that if the safeguard clause were to be repealed, the consequence would be that applicants or holders (whose country of origin is a State bound by both treaties) would be required to pay an individual fee, instead of standard fees, as at present, when designating a Contracting Party also bound by both treaties that has made the individual fees declaration, as well as for the renewal of such a designation.

---

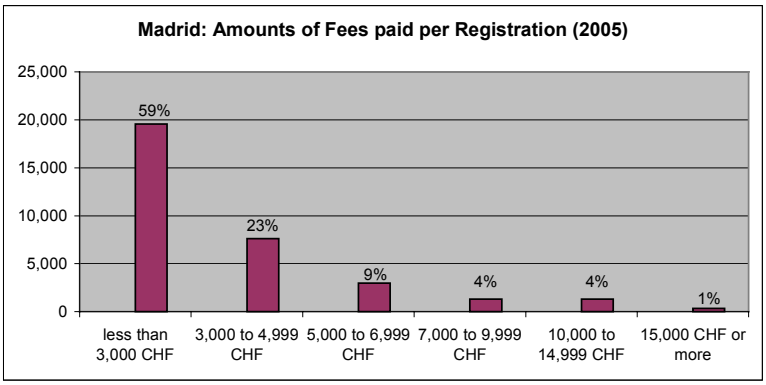
[12] Statements of grant of protection are currently issued by 13 Contracting Parties, namely, Australia, European Community, Georgia, Hungary, Ireland, Japan, Norway, Republic of Korea, Singapore, Sweden, Syrian Arab Republic, Turkey and the United Kingdom.

74. As of the date of issuing of the present document, such change would be of direct significance for 11 Offices of Contracting Parties, namely the Offices of Contracting Parties bound by both treaties, and which have requested the payment of an individual fee[13].

75. For the purpose of assessing the potential impact of the repeal of the safeguard clause, insofar as the payment of fees is concerned, the International Bureau has carried out a simulation of the repeal with respect to international registrations recorded in 2005, stemming from applications filed through the Offices of Contracting Parties bound by both the Agreement and the Protocol. That exercise shows that, on average, the amount of registration fees would have risen from 3,041 to 3,773 Swiss francs – i.e., a difference of 732 Swiss francs, or 24 percent.

76. On an annualized basis, for each year of the period of 10 years of protection, this works out as an increase of 73 Swiss francs.

77. Furthermore, for a clearer perspective, it is of significance that the statistics of the International Bureau also reveal that, in 2005, the average amount of fees paid in respect of a single international registration was of 3,253 Swiss francs. In 59 percent of cases, the actual fee paid per international registration was less than 3,000 Swiss francs. A further 23 percent of international registrations incurred fees between 3,000 and 4,999 Swiss francs. Thus, in 2005, a total of 82 percent of *all* international registrations incurred fees of less than 5,000 Swiss francs. The following chart illustrates more comprehensively the breakdown of all fees paid in respect of international registrations in 2005.



78. A similar simulation carried out with respect to subsequent designations recorded in 2005 and which were filed through the Offices of Contracting Parties bound by both the Agreement and the Protocol shows that the amount of fees would have risen, on average, by 276 Swiss francs, from 1,171 to 1,447 Swiss francs, or 23 percent.

79. As a repeal of the safeguard clause would also apply to designations made *before* the entry into force of the amendment of Article 9*sexies*, this would entail that for the renewal of those registrations which include designations of Contracting Parties that have made the declaration under Article 8(7)(a) of the Protocol, individual fees would also be payable instead of the standard fees.

---

13 Armenia, Belarus, Benelux, Bulgaria, China, Cuba, Italy, Kyrgyzstan, Republic of Moldova, Switzerland and Ukraine.

80. For international registrations expiring in 2007, statistics reveal that of the designations contained therein, 98 percent are in respect of Contracting Parties bound by both the Agreement and the Protocol. A simulation based on the renewal of those international registrations originating from Contracting Parties bound also by both treaties shows that if the safeguard clause were to be repealed, the average fee for the renewal of such international registrations would increase from 1,757 to 2,840 Swiss francs – a difference of 1,083 Swiss francs, or 62 percent.

