

CHAPTER 8

ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS

The first component of the IP system is the legislative framework that defines and clarifies rights and procedures. This component starts with international treaties and conventions and flows outward to the national level, where there are national laws, rules, and regulations. The second component comprises the institutions and facilities through which rights and interests are actualized; this includes the acquisition and maintenance of IPRs through IP national and regional offices, as well as the enforcement of IPRs by institutions, such as the courts, customs, and police.

The national IP office (IPO) is part of this second component and is in charge of administering the system of IPR acquisitions.¹ The type of administrative system for IP protection that should be established and made available to the public is a key economic policy question. The costs associated with the second component consist of administrative costs for the acquisition and maintenance of rights, and of administrative and judicial costs for enforcing IPRs against infringement. This chapter will examine the systemic aspects of IPRs and evaluate economic aspects of the acquisition and maintenance of rights. The enforcement dimension of the IP system will be discussed in Chapter 9.

The economic and social cost of establishing and maintaining an IPO has recently come under special attention, as users of the IP system have requested a reduction in the fees for filing an application, and obtaining and maintaining IPRs. Users have become aware of the cost, as many wish to expand their IPR protection to other countries in response to the globalization of markets and trade, as well as the advent of e-commerce. However, cost reduction is difficult for many IPOs that have an increasing workload with limited resources. This chapter will also enumerate factors to be considered for possible solutions to the emerging problems facing IPOs.

ORGANIZATION AND STRUCTURE OF INTELLECTUAL PROPERTY OFFICES

The organization and structure of IPOs varies significantly, and almost every country is an example unto itself.² The different offices may also vary as to other tasks performed: some offices may be requested to keep the business registry (as in France);³ some may deal with issues relating to the defense of competition (as in Peru);⁴ some may have responsibility for the entire IP system (as in Indonesia), or may be limited to administering patents.

A trend is emerging towards some measure of institutional and financial independence for IPOs within the state. This trend is supported by the fact that IP offices receive direct payment for their products and services and are viable to act as independent, self-financing bodies or agencies. This is the case in a number of countries, including Japan, Mexico, Peru, Switzerland, the United Kingdom, and the United States of America. However, even with financially self-supporting arrangements, these offices still have governmental policy coordination.

There are a number of advantages associated with the concept of independent IPOs. From a political point of view, it can be seen as a reflection of a policy priority of the government. Financial independence can allow the office to develop a more comprehensive, flexible and focused approach to the various issues that it faces. It also enables IPOs to use revenues obtained from patent, trademark, and other applications to invest in improving the quality of services offered, including outreach activities, e-filing, examination reports, and IP databases. It can provide good motivation for an IPO to continually improve customer service and also to promote IP asset development. There is a built-in incentive to encourage the development of patent portfolios so IPOs may be more motivated to promote SME activities and generally to make the system more user-friendly. The IPOs would have more incentive to respond faster and more comprehensively to the needs and demands of the business community and, as a result of successful efforts in this regard, to reduce their fees as the system becomes more efficient. The IPO would respond with agility to policy and practical challenges. For example, it may be able to reduce fees or create a sliding scale for fees based

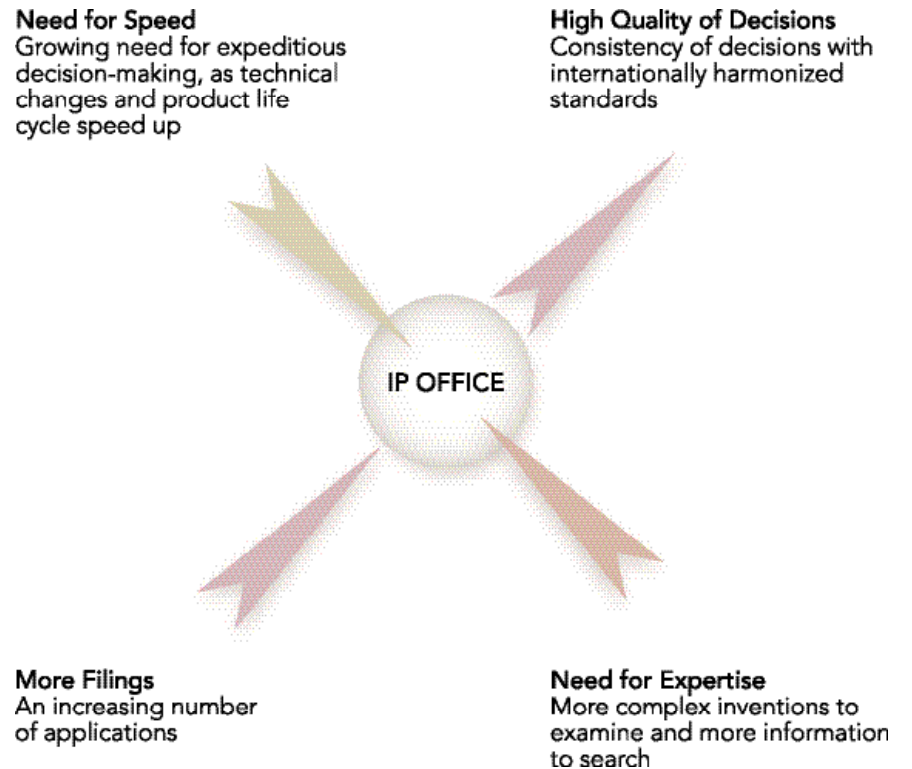
on the income of the filing entity without having to obtain legislative or administrative approval that might subject such action to delay. Such advantages in terms of flexibility and agility must be weighed against the need for IPOs to function in coordination with national IP policy and goals. Each country will have to consider the issues and adjust for the proper mix of financial independence and policy coordination.

