

Working Group on the Legal Development of the Madrid System for the International Registration of Marks

Nineteenth Session
Geneva, November 15 to 19, 2021

DEPENDENCY

Document prepared by the International Bureau

INTRODUCTION

1. At its seventeenth session, held in Geneva from July 22 to 26, 2019, the Working Group on the Legal Development of the Madrid System for the International Registration of Marks (hereinafter referred to as “the Working Group”) discussed document MM/LD/WG/17/6¹. The document described the history of dependency, summarized the previous discussions by the Working Group concerning the dependency principle and set out possible options regarding the future of dependency. The Working Group did not reach consensus on any of the said options.
2. The present document², requested by the Working Group at its seventeenth session³, further explores the possible reduction of the dependency period, from five to three years, and of the grounds for the ceasing of effect of the basic application or registration (hereinafter referred to as “the basic mark”) resulting in the cancellation of the international registration, as well as the possible elimination of the automatic effect of dependency.

¹ See document MM/LD/WG/17/6 “Possible Reduction of the Dependency Period” (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_17/mm_ld_wg_17_6.pdf).

² This document was prepared for the eighteenth session of the Working Group. However, discussions were postponed until the nineteenth session due to COVID-19 related restrictions and arrangements.

³ See document MM/LD/WG/17/11 “Summary by the Chair”, paragraph 21 (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_17/mm_ld_wg_17_11.pdf).

FEEDBACK FROM USERS ON DEPENDENCY

3. Studies conducted on the experience of several Contracting Parties when acceding to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (hereinafter referred to as “the Protocol”)⁴ and a survey conducted by the International Bureau in 2015 concerning the dependency principle⁵, reveal that most trademark holders view dependency as a disadvantage of the Madrid System. WIPO’s communication with users through different channels, such as, inquiries, seminars, webinars and direct meetings confirm that users, from both founding members of the Madrid System and those members that have recently joined, share this view.

4. Trademark holders have expressed the following concerns regarding the dependency principle:

- lack of legal certainty;
- additional costs concerning the basic mark;
- high risk of cancellation of the international registration due to non-use of the basic mark;
- possible ceasing of effect on grounds only relevant in the home market; and
- possible additional costs due to transformation.

LACK OF LEGAL CERTAINTY

5. The dependency period creates uncertainty and makes holders feel vulnerable because the effects of their international registrations are susceptible to being challenged, throughout the dependency period, with negative consequences in all the designated Contracting Parties.

ADDITIONAL COSTS CONCERNING THE BASIC MARK

6. Holders of international registrations are required to maintain the basic registration during the dependency period, even though they may no longer have an interest in the mark in their home territory.

HIGH RISK OF CANCELLATION OF THE INTERNATIONAL REGISTRATION DUE TO NON-USE OF THE BASIC MARK

7. Where the basic mark is not used in the territory of the Office of origin during the dependency period, the holder runs a real risk of third parties initiating cancellation actions. If third parties were successful, such cancellation actions would lead to the ceasing of effect of the basic mark with the resulting cancellation of the international registration. This is the situation where, for example, the basic mark is in a script other than the one used in the home market because the basic mark is intended for export markets only. While the assumption has been that this mostly concerns trademark holders in Contracting Parties using non-Latin script, it also affects trademark holders from Contracting Parties using Latin script when the basic mark is meant to be used in markets using non-Latin scripts.

⁴ See WIPO Publication No. 954E “WIPO Study on Accession to the Madrid System for the International Registration of Marks” (https://www.wipo.int/edocs/pubdocs/en/marks/954/wipo_pub_954.pdf), and “Madrid Experience Sharing Report. Japan’s Experience in Joining and Using the Madrid System”, 2014 (https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2014_madrid_japan.pdf).

⁵ See document MM/LD/WG/13/6 “User Survey on Madrid Dependency Principle Issues” (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_13/mm_ld_wg_13_6.pdf).

POSSIBLE CEASING OF EFFECT ON GROUNDS ONLY RELEVANT IN THE HOME MARKET

8. The ceasing of effect of the basic mark during the dependency period, decided in accordance with the laws in the Contracting Party of the Office of origin, results in the cancellation of the international registration in all the designated Contracting Parties. In this regard, in previous sessions of the Working Group, some delegations expressed the view that dependency might not be in line with Article 6(3) of the Paris Convention. This Article states that a mark duly registered in a country of the Union should be regarded as independent on marks registered in the other members of the Union, including the country of origin.