81. However, if one were instead to take those international registrations recorded in 2005, the renewal in 2015 of those international registrations (originating from Contracting Parties bound by both treaties) would incur, on average, an increase of 1,019 Swiss francs, from 2,544 to 3,563 Swiss francs, or 40 percent, as a result of the repeal of the safeguard clause[14].

82. On an annualized basis, this would mean an increase of approximately 100 Swiss francs for each year of the renewed 10 years of protection.

83. Obviously, the repeal of the safeguard clause insofar as the fee system is concerned will have a more or less significant impact, or no impact at all, on those users (holders and applicants) whose country of origin is a State bound by both the Agreement and the Protocol, depending on the Contracting Parties that have been designated in each particular case.

84. As far as Offices are concerned, repeal of the safeguard clause with respect to the fee system would be of direct significance only for the 11 Offices in question. Such a change would require to be incorporated into the administrative and procedural systems of those Offices. However, given the fact that in the appropriate circumstances such Offices already operate the individual fee system, it is anticipated that the implementation of such a change would not be difficult.

85. For the International Bureau, it is not anticipated that the repeal of the safeguard clause in the context of the fee system would have any significant implications.

Consequences of the Repeal of the Safeguard Clause on the Use of Languages

86. It should be noted that the issue of the language regime under the Madrid system is the subject of a separate specific and detailed paper for submission to the second session of the Working Group (document MM/LD/WG/2/4). It is proposed, therefore, merely to briefly restate here the salient comments contained in that document.

87. It is recalled that the rules governing the languages which may or must be used for the filing of international applications and all subsequent operations under the Agreement and the Protocol are not laid down in the treaties themselves, but in the Common Regulations (Rule 6).

88. In its first session, the Working Group recommended, in the context of the review of the safeguard clause, the amendment of the Common Regulations so as to provide for the use of all three languages (“the trilingual regime”) in the mutual relationships between States bound by both treaties (document MM/A/36/1, paragraph 98 of the Annex).

---

[14] On the basis of the amounts of the relevant individual fees as of the date of issuing of the present document.

89. In the event that the safeguard clause is repealed, an amendment of Rule 1 of the Common Regulations would be necessary in order to redefine what is meant respectively by an international application governed exclusively by the Agreement, exclusively by the Protocol, or by both the Agreement and the Protocol.

90. Such an amendment of Rule 1 of the Common Regulations would automatically entail, as a natural consequence (without the need for any specific modification of Rule 6 of the Common Regulations and without changing the language regime, as such), an extension of the trilingual regime. Thus, an international application whose Office of origin is the Office of a Contracting Party bound by both the Agreement and the Protocol and which designates Contracting Parties all bound by the Agreement, would become governed (at least in part) by the Protocol, where at least one of the designated Contracting Parties is also bound by the Protocol – in which case the trilingual regime would apply.

91. As far as users are concerned, the extension of the language regime as a consequence of the repeal of the safeguard clause would be clearly beneficial and would result in a partial simplification of the overall language system in the international procedure. In effect, the situations where the Agreement alone would apply, and thus the monolingual regime, would become comparatively rare.

92. Additionally, such a change would be of benefit to Offices of Contracting Parties bound by both treaties, as it would, in almost all cases, afford them additional possibilities for the choice between all three languages for communications with the International Bureau in respect of international registrations that, under the Common Regulations as they currently stand, would have been governed exclusively by the Agreement. Having said that, extension of the trilingual regime would not affect the right of Offices to restrict the choice of the filing language to any one, or two, of the three languages, nor their right to decide on the language in which they wished to receive communications from the International Bureau.

93. An extension of the language regime as a consequence of the repeal of the safeguard clause would also be of benefit to third parties by improving access to the International Register, since considerably more new entries in the Register would be published and made available in all three languages.

94. As far as the International Bureau is concerned, the implications of the extension of the language regime are set out in detail in Chapter V, below.