NEW CHALLENGES

As illustrated in Chart - 8.1, in an era of rapid technological change and short product cycles, IPOs are increasingly under pressure to speed up their procedures for granting patents and registering marks. In the fields of information and communication technologies, in particular, where innovations are taking place at a startling pace, lengthy and time-consuming procedures for granting patents pose the risk of undermining the potential of the IP system for promoting technological innovation and creativity.

It is crucial that, while maintaining its efficiency and thoroughness, the IP system must also become as expeditious and responsive as possible, to enhance its role in the promotion of innovative work, and to enable the business community to make more and better use of it. Many patent offices are making considerable progress by setting targets for achieving more expeditious granting, strengthening their staff, computerizing application and examination procedures, and enhancing international cooperation.⁵

CHART-8.1 GROWING DEMANDS ON INTELLECTUAL PROPERTY OFFICES



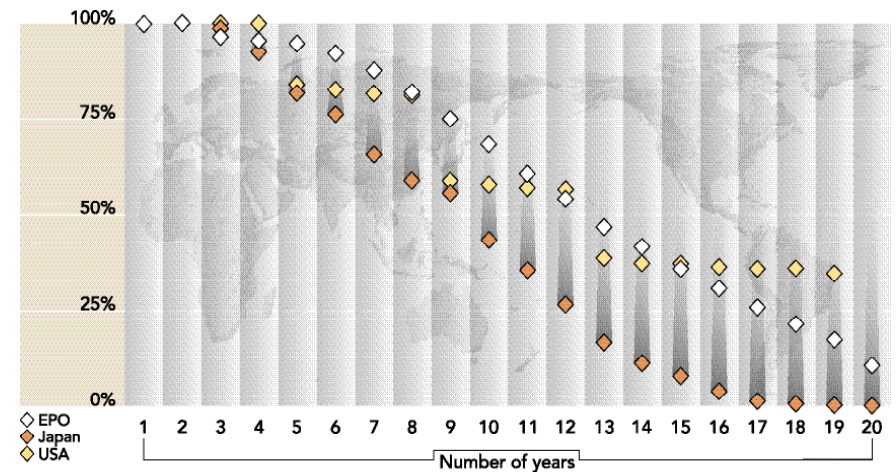
PATENTS

ANALYSIS OF COST TO BE PAID BY APPLICANTS

FEES

Filing an application for patent protection and obtaining and maintaining a patent is an expensive undertaking. It may cost from US\$10,000 up to US\$100,000 (spread over the life of the patent) to seek and maintain protection for even one invention in a few large patent markets. These figures can be higher if patents are sought in many countries. Apart from the preparation of an application in the original language, the cost of translation of the application into other languages, the payment of maintenance fees for many years, and the cost of attorneys in different countries may account for the major part of the total cost. Fees payable to IPOs generally include an initial application fee, a fee for conducting the search and examination, a grant fee, and an annual maintenance fee. Generally speaking, to maintain a patent throughout the maximum period of the patent term is expensive, particularly in certain countries which adopt a system requesting the patent holder to pay higher maintenance fees towards the end of the patent term. It reflects a policy balance between the patent holder's commercial interest and the public interest in making more "dormant patents" available in the public domain for free use. This policy appears to achieve the expected goal in many countries (see Chart - 8.2).

CHART-8.2 MAINTENANCE OF GRANTED PATENTS BY TRILATERAL OFFICES



Source: Trilateral website, <http://www.jpo-miti.go.jp/saikine/tws/tsr99/graph433.htm>.

TRANSLATION COST

Another category of patent cost relates to the translation of patent applications. This is the case for the European Patent Office (EPO), where an attempt to reduce translation requirements (currently estimated at 25 percent of total patent cost) through the introduction of the Community Patent has been the cause of much debate. For example, on July 5, 2000, the European Commission proposed the creation of a Community Patent to give inventors the option of obtaining a single patent legally valid throughout the European Union. One of the principal aims of the proposal is to "reduce the cost of patenting an invention in Europe" in particular through the reduction of translation requirements.⁶ Translation cost also plays an important role for patent applications in foreign countries; this issue will be discussed again in this chapter under the section on the Patent Cooperation Treaty (PCT).