POSSIBLE ADDITIONAL COSTS DUE TO TRANSFORMATION

9. Users have indicated that the transformation procedure is complicated, its outcome is uncertain and, in some cases, it would be easier to simply file a new national or regional application and lose the international registration's earlier filing date.

10. Associations of brand owners and trademark professionals have expressed the same concerns listed above. For example, the International Trademark Association (INTA) has indicated that trademark owners often cite dependency and fear of third party cancellation actions relating to the basic mark as significant barriers to the increased use of the Madrid System⁶. MARQUES – Association of European Trade Marks Owners, the European association representing the interests of brand owners, has stated that, since many users are unaware of dependency, they do not realize that a loss of the basic mark will result in the cancellation of the international registration. Most users are even less aware of the possibility of transformation and of the time limit for initiating the procedure before the Offices concerned⁷.

11. When the International Bureau meets with new potential users, for example, after new accessions to the Protocol, a view commonly expressed is that the dependency principle is a disadvantage of the Madrid System and one that may result in trademark holders rather preferring to use the national or regional route to protect their trademarks.

12. The main argument in favor of maintaining the dependency principle, expressed by certain delegations in previous sessions of the Working Group and shared by some users in the survey mentioned above, is that it provides third parties with an effective and centralized defense mechanism, which they may use to obtain the cancellation of marks protected in different markets. Therefore, those delegations believe that, by preserving dependency, the Madrid System guarantees a fair balance between the interests of third parties and those of holders of international registrations.

13. However, in reality, the dependency principle, in its current form, creates a strong imbalance, which favors the interests of third parties over the rights of holders. The dependency principle applies even in situations other than a third party protecting its rights by challenging the basic mark, as well as the international registration, on grounds, such as, for example, likelihood of confusion or bad faith.

⁶ See document "INTA Board Resolution – Madrid Protocol: Dependency Period" (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_17/mm_ld_wg_17_inta.pdf).

⁷ See document "MARQUES – Should the Dependency Clause (or the Basic Mark Requirement altogether) Be Eliminated?" (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_13/mm_ld_wg_13_marques.pdf).

14. Information on cancellation requests due to the ceasing of effect of the basic mark show that those requests are not, for the most part, the result of a third party action against the basic mark. The Working Group discussed this information, which was provided by the Offices of the Contracting Parties, at its ninth session⁸. In most cases, the Offices indicated that the basic mark ceased to have effect due to objections raised by the Office of origin during the examination process, due to third party actions with no expressed intention to challenge the international registration concerned, or due to failure by the holder to prosecute or maintain the basic mark.

15. The said information, together with the concerns raised by users above, make it clear that the dependency principle, while giving third parties an effective mechanism to challenge the effects of an international registration, disproportionately disadvantages their holders. The need for legal certainty for trademark holders who have invested in an international registration outweighs the perceived benefits of dependency.

REDUCTION OF THE DEPENDENCY PERIOD FROM FIVE TO THREE YEARS

16. While there was no consensus on any of the options described in document MM/LD/WG/17/6, discussed in the seventeenth session of the Working Group, a number of delegations expressed the view that they could support a possible reduction of the dependency period from five to three years.

17. The reduction of the dependency period to three years would provide holders of international registrations with increased legal certainty, without limiting the possibility of actions by third parties during the reduced period of dependency.

18. However, such reduction would not fully address the vulnerability trademark holders face when protecting marks in a script different than the one used in the home territory. As the basic mark is not likely to be used in the territory of the Office of origin, the trademark holder would still run the risk of cancellation due to non-use, albeit during a period of three years instead of five.

REDUCTION OF THE GROUNDS FOR CANCELLATION OF AN INTERNATIONAL REGISTRATION DUE TO THE CEASING OF EFFECT OF THE BASIC MARK

19. The basic mark ceases to have effect where it has lapsed or has been withdrawn, renounced or been the subject of a final decision of rejection, revocation, cancellation or invalidation within the dependency period. The same applies where a final decision of rejection, revocation, cancellation or invalidation or ordering the withdrawal of the basic mark, pronounced after the expiry of the dependency period, results from an appeal, action or opposition that begun within the dependency period.

20. It follows that the basic mark may cease to have effect due to a decision by the holder (for example, due to a limitation of the list of goods and services) or by a competent authority, acting *ex officio* or at the request of a third party (for example, a decision by the Office of origin following an opposition).