IV. IMPLEMENTATION OF A REPEAL OF THE SAFEGUARD CLAUSE

Amendment of the Protocol and of the Common Regulations

95. If the Assembly of the Madrid Union were to agree to repeal the safeguard clause, this decision could be implemented either:

(a) by a simple abrogation of Article 9*sexies* of the Protocol as a whole, or

(b) by an amendment of paragraph (1) of that Article (with an abrogation of paragraph (2)), so as to explicitly provide that where, with regard to a given international application or international registration, the country of origin is a State that is party to both the Protocol and the Agreement, the provisions of the *Agreement* would have no effect [or, the provisions of the *Protocol* only would have effect] in the territory of any other State that is also party to both treaties.

96. In addition to the abrogation or amendment of Article 9*sexies* itself, a repeal of the safeguard clause would require consequential amendments to the Common Regulations, in particular an amendment to Rule 1 to redefine what is meant respectively by an international application governed exclusively by the Agreement, exclusively by the Protocol, or by both the Agreement and the Protocol.

Effects of the Repeal of the Safeguard Clause

97. Regardless of whether the repeal of the safeguard clause is implemented through a simple abrogation or an amendment of Article 9*sexies* of the Protocol, as indicated in paragraph 95, above, the effects of the repeal would be the same, i.e., that where both a designated State and the State whose office is the Office of the Contracting Party of the holder are bound by the Agreement and the Protocol, that designation would be governed by the Protocol instead of by the Agreement[15]. Thus, concerning in particular the six features of the international procedure in relation to which the application of the safeguard clause was said to be of direct relevance, the effects would notably be those described in Chapter III, above.

Transitional Measures Linked to the Implementation of a Repeal of the Safeguard Clause

98. In addition to the abrogation or amendment of Article 9*sexies* itself, and to any required consequential amendments to the Common Regulations, a repeal of the safeguard clause would necessitate the adoption of specific transitional provisions. These should address two different types of situation: on the one hand, the processing of international applications, subsequent designations and requests for the recording of renunciations and cancellations that were *pending* on the date of the coming into force of the repeal of the safeguard clause and, on the other hand, the "conversion" of designations *existing* on that date, and governed by the Agreement by virtue of the safeguard clause, into designations governed by the Protocol.

---

[15] As far as the simple abrogation is concerned, this effect would result from Article 30 of the Vienna Convention on the Law of Treaties.

99. In general, the principles already set in Rule 40(2) [*General Transitional Provisions*], which was adopted to regulate the transition from the Regulations under the Agreement to the Common Regulations, would offer some guidance. However, the solutions adopted then could not be entirely transposed to the repeal of the safeguard clause without a close review of their consequences. In addition, these principles only address a shift of the applicable procedure and do not contemplate a situation as fundamental as a change of the governing treaty. Specific solutions would then have to be devised to address the particular situations that such a shift would entail.

100. With respect to "existing" designations, the amendment would need to establish at what point in time designations of States party to both the Agreement and the Protocol would cease to be governed by the Agreement and start being governed by the Protocol[16]. It could be provided, for example, that such designations made under the Agreement before the date of effect of the repeal of the safeguard clause would, *from that date*, convert into designations under the Protocol ("immediate conversion"), or that they would remain under the Agreement until the next *renewal* of the international registration ("progressive conversion").

101. Understandably, with respect to existing designations, neither the "immediate" nor the "progressive" conversion would have a bearing on the issues of the required basis for filing an international application nor of the "cascade" as these are, by definition, already settled.

102. Both scenarios would mean, however, that, on renewal, individual fees would have to be paid instead of standard fees in respect of any State bound by both treaties that has made the declaration under Article 8(7) of the Protocol. Similarly, under both scenarios, one would have to be mindful of the possible effects on the refusal period. In particular, it could be provided that where, prior to the date of entry into force of the repeal of the safeguard clause, a refusal period has commenced under the Agreement, that period would not be extended under the Protocol for those States bound by both treaties that have made the declaration under Article 5(2)(b) of the Protocol[17].

103. Ultimately, as far as the international procedure is concerned, the sole differences between the two scenarios would be the following:

– with an "immediate conversion", requests for the recording of a cancellation or a renunciation concerning designations that were initially made under the Agreement could, from the date of entry into force of the repeal, be filed directly with the International Bureau. Also, such designations could, in the appropriate circumstances[18], benefit from the possibility of transformation;

---

16 On December 31, 2005, there were 3,861,520 such designations in force, contained in 421,165 international registrations.