A brief glance at the total cost of patents in the three largest patent offices (see Table - 8.3) indicates one reason why individuals and SMEs sometimes consider that the cost associated with obtaining a patent is too high. This issue has been raised in different international fora, including the Industry Advisory Commission (IAC) of WIPO in May 2000, when the IAC urged "Member states of WIPO to adopt a work program for the development of a more comprehensive approach to the reduction of the cost of obtaining and maintaining intellectual property protection in multiple countries."⁷

To introduce a system allowing any applicant to file an application for free (as in the United Kingdom) is one solution. Another is a system of preferential fees for small entities in a number of countries, for example, in Canada, the Philippines and the United States of America, and lower fees for applicants from certain countries as in the PCT system. They are initiatives which are also helping to balance inequalities in the system by creating a more level playing field.⁸ There is no reason why IPOs cannot charge non-profit bodies, such as universities and public research centers, lower fees. This effectively lowers the barrier to entry into the patent system.

ATTORNEY FEES

Applicants also pay the cost related to employing the services of a patent attorney. The patent attorney has become necessary because of the complexity of patent documents; differences in various patent laws; and the need to combine adequate technical expertise with legal expertise, thus helping to ensure that the patent application will move through the system successfully. Patent attorney fees may vary significantly, but they represent a substantial cost that increases the financial burden of securing patent protection. In the EPC countries, Japan and the United States of America, patent agent fees are considered, on average, to represent 34 percent, 51 percent, and 55 percent, respectively, of the total cost of patent protection (see Table - 8.3).

TABLE-8.3 COMPARISON OF COST AND FEES (IN US\$) PAYABLE FOR OBTAINING PATENTS IN EPC COUNTRIES, THE UNITED STATES OF AMERICA AND JAPAN

	Filing and search fees	Examination fees	Grant fees	Renewal fees	Translation cost	Attorney fees	Total
EPC*	758 + 498	1340	669	15,725	11,800	15,920	46,810
United States	645	n/a	1,135	2,560	n/a	5,340	9,680
Japan	197	1,030	797	5,475	n/a	7,920	15,419

* European Patent Convention. Figures relate to a "typical" European Patent covering eight member states.

Source: European Commission, Commission Proposes the Creation of a Community Patent, July 2000.

COST ASSOCIATED WITH INTELLECTUAL PROPERTY OFFICE OPERATION

OVERVIEW

Fees paid by applicants become sources of income for the operation of an IPO. Simplifying and rationalizing the patent system and reducing the operational cost of the office will enable fees to be reduced and make the patent system more attractive. The administrative costs for the operation of such offices can be grouped as shown in Table - 8.4.

TABLE-8.4 PATENTS FROM FILING TO GRANT AND COST IMPLICATIONS

Events in chronological order	Cost implications		Proposed Solution
	Applicants	Intellectual Property Office	
(a) Processing, formal examination	Work for correction of errors	Resources for formal examination	E-filing* (data verification and conformity check), PCT, harmonized procedures (PLT**)
(b) Search of relevant technologies (prior art search)	Search work to meet the disclosure requirement	Search databases, examiner's search work	PCT search report, patent search databases regionally or internationally maintained
(c) Substantive examination	Attorneys fees	Examiner's work	Regional and/or international cooperation of examiners, recognition of the result
(d) Publication of patents	n/a	Printing and delivery of patents in paper	Internet publication

*Electronic filing **Patent Law Treaty

OFFICE AUTOMATION

The automation of procedures for patent application, search, and examination is helping to reduce costs. The experience of the JPO, which has operated in a paperless environment with on-line filing for the last ten years, suggests that electronic processing of applications has reduced costs related to tasks referred to in (a), (c), and (d). Organizing, storing, and retrieving information electronically can save time and money and can allow the system to become more cost-effective (see Box - 8.5). However, few IPOs have the means to institute automated filing mechanisms as yet, and automation requires a significant initial investment.

MARKET DEMANDS

The beginning of the life of a patent starts with the filing of an application for patent protection with the national or regional patent office. The demand for patent rights (as seen from the perspective of the number of applications filed) increased significantly in the second half of the 1990s (for example, from 1994 to 1998, from 2,306,840 to 5,806,570, an increase of 152 percent⁹). The TRIPS Agreement has confirmed the priority rule of the Paris Convention; users seeking patent protection in many countries claim priority on the basis of the original application. As most patent offices require applicants to file an application in paper form, the PCT is used to ease the applicant's burden of preparing multiple copies of the same application to be filed with different patent offices. The Patent Law Treaty (PLT) and the on-going efforts to introduce an e-filing system, are expected to further reduce the cost of filing an application.

FORMAL EXAMINATION

Broadly speaking, one can distinguish between two kinds of examination: formal examination and substantive examination. In a formal examination, the IPO verifies whether the application fulfills all the requirements prescribed by law, such as whether the patent was drafted in the appropriate format, and whether the necessary fees have been paid. Certain applications may be sent back to the applicant for correction or simply dropped if the application is not in a patentable field.¹⁰ Recent e-filing software allows applicants to verify the required elements and formality compliance, which is expected to reduce the cost associated with this process. The acceptance of e-filing will bring economic benefits both to applicants and to those IPOs that can rely on a computer-assisted formality check.