21. Reducing the scope of the grounds that result in the cancellation of the international registration due to the ceasing of effect of the basic mark would increase legal certainty for holders of international registrations while preserving a fair balance between the interests of holders and third parties alike.

⁸ See document MM/LD/WG/9/3 "Information Concerning Ceasing of Effect and Transformation" (https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_9/mm_ld_wg_9_3.pdf).

CANCELLATION DUE TO THE CEASING OF EFFECT OF THE BASIC MARK ONLY ON BAD FAITH GROUNDS

22. A first possible option could be to cancel the international registration only where the ceasing of effect of the basic mark was pronounced on bad faith grounds; more specifically, where the basic application was filed or the basic registration was obtained in bad faith. This could be, for example, a decision following *ex officio* examination by the Office of origin or an action initiated by a third party before a competent authority. In this case, the cancellation of the international registration would be justified by the behavior of the holder. While there is no uniform definition of bad faith, and not all Contracting Parties have this concept in their domestic legislation, the Contracting Party concerned would be free to decide, in accordance with its applicable law, what constitutes bad faith.

23. Provided the holder had not acted in bad faith when establishing the basic mark, its ceasing of effect would not have an impact on the international registration. For example, the ceasing of effect of the basic mark due to likelihood of confusion with a third party's prior right or on the basis that the mark is descriptive would have no bearing on the international registration as such. This option would offer greater legal certainty and flexibility to holders by allowing them to choose whether to maintain the basic mark or not during the dependency period, without any impact on the international registration.

CANCELLATION DUE TO THE CEASING OF EFFECT OF THE BASIC MARK ONLY ON LIMITED GROUNDS

24. A second option would be to limit the number of grounds that would result in the cancellation of an international registration. In addition to bad faith, those grounds could include any decision by a competent authority leading to the ceasing of effect of the basic mark provided it stems from a third party action, such as, for example, opposition, cancellation or invalidation.

25. While this option would be more favorable for third parties, it would still offer significant benefits to holders of international registrations, compared to the current situation. Where a holder has established the basic mark in good faith, the international registration would be cancelled only following a successful third party action. Where the Office of origin, in its *ex officio* examination, finds the basic mark to be descriptive or not registrable because of an earlier right, this would not result in the cancellation of the international registration. However, where this decision is the result of a third party action, it would affect the international registration concerned. As in the previous option described above, this option would provide more flexibility for the holder in terms of maintenance of the basic mark.

ELIMINATION OF THE AUTOMATIC EFFECT OF DEPENDENCY

26. Currently, the international registration is rendered automatically ineffective once the basic mark ceases to have effect. While a third party may have an interest in targeting the international registration, the consequence of the current legal framework is that the international registration would also be rendered ineffective following

- (i) abandonment or renunciation of the basic mark by the applicant or holder for a reason relevant only in the home territory;
- (ii) *ex officio* rejection of the application on absolute or relative grounds applicable only in home territory; or,
- (iii) a third party action without any particular interest in targeting the international registration as such or the rights in any of the designated Contracting Parties.

27. To better balance the interests of third parties and those of the holders of international registrations, the automatic effect of dependency could be eliminated. While there would be no reduction of the grounds that could lead to the ceasing of effect of the basic mark, the international registration could be cancelled only upon request by a third party.

28. A third party would be required to request the Office of origin to notify the International Bureau of the ceasing of effect of the basic mark and request the cancellation of the international registration concerned. The international registration would be cancelled only where a third party has a real interest in the cancellation. This would also mean that third parties would not lose a tactical advantage when negotiating possible settlement agreements, which has been cited as an important factor in negotiations, and a reason for maintaining dependency.

THE POSSIBLE WAY FORWARD

29. Looking at a possible way forward, the Working Group may wish to focus on the need to strike a fair balance between the rights of the holders of international registrations and those of third parties. The options described above are not mutually exclusive. For example, the Working Group could consider the reduction of the dependency period and the grounds that could result in the cancellation of the international registration, as well as the elimination of the automatic effect of dependency.

30. Should the Working Group agree to recommend pursuing one of the options described in the present document – reduction in years, reduction in grounds or the elimination of the automatic effect of dependency – or a combination thereof, a corresponding amendment to Article 6 of the Protocol would require the convening of a Diplomatic Conference. In addition, this might also require that Contracting Parties amend their applicable legislations.

31. *The Working Group is invited to:*
- (i) *consider the present document and provide comments thereon, and*
 - (ii) *provide guidance to the International Bureau on possible further work.*

[End of document]