17 While the issue is more relevant under the first scenario ("immediate conversion"), it also exists under the second one, considering that the period of time between the notification of a designation, the coming into force of the repeal and the renewal date of a given registration could be less than one year.

18 It is recalled, in particular, that under Article 9*quinquies* of the Protocol, the national or regional application must be filed within three months of the date of cancellation of the international registration.

– with a "progressive conversion", requests for the recording of a cancellation or a renunciation concerning designations that were initially made under the Agreement could be filed directly with the International Bureau *only* from the date of renewal of the international registration concerned. Also, such designations could *never* benefit from the possibility of transformation as by the renewal date of the international registration the period of dependency is, by definition, well over.

104. In terms of operational implications, the choice between an "immediate conversion" or a "progressive conversion" is mainly a matter of how and when the conversion should be reflected in the information made available to holders, offices and third parties. It would have to be decided, for example, whether, in case of an "immediate conversion", holders should be provided with a new certificate.

105. If the Working Group wishes to recommend a repeal of the safeguard clause, the International Bureau would appreciate receiving more guidance as to how the repeal of the safeguard clause should operate with respect to existing designations, so as to be able to develop appropriate proposals for transitional provisions. However, it should be stressed that the transitional measures envisaged here are linked to the implementation of a *repeal* of the safeguard clause. Their purpose would be to ensure a smooth but inescapable "conversion" ultimately of all designations governed by the Agreement by virtue of the safeguard clause into designations governed by the Protocol. In that sense, they are entirely different from measures that would seek to maintain the application of the safeguard clause for all pre-existing registrations or designations. This latter kind of measures would be more akin to a *restriction* of the safeguard clause and is discussed in Chapter VII, below.

V. OPERATIONAL CONSEQUENCES OF A REPEAL OF THE SAFEGUARD CLAUSE

106. Should the safeguard clause be repealed, the Offices of States that are bound by both the Agreement and the Protocol would need to modify their procedures and automated systems so as to give effect to the Protocol, rather than the Agreement, with respect to the other States also party to both treaties.

Offices as Office of the Contracting Party of the Holder

107. A repeal of the safeguard clause would concern those Offices as Office of the Contracting Party of the holder with respect to the following three features of the international procedure:

– the required basis when filing an international application,
– the determination of the entitlement to file, and
– the presentation to the International Bureau of certain requests.

108. In general terms, reference has been made in the preceding paragraphs to the implications, for Offices, of a repeal of the safeguard clause. It is not anticipated that there would be any significant operational consequences for Offices as Office of the Contracting Party of the holder following a repeal of the safeguard clause, as far as those three features are concerned. This is all the more so when it is considered that, in the appropriate circumstances, such Offices already apply the provisions of the Protocol in their relations with other Contracting Parties.

Offices as Office of a Designated Contracting Party

109. A repeal of the safeguard clause would concern Offices as Office of a designated Contracting Party with respect to the following three features of the international procedure:

– the refusal period (i.e., in the case of those Offices which have made the declaration extending the time limit for notification of refusals),

– the fee system (i.e., in the case of those Offices which have made the declaration requesting payment of individual fees), and

– transformation.

110. The general implications of the repeal of the safeguard clause with respect to these features have already been noted. From an operational point of view, the consequences of the repeal of the safeguard clause would be limited for the Offices concerned. The Offices in question already apply the provisions of the Protocol, rather than the Agreement, in the appropriate circumstances and thus, while those Offices would certainly need to introduce some modifications in terms of the handling and monitoring of their procedures, a repeal of the safeguard clause, as far as these features are concerned, should not *per se* result in the need for significant alteration of procedures.

The International Bureau

111. As far as the International Bureau is concerned, it would be necessary to carry out the necessary modifications to its operational and information technology systems in order to ensure that in the relations between States bound by both treaties, it would be the Protocol, and not the Agreement, that would have effect.