SEARCH AND SUBSTANTIVE EXAMINATION

In a substantive examination, applications are examined in detail as to their content. In order to judge whether an invention is new and therefore patentable, the prior art search must be comprehensive and thorough. Ideally, a patent examiner would compare the claimed invention with all the existing literature concerning the relevant technical field, in all languages, and in doing so, reach a conclusion on the patentability of the claimed

invention. In practice, however, no patent office could possibly afford to collect, arrange, store, and process all information and material. Considering that the patent literature alone amounts to approximately 50,000,000 items, and grows by about 1,000,000 new items each year, and further, that other scientific literature also grows at a similar rate, it is obvious that such an all-inclusive process would be impracticable. Even the largest patent offices, whose staff well exceeds 1,000 persons, must limit themselves to the information available in a few languages emanating from selected publications.¹¹

The maintenance of the most up-to-date search databases is among the most expensive operations of the IPO. Though accurate estimates are not available, the programs and budgets of the EPO, JPO, and USPTO (Trilateral Offices) indicate that most of their IT investment (between 20 percent and 30 percent of the total budget) has been made to enhance searchable databases. Indeed, to exchange patent data to complete their databases was the reason that the heads of the Trilateral Offices started the Trilateral Cooperation in the early 1980s. The required size of the searchable documentation, and the need for technically qualified examiners, make the cost of maintaining a meaningful substantive examination system enormous.

At the end of 1998, there were approximately 4 million patents in force. Once an application is accepted, the likelihood of a patent being granted will depend largely on the examination procedure used by each patent office. In the EPO, for example, 64 percent of patent applications are eventually granted. Figures for the JPO and USPTO are 64 percent and 71 percent respectively. As will be discussed below, this figure may be significantly higher in countries that do not conduct substantive examinations.¹²

The present burden sharing between applicants (disclosure by the applicant of technologies previously known to the applicant) and the IPO was fixed many decades ago when only the IPO had a comprehensive collection of technological documents. In the Internet age, when vast amounts of information are made accessible to the public, searchable with sophisticated search engines, the time seems ripe to consider whether and how IPOs could receive more assistance from applicants and stakeholders or potential competitors in the search for relevant technological information.

STAFFING

Patent applications cover such diverse fields as combustion engines, biotechnology inventions, sports equipment, electronic devices, and musical instruments, to name only a few. There are in fact 70,000 technology categories (or groups) in the International Patent Classification covering all possible fields of invention.¹³ Substantive examination requires highly qualified examiners who are well-acquainted with the latest technological advances in their specialized field of competence. Notwithstanding this need, a large staff means a considerable expenditure for human resources.

Table - 8.5 shows the expenses involved in managing selected IPOs. Reflecting various factors such as policy priority, economic strength and the existing regional cooperation, some countries with a smaller total population spend a higher proportion of their GNP and public sector budgets on obtaining an equivalent level of examination.

TABLE-8.5 STAFF AND BUDGET OF SELECTED PATENT OFFICES

Country Patent Office	Staff numbers		A - Patent applications (incl.PCT designations)	B - IP Office Annual Budget (in mill. US\$)	C - Country Population (in mill.)	D - IP Office Budget per capita (in US\$)
	Examiners	Total staff				
USPTO	3,000	4,700	262,787	863	275	3.13
EPO(20 States)	2,400	4,400	121,750	513	420	1.22
Japan	1,100	2,500	437,375	844	127	6.64
Russian Fed.	900	2,700	58,532	14.3	145	0.1
R O Korea	382	1,002	121,750	120	47	2.55
China	800	1,500	114,830	-	1280	-
Brazil	150	610	50,866	42	170	0.24
Sweden	300	1,000	149,493	69	9	7.6
Australia	196	830	57,706	42	19	2.2
Canada	125	-	65,682	42.1	31	1.35
Spain	130	600	147,889	45.3	39.5	1.13
Mexico	60	611	44,721	25.5	99	0.25
Egypt	25	146	1,682	1	66	0.015
Morocco	3	60		1	28	0.036
Singapore	0	85	44,948	4.9	4	1.2

NOTE: The number of examiners may include those who undertake formality examination. If the IPO covers not only patents but also other industrial property rights such as registration of trademarks and designs, figures of the total staff and budget for all those services are indicated.

Source: IMF, World Bank, Trilateral website (www.european-patent-office.org/tws/twsindex.htm) and annual reports of patent offices. Figures are calculated using the exchange rate as of September 2001.

TO BE OR NOT TO BE

The debate on substantive examination versus simple registration remains open, and at the same time, some alternative solutions are emerging (see Box - 8.6). Countries that conduct them are reluctant to abandon substantive examination, because in their view, substantive examination of patents remains important to determine whether patents fulfill the patentability requirements.