112. The designation of any Contracting Party is made either under the Agreement or under the Protocol. This, in turn, is reflected in the certificate issued to the holder. It is also noted in the *WIPO Gazette of International Marks* and the notification addressed to the Office of each Contracting Party so designated. A repeal of the safeguard clause would not change that situation. Its sole effect would be that the proportion of designations made, on the one hand, under the Agreement and, on the other hand, under the Protocol, would be altered.

113. However, regarding designations that existed on the date of the coming into force of the repeal of the safeguard clause, it would be necessary that the change in the governing treaty applicable to a given designation be reflected in databases. The further implications that this would have on the information available to holders, offices and third parties would need to be considered, taking into account the transitional measures adopted in respect of existing designations.

114. For the International Bureau, the repeal of the safeguard clause would also entail certain consequences, as far as languages are concerned and these have been noted in detail in document MM/LD/WG/2/4[19].

[19] The information in the following paragraphs, concerning the language regime, is taken from that paper.

115. In that regard, the main consequence for the International Bureau of the extended application of the trilingual language regime of the Madrid system as a result of a repeal of the safeguard clause would be that a larger number of translations would be required of international registrations, and communications relating thereto, than is the case today.

116. An estimate of the number of additional translations that can be expected to be required can be obtained on the basis of the statistics for the year 2005. If the safeguard clause had not been in effect in 2005, of the 33,169 international registrations recorded in that year, a total of 32,994 would have been subject to the trilingual language regime. This means that translations would have had to have been effected for 6,480 more international registrations than the 26,514 that were actually recorded in English, French and Spanish in the course of 2005. To these should be added 2,619 of the 3,424 international registrations which, in 2005, were the subject of a subsequent designation governed by the Agreement only but which would have been governed by the Protocol if the safeguard clause had not applied in 2005, and which were not yet available in all three languages (1,298 only in French and 1,321 in French and English).

117. Consequently, the total number of *additional* international registrations that would have been subject to the trilingual regime would have amounted to 9,099, of which 7,778 would have required translations of international registrations into English and Spanish, while a further 1,321 would have had to have been translated only into Spanish.

118. Therefore, compared to the actual number of translations effected for the year 2005, an additional number of 16,877 translations would have had to have been effected. Based on the experience of the International Bureau in recent years, one translator is expected to translate, on average, a total of 3,000 international registrations (plus a proportionate number of other communications) per year. As a result, 5.6 additional translators would have been required.

VI. MEASURES SUGGESTED TO ACCOMPANY A REPEAL OF THE SAFEGUARD CLAUSE

119. At the first meeting of the Working Group, in July 2005, a number of delegations and representatives of observer organizations suggested that in the event of a repeal of the safeguard clause certain measures should be adopted to counterbalance possible disadvantages that might result for users, in particular with respect to the duration of the refusal period and the amount of fees to be paid for an international registration (see Annex to document MM/A/36/1).

Further Limiting the Duration of the Refusal Period under the Protocol

120. One delegation proposed that the repeal of the safeguard clause be accompanied by an amendment of the relevant provisions in the Protocol so as to provide for a single one-year duration of the refusal period under the Protocol. Several delegations stated that they could not agree to a change of these provisions, which allow for an extension of the refusal period to 18 months, or even longer in the case of opposition. One delegation indicated that without such provisions, its country would not have joined the Protocol. It was also submitted that those provisions constituted a feature which would allow potential new Contracting Parties to accede to the Protocol.

121. The representative of an observer organization asked whether it could be envisaged to provide for an intermediate optional time limit for the refusal period, for example 15 or 16 months, to be applicable only to those Contracting Parties which would be satisfied with such time limit. However, it was noted that by providing for the co-existence of different time limits (one year, 15 or 16 months and 18 months), the Madrid system would become more complex.

122. The representatives of two observer organizations noted that they were in favor of a single one year refusal period. However, given that this might prevent potential new Contracting Parties from acceding to the Protocol, new Contracting Parties might be offered the possibility of making the declaration for an 18-month refusal period, but only with a temporary effect, for example, five years. This would encourage such new Contracting Parties to make every effort to achieve a reduction of their refusal time frames.

123. No consensus was reached concerning any of the above-mentioned proposals.

Further Limiting the Maximum Amount of Individual Fees under the Protocol

124. One delegation suggested accompanying the repeal of the safeguard clause with the adoption of an amendment to the principles governing the maximum amounts of individual fees, by providing that such amounts should not exceed 50% of the corresponding domestic fees. Such amendment would imply modifying Article 8(7) of the Protocol, which could only be done through a Diplomatic Conference. However, the suggestion was made that the matter could be further discussed.

Enhanced level of services rendered by Offices

125. One delegation and the representatives of two users organizations, participating as observers, expressed the view that the possible disadvantages resulting from the repeal of the safeguard clause could be counterbalanced if the Offices of Contracting Parties were to enhance the level of services that they currently rendered under the Madrid system. This could be achieved by providing additional information to holders regarding the status of pending designations and increasing the number of communications sent to holders, including, for example, statements of grant of protection. It was crucial for users to have, as soon as possible, legal certainty regarding the status of protection of their marks. The issue of the length of the refusal period would have less importance if Offices were to provide notifications with regard to the status of a pending designation.

126. One delegation pointed out that the notification of statements of grant of protection would represent a burden of work, possibly difficult to absorb, for Offices with a small capacity.

127. The suggestion was made, however, that the Working Group should further explore ways in which Offices could enhance the level of services they rendered to applicants and holders of international registrations under the Madrid system.

VII. RESTRICTION OF THE SCOPE OF THE SAFEGUARD CLAUSE

128. It is recalled that under paragraph (2) of Article 9*sexies* of the Protocol, the Assembly may either repeal or *restrict the scope of* the safeguard clause. The notion of "restriction" is, however, not defined, and at least two non-mutually exclusive manners of restricting the scope of the safeguard clause may be envisaged: the scope of the safeguard clause could be restricted to cover only certain features of the international procedure, or it could be restricted to cover only international registrations or designations already existing at a given date.

A. Restriction of the Scope of the Safeguard Clause to Cover only Certain Features of the International Procedure

129. At its first meeting, the Working Group mainly focused its analysis on the implications of the safeguard clause with respect to six features of the international procedure and concluded that the safeguard clause should no longer be maintained with respect to four of those features, namely:

- the required basis for filing an international application;
- the determination of the entitlement to file;
- the presentation of subsequent designations and of requests for the recording of renunciations and cancellations, and
- transformation.

130. On the other hand, a number of delegations indicated that the safeguard clause should be maintained with respect to the refusal period[20] and/or the fee system[21].

131. A restriction of the scope of the safeguard clause to cover only certain features of the international procedure, would require an amendment of Article 9*sexies*(1) of the Protocol. In that context, it would be necessary to specify which treaty would generally apply in the relations between States that are party to both.

132. Two mutually exclusive approaches can be envisaged for such an amendment: one that provides for the general application of the Agreement, subject to certain exceptions, and another one that provides for the general application of the Protocol, subject to certain exceptions.

---

[20] With respect to the refusal period, six delegations of States bound by both the Agreement and the Protocol expressed support for maintaining the safeguard clause, while nine delegations of States bound by both treaties favored no longer maintaining the safeguard clause (see report of the first session of the Working Group, in Annex to document MM/A/36/1, paragraphs 60 to 72 and 86)

[21] With respect to the fee system, 10 delegations of States bound by both the Agreement and the Protocol expressed support for maintaining the safeguard clause, while seven delegations of States bound by both treaties favored no longer maintaining the safeguard clause (see Annex to document MM/A/36/1, paragraphs 73 to 83).

Approach 1: General Application of the Agreement, Subject to Certain Exceptions

133. Under this approach, paragraph (1) of Article 9*sexies* of the Protocol could be amended so as to provide, in substance, that:

(a) it is the Agreement that generally applies in the mutual relations between States bound by both treaties, except that

(b) with respect to certain identified features of the international procedure – for example, the required basis for the filing of an international application, the determination of the country of origin, the presentation of certain requests, or transformation – the provisions of the Protocol apply.