On the other hand, a considerable number of countries have opted for an alternative examination system. Some patent offices have established what is referred to as a registration system with a prior art search. Under this system, the patent office conducts the prior art search and prepares a search report, which is made available to the applicant and to the public. In some cases, small patent offices with a limited number of examiners entrust the prior art searches to some of the larger patent offices better equipped for substantive examination, in exchange for a payment (for example, Singapore entrusts this task to IP Australia¹⁴). Another option is to conduct only the formal examination and dispense with examination to determine prior art. Looking at the total balance sheet of society as a whole, with the simple registration system some cost is transferred to the judicial system, such as the validity of the patent, which will be decided, if contested, by the courts in a procedure between the owner of the patent and any person who wishes to contest the patent. From the point of view of the patent office, such a system leads to considerable savings in terms of staff expenditure, and in general, more efficiency. It is also true, however, that patent holders will be less sure of the strength of the patent, as there is a higher probability that it could be contested at a later stage. The simple registration system may be ill-suited to a country where stark competition on technological developments exists, as applicants and their competitors have to compensate for the lack of certainty of patents in a court room and the industry suffers from unfair competition based on weak patents. The abbreviated procedure also gives an advantage to parties who have the resources to diligently file applications regardless of the merit of the putative invention, on the assumption that the cost of challenging an issued patent will discourage such challenges. Again, the result of such a procedure may be a lessening of the inventive purpose of the patent system by tolerating the issuance of weak patents.

BOX-8.6 INNOVATIVE ALTERNATIVES TO SUBSTANTIVE EXAMINATION: THE SLOVENIAN CASE

The Republic of Slovenia declared its independence from the former Socialist Federal Republic of Yugoslavia in June 1991. The government attached high priority to the establishment of an effective system of protection of intellectual property. The Intellectual Property Office was formally established by a constitutional law which accompanied the adoption of the Declaration of Independence of Slovenia. In 1992, the new Slovene “Law on Industrial Property” was adopted with an innovative solution to the problem of effective patent protection without domestic substantive examination. The new law made use of search and examination results made available by other IPOs that are the PCT International Searching Authorities and International Preliminary Examining Authorities. Reports from those authorities are considered sufficient proof of patentability and result in automatic confirmation of the patent for its full 20-year period.

In July 1993, a year after the introduction of the Law on Industrial Property, Slovenia signed the first Extension Agreement with the EPO (extending the validity of patents granted by the EPO to Slovenia), an event which marked the beginning of a new era in the expansion of the European Patent System to many other Central European and Baltic states.

Source: Bojan Pretnar, *Protection of Inventions in Slovenia IIC.24, No.1 (1993)*.

ALTERNATIVES – USE AND/OR RECOGNITION OF EXAMINATION RESULTS

Singapore and Malaysia grant a patent if the applicant modifies the claims in his application to make them the same as those granted by the other IPOs designated by these countries (also known as the modified search and examination system). The system can do away with search and substantive examination work by trusting the result of certain offices.

It is clear that cooperation among examining patent offices could serve to greatly decrease the financial burden associated with substantive examinations, particularly in cases where the same application is being examined in many countries. With the exception of the countries or regions with the largest economies, the great majority of the total number of applications received by patent offices are from foreign nationals. The statistics on this point are quite striking and show that up to 99 percent of applications in certain countries are filed by foreign applicants.¹⁵ In fact, in many cases, the application would have been filed in a number of countries. In such cases, examination reports on the patentability of the application would have been available for use by other offices. This is the basic architectural idea of the PCT. Patent offices should be able to greatly benefit from the examination reports prepared by other offices.

“There is, for example, an application pending in the United States for a patent on a DNA sequence. This is a single patent, but it is expected that it will cost the [Japanese] patent office about US\$9,100 to ascertain whether or not the same basic application has already been filed, or the information is already commonly known. It would be very wasteful to have to duplicate this effort in Japan and Europe. If one patent office has conducted a prior-art search, it would make sense for the other jurisdictions to recognize those search results. An ordinary filing in Japan currently costs US\$191 and it is impossible for JPO to hope to break even if it has to spend about US\$9,100 just for ascertaining patentability.”¹⁶

So far, there has been no encouraging sign of movement towards a first multilateral agreement based on mutual recognition of examination results. The largest offices seem to have the highest hurdles to clear, including harmonization of patent laws and examination standards, fair distribution of work, communications between examiners despite difference in working languages, and full support from national and regional users.

REGIONAL SYSTEMS

Because of the effects of globalization, technological advancements, and the convergence of both technologies and enterprises, there is a clearly perceived need for enhanced regional cooperation through harmonization of IP legislation and of coordinated and/or more efficient practices with respect to the administration of IPRs. Those solutions encompass sharing of resources, leveraging of costs, the possible creation of common IPOs and courts, sharing of examination databases, recognition of patent examination within regional organizations, and even supranational IPRs. Currently, regional agreements include the Subregional Integration Agreement of the Andean Community Countries, the Central American Convention for the Protection of Industrial Property, and Chapter 17 of the North American Free-Trade Agreement.¹⁷ Regional cooperation between certain countries has led to the establishment of regional IPOs that have considerably facilitated the acquisition of patents, as well as enhanced efficiencies in human resources and finances for individual countries. The regional offices that are currently in operation are shown in Table - 8.7.