134. For the implications that this approach would have on the international procedure, one may refer to chapter III where these implications are already outlined specifically for each of the features in respect of which a restriction of the safeguard clause may be envisaged. For the operational consequences, one could also generally refer to chapter V.

135. In addition to the above, this approach would, in practical terms, introduce in the system a third type of designation, i.e., a hybrid designation, governed by the Agreement with regard, for example, to the refusal period and the fee system, and by the Protocol as regards other features. This would perpetuate the application of the Agreement, albeit in a curtailed way, not only at the time that a designation is made but, to the extent that the issue of the fee system is equally relevant to the renewal procedure, also throughout the life of international registrations containing such hybrid designations.

136. Moreover, introducing this third type of designation would require all parties involved (i.e., users, offices and the International Bureau) to amend their procedures and automated programs. The further implications that this would have on the information available to holders, offices and third parties would need to be considered. For example, the certificate, paper and electronic notification and the publication programs of the International Bureau and, more generally speaking, trademark databases, would likely all have to be revised to allow this hybrid type of designation to appear clearly where appropriate.

Approach 2: General Application of the Protocol, Subject to Certain Exceptions

137. As a first option under this approach, paragraph (1) of Article 9*sexies* of the Protocol could be amended so as to provide, in substance, that:

(a) it is the Protocol that generally applies in the mutual relations between States bound by both treaties, except that

(b) with respect to certain identified features of the international procedure – for example, the refusal period or the fee system – the provisions of the Agreement apply.

138. Like Approach 1, this option still maintains explicitly the application of the Agreement. It would thus entail the same type of general implications, as well as those more closely associated with the introduction into the system of a hybrid kind of designations, as commented in paragraphs 134 to 136, above.

139. Another option under this approach, which would still achieve the same practical outcome (i.e., for example, the guaranteed application of standard fees and/or of the shorter period of refusal), would be to amend Article 9*sexies*(1) of the Protocol so as to provide, in substance, that:

(a) it is the Protocol that generally applies in the mutual relations between States bound by both treaties, except that

(b) any declaration made under the relevant provisions of the Protocol – for example, Article 5(2)(b) and (c) (extension of the time for notifying provisional refusals) or Article 8(7) (individual fees) – would have no effect in the mutual relations between States bound by both the Agreement and the Protocol.

140. In other words, under this option, Article 9*sexies* of the Protocol would operate as a safeguard of the *spirit* of the Agreement with respect to certain specified features: indeed, what would apply between these States is a restricted regime under the Protocol, in other words, a regime that, with respect to these features, is identical to that prevailing under the Agreement.

141. As a result, in strict legal terms, the application of the Agreement would be ousted and this second option of Approach 2 would make it clear that, for the future, only one treaty applies between States party to the Agreement and the Protocol, and that this treaty is a restricted version of the Protocol (i.e., without the options offered by Article 5(2)(b) and (c) and Article 8(7)). Of course, any declaration under such provisions of the Protocol that a State party to both the Agreement and the Protocol has made, or may in the future make, would apply in the relations with Contracting Parties bound only by the Protocol. As an implication to this option of Approach 2, then, States party to both the Agreement and the Protocol would be offering different treatment to users under the Protocol, depending on whether their country of entitlement is also a party to the Agreement. This situation would persist as long as there remain two groups of Contracting Parties to the Protocol, i.e., those which are also Party to the Agreement and those which are not.

B. Restriction of the Scope of the Safeguard Clause to Cover only Existing International Registrations or Designations (“Freezing”)

142. A restriction of the scope of the safeguard clause could also be envisaged in terms of maintaining the safeguard clause only to apply to international registrations or designations already existing at a given date. This is a possibility that was not examined by the Working Group at is first session, and that would result in a sort of "freezing" of the number of registrations or designations that would continue to be governed by the Agreement by virtue of the safeguard clause.

Approach 1: Safeguard Clause Applied only to Existing Registrations

143. The Assembly could decide that States bound by both the Agreement and the Protocol should, in their mutual relations, continue to apply the provisions of the Agreement with respect to international registrations bearing a date prior to the entry into force of the amendment of Article 9*sexies*.