TABLE-8.7 REGIONAL INTELLECTUAL PROPERTY OFFICES

Intellectual Property Office	Since	Members	Headquarters	Types of Intellectual Property
African Intellectual Property Organization ¹⁸	1962	15 countries of French-speaking Africa	Yaounde, Cameroon	industrial property
African Regional Industrial Property Organization ¹⁹	1976	14 countries of English-speaking Africa	Harare, Zimbabwe	industrial property
European Patent Office ²⁰	1977	20 European countries	The Hague, Netherlands; Munich and Berlin, Germany	patents
Eurasian Patent Office ²¹	1994	11 Commonwealth of Independent States countries	Moscow, Russian Federation	patents
Patent Office of the Gulf Cooperation Council	1999	6 Gulf countries	Riyadh, Saudi Arabia	patents

Regional patent systems could be explored not only because of efficiency and leveraging of costs, but also because of the potential for synergy in regional markets for products and IP licensing. Regional IP systems could give a boost to developing country efforts to utilize IP as a tool for economic development.

GLOBAL SOLUTION

One may question whether regional cooperation or multilateral cooperation among several countries could be extended in the foreseeable future to cover over 170 countries in the world to catch up with the pace of current global economic activity. The establishment of an international patent system was already considered a long-term solution when WIPO Member States adopted the PCT at the Diplomatic Conference held in Washington, D.C., in June 1970. Today, countries have more reasons than ever to explore this ambitious project. As information-sharing is increasingly facilitated by advances in the field of IT and telecommunications, the digital revolution is enabling countries to enhance cooperation and share data and information in a rapid, paperless, and inexpensive manner.

Currently, the PCT is subject to ever-growing worldwide demands. The economic benefits of the PCT system have been proved by the dramatic rise in the number of applications received, particularly in the 1990s when economic and IP activities became truly international (as of August 2002, 117 countries were party to the PCT). Is it then worth reviewing and developing the present PCT system in pursuit of a complete international patent system that could provide an ultimate solution?

The PCT has taken an immense load off national patent offices as formal examinations are conducted only once – by the receiving office. The PCT is also designed to enable IPOs to rely on prior art searches and substantive examinations (under the PCT, they are called international searches and international preliminary examinations, respectively) that have been conducted only once by one of the officially recognized patent offices which serve as a PCT authority (IPOs of Australia, Austria, China, Japan, the Republic of Korea, the Russian Federation, Spain, Sweden, the United States of America, and the EPO).²⁴ The PCT system allows applicants to delay the final decision to request national and

regional patents for many months, while the international search and, if desired, international preliminary examination take place. This could be crucial for entrepreneurs who are initially exploring the possibilities of commercializing the product; after having figured out the marketing possibility, they can save the translation cost, and various fees, by not proceeding with certain PCT applications in countries with lower business potential. The PCT also simplifies the entire procedure for applying for patents abroad, making the system more uniform, centralized, and less cumbersome.

However, the PCT also has a structural limitation to its legal effect. Under the PCT, responsibility for granting patents remains with the national and regional patent offices, which will ultimately decide on the patentability of the invention. International preliminary examination reports are authoritative reports but are not binding, and the national or regional office often conducts a complementary search or further examination to ascertain the result of the preliminary examination. The possibility of further reducing the cost of taking the final decision under the PCT depends on whether and to what extent its Member States wish to trust the result of work done by PCT authorities.

In October 2001, WIPO launched worldwide consultations on the development of a strategic blueprint for the future evolution of the international patent system.²³ The initiative, known as the "WIPO Patent Agenda", is intended to find solutions to problems, both from the long-term to the more immediate, most notably the crisis facing a number of patent offices in managing excessive workloads. The project will complement and strengthen on-going projects such as PCT reform and the harmonization of substantive patent law. A Conference on the International Patent System was convened by WIPO in Geneva from March 25 to 27, 2002, in order to discuss the WIPO Patent Agenda.²⁴ It was organized to discuss the main issues and challenges confronting the international patent system and to receive further input and responses from users of the system. Matters raised in discussions during the Conference are being taken into account in input prepared by the Secretariat, for presentation to the WIPO General Assembly.

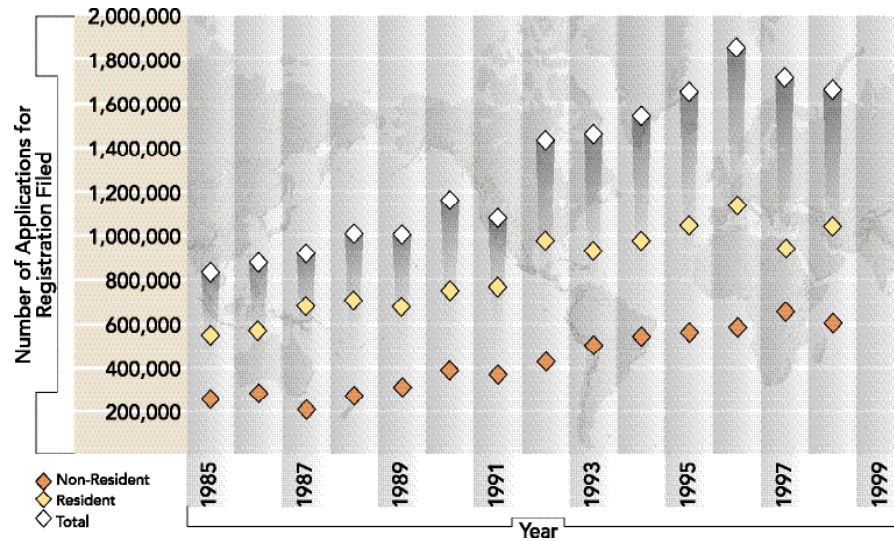
TRADEMARKS

FROM NATIONAL TO GLOBAL

Statistics for marks, in contrast to those for patent applications, show that national resident applications for use in domestic markets still represent the majority of overall global applications. Different marks for the same product are often used and registered in different countries according to a firm's market segmentation and customization strategy. However, most multinational corporations prefer the same mark for the same product and services on a global basis, to establish a strong worldwide brand. The principle of the Paris Convention is the territoriality of a mark, that is, the protection of a mark depends on each national or regional trademark system.

The function and purpose of marks has also been enhanced in the midst of unprecedented technological advancement and expanding economic development. As is the case with patents, the use and registration of marks has increased over the past decade or so. Market integration and globalization have caused more extensive use of marks across borders, and enterprises are increasingly inclined to register their marks in foreign markets (note the nonresident applications in Chart - 8.8).

CHART-8.8 TOTAL TRADEMARK APPLICATIONS WORLDWIDE



Source: WIPO

ANALYSIS OF COSTS TO BE PAID BY APPLICANTS

Because of the less stringent examination procedures as explained below, the costs of obtaining a mark are low when compared to the costs associated with acquiring patents. Table - 8.9 lists the fees associated with registering and renewing marks in various countries around the world.

TABLE-8.9 TRADEMARK FEES IN SELECTED COUNTRIES IN US\$

Country /Region	Fees for Receiving and Examining an Application for Registration	Fees for a Certificate of Registration	Fees for Renewal
Algeria	** 68.62	13.72	96.00
Argentina	100.20	-	100.20
Canada	** 99.70	132.95	199.40
Italy	** 71.80	-	47.80
Japan	179.90	-	1,293.00
Rep. of Korea	** 50.75	164.75	199.80
Mexico	124.15	-	144.80
OHIM*	903.80	1,019.70	2,317.00
Singapore	175.25	-	143.20
UK	292.90	-	292.90
US	325.00	-	400.00

* Office for Harmonization in the Internal Market (Trademarks and Designs) of the European Union²⁵

**Data refers to a single trademark in a single class. Local fees as of January 2001. Conversion rates to US\$ as of January 2001.

TRADEMARK OFFICE OPERATION

Though a mark can be protected on the basis of either use or registration, reflecting the historical development of various trademark systems, nearly all countries today provide for a trademark register, and full trademark protection is properly secured only through valid registration. Because of territoriality, the main function of a national or regional trademark office is the establishment and maintenance of the trademark register.²⁶ An application for registration of a mark must be filed with the appropriate national or regional trademark office. Usually the office in charge of marks also administers patents.

The requirements for registration are normally completed in two stages. Firstly, there will be a formal objective examination in order to confirm that the application has been duly completed and that it contains all the necessary information. The examination will then progress to the more subjective phase, which will focus upon examination of the substantive element of the proposed mark. The criteria of protectability (the requirements that a mark must fulfill in order to achieve the status of a registered mark) are reasonably standardized throughout the world. In addition to internationally harmonized requirements such as the public interest, the office considers whether the mark applied for is identical or similar to marks that have been applied for or registered in the register for identical or similar goods or services. This examination of similarity between marks is limited to marks valid in that country or region and thus less complex and time-consuming than a patent examination.

TABLE 8.10 MARKS FROM FILING TO REGISTRATION AND COST IMPLICATIONS

Events in Chronological Order	Cost implications		Proposed Solution
	Applicants	Intellectual Property Office	
(a) Processing, formal examination	Attorney's fees, conformity with regulations	Resources for formal examination	E-Filing (data verification and conformity check), the Madrid System, harmonized procedures (Trademark Law Treaty)
(b) Search and substantive examination	n/a	Search databases, examiner's search work	An electronic trademark register
(c) Registration and issuing of certificates	Attorneys fees	Printing and delivery of the <i>Trademark Gazette</i> in paper	International cooperation of examiners, recognition of the result
(d) Renewal	Payment of fees	Updating of the register	Internet publication (IPDL)

Upon successful fulfillment of the requirements necessary to obtain a Certificate of Registration, the rights arising from the protection granted to the mark are valid for an initial term of protection, which is generally ten years in the country or region in which the certificate was issued. Marks are renewable for prescribed periods of time, generally the same as the initial period of protection. Payment of a renewal fee, evidence of active usage, and a renewal application are generally required to legally complete the renewal process.²⁷ The process is considerably cheaper and less demanding on staff than in the case of patents.

INTERNATIONAL SYSTEM

In an effort to facilitate the development of global and international business, which is based to a large extent on marks and enhanced consumer brand recognition, systems for the international protection of marks have been established. For example, certain countries promoting economic integration and free flow of goods and services among themselves have adopted regional trademark systems, such as those managed by the Benelux Trademark Office and the Office for Harmonization in the Internal Market (Trademark and Designs) (OHIM) – the European Community trademark office. Those systems provide, as one of their main benefits and objectives, a single, universal application. Or stated conversely, these international systems seek to reduce the heavy burden of filing separate trademark registrations (and renewals) in all countries of the world where the applicant wishes to conduct business using the subject mark.

In addition, to attenuate the rigorous requirements of making separate trademark registrations with each national or regional office in which the applicant wishes to do business, the Member States of WIPO adopted the Trademark Law Treaty (TLT) in 1994. The TLT is aimed at simplification of trademark registration procedures. Other systems which exist are the African Intellectual Property Organization (OAPI) and the African Regional Industrial Property Organization (ARIPO). These are centralised registration systems which implement common procedures and uniform systems of legislation in their member states and which are designed to promote and develop harmonised frameworks of protection in the states which are party to those treaties.

Two international treaties to establish an international registration system for marks have been concluded by WIPO, namely, the Madrid Agreement Concerning the International Registration of Marks (1891), and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989) (together referred to as the Madrid system). The Madrid system of international registration of marks may be used by individuals and companies established in, or residents or nationals of, countries which are party to the Madrid system (70 contracting parties as of February 2002).

The process starts by either applying for registration, or registering, the mark in the national trademark registry. This is a *sine qua non* for registration under the Madrid system, as applications cannot be sent directly by the

applicant to WIPO, but must be processed by the national trademark office. Once this initial step has taken place, WIPO registers the mark in the International Register and informs all those countries in which trademark protection has been requested, of the registration. Each designated country has the right to refuse protection (either partially or fully), through its trademark office, on the grounds that prior rights exist or that the mark conflicts with any of its national requirements. Unless refusal is notified within a given time limit (12 to 18 months), trademark protection is automatically granted. Trademark protection granted via the Madrid system is equivalent to that of any other mark registered directly at the national offices. The initial term of protection for an international registration is for a period of ten years. It may be renewed for further periods of ten years each, on payment of the prescribed fees.

ADVANTAGES OF THE MADRID SYSTEM

International registration has several advantages for the owner of a mark. After registering the mark or filing an application for registration with the IPO of the country of origin, the owner will only need to file one application, in one language, and pay one fee, instead of filing separately in the trademark offices of the various countries, in different languages, and paying separate fees for each.

A further important advantage is that changes subsequent to the registration, such as a change in the name or address of the holder, or a change (total or partial) in ownership or a limitation of the list of goods and services applicable, may be completed through a single procedural step and the payment of a single fee. Moreover, there is only one expiration date and only one registration to renew.

International registration under the Madrid system is also advantageous for IPOs. They do not need to further examine the international applications for compliance with formal requirements, or to classify the goods or services, as these tasks will have already been carried out by the International Bureau of WIPO, which will also, in due course, publish the marks. Furthermore, the offices are compensated for the work that they perform under the Madrid system; a proportion of the overall fees collected by the International Bureau, are allocated and paid back to the con-

tracting parties with respect to the trademark applications in which they have been designated (see Table - 8.11). These fees are distributed annually among the contracting parties.³⁰ For the year 2001, the International Bureau distributed a total of CHF 72 million resulting from the collection of fees. In addition, if the Madrid Union closes its biennial accounts with a profit, the proceeds are divided among and paid to the contracting parties.

TABLE-8.11 INDIVIDUAL FEES UNDER THE MADRID PROTOCOL

Contracting Parties	Designations Made in the International Application or Subsequent to the International Registration	Renewal
Benelux	189 for three classes, plus 17 for each additional class	309 for three classes, plus 55 for each additional class
China	345 for one class, plus 172 for each additional class	690 for one class, plus 345 for each additional class
Denmark	487 for three classes, plus 124 for each additional class	487 for three classes, plus 124 for each additional class
Estonia	291 for one class, plus 104 for each additional class	291 independent of the number of classes
Italy	112 for one class, plus 37 for each additional class	75 for one class, plus 37 for each additional class
Japan	1,139 for one class, plus 1,075 for each additional class	2,005 for each class
Singapore	260 for each class	183 for each class
Switzerland	600 for two classes, plus 50 for each additional class	600 for two classes, plus 50 for each additional class
Turkmenistan	320 for one class, plus 160 for each additional class	320 for one class, plus 160 for each additional class
United Kingdom	454 for one class, plus 126 for each additional class	504 for one class, plus 126 for each additional class

Note: All figures are in Swiss francs as of May 2002.

COPYRIGHT

The copyright system is simpler than the systems that deal with patents and marks, because formalities (such as registration and deposit) for the enjoyment and exercise of copyright are precluded as a matter of