144. If the safeguard clause were to be restricted in this manner, this would mean that the number of international registrations to which it applies would be frozen as of the date of entry into force of the restriction of the safeguard clause. However, the Agreement would still apply to some of the new relations between States bound by both treaties, namely those resulting from subsequent designations made *on or after* the date of entry into force of the restriction of the scope of the safeguard clause in respect of international registrations already existing prior to that date. In other words, the number of designations governed by the Agreement by virtue of the safeguard clause would continue to expand.

145. In practical terms, all such subsequent designations would of course have to be presented through the office of the Contracting Party of the holder and have to be based on a registration as opposed to an application (unless the scope of the safeguard clause were also to be restricted in this respect). Even where they concern States that have made the relevant declarations under the Protocol, those designations would, in this context, require the payment of standard fees only and would be subject to the refusal period of one year.

146. More fundamentally, for all designations contained in such international registrations, this manner of restricting the safeguard clause would guarantee that standard fees, as opposed to possible individual fees, would continue to be required for renewal. On the other hand, these designations would not benefit from the possibility of transformation, and any request for the recording of a renunciation or a cancellation in respect of such a designation would still have to be presented through the office of the Contracting Party of the holder (unless, again, the scope of the safeguard clause were also to be restricted in this respect).

Approach 2: Safeguard Clause Applied only to Existing Designations

147. The Assembly could equally decide that States bound by both the Agreement and the Protocol should, in their mutual relations, continue to apply the provisions of the Agreement with respect to *designations* bearing a date prior to the entry into force of the amendment of Article 9*sexies*. This would constitute another type of "freezing" different from the one described in the previous paragraphs. In this case, both the numbers of international registrations and that of designations governed by the Agreement by virtue of the safeguard clause would be frozen at the date of the repeal. For example, if the restriction had been implemented in that manner on January 1, 2006, the application of the Agreement in the relations between States party to both treaties would have been confined, from that day onwards, to a total of 3,861,520 designations, contained in 421,165 international registrations.

148. If the safeguard clause were to be restricted in this manner, the effects on the designations concerned would be those highlighted in paragraph 146, above.

Further Considerations Relating to a Restriction of the Scope of the Safeguard Clause

149. Under any of the afore-mentioned possibilities for a restriction of the scope of the safeguard clause, the Working Group would need to consider also what kind of amendment to paragraph (2) of Article 9*sexies* would be required. In that regard, it may consider it appropriate to provide for a further review of Article 9*sexies* (1), at a time and upon terms to be discussed.

150. Moreover, in addition to the amendment of Article 9*sexies* itself, and to any required consequential amendments to the Common Regulations, the restriction of the scope of the safeguard clause would necessitate the adoption of specific transitional provisions.

151. It is further noted for the consideration of the Working Group that the two manners of restricting the scope of the safeguard clause exposed above could be combined. For instance, a "freezing" kind of restriction could be adopted in relation to designations, but only insofar as certain of the features of the Agreement, for example its fee system, are concerned. Under such a scenario, standard fees only, as opposed to possible individual fees, would continue to be required for the renewal of such designations. However, in respect of these same designations, requests for the recording of a renunciation or a cancellation would no longer have to be filed necessarily through the Office of the Contracting Party of the holder as, despite the "freeze", the Agreement would not be maintained in respect of that requirement.

152. In any event, more elements would need to emerge from the discussions of the Working Group as to how, if at all, the scope of the safeguard clause should be restricted before the International Bureau could develop a workable solution that would also encompass transitional provisions.

153. *The Working Group is invited to comment on the above, and, in particular, to indicate*

(i) whether it would recommend that either a proposal to repeal or a proposal to restrict the scope of the safeguard clause be submitted to the Assembly of the Madrid Union for adoption;

(ii) where its recommendation under (i) would concern a repeal, whether any additional measure would be recommended for adoption;

(iii) where its recommendation under (i) would concern a restriction, in which specific manner it would further recommend that the safeguard clause be restricted, and

(iv) which are the transitional solutions that it would envisage in relation with a repeal or a restriction of the scope of the safeguard clause.

[End of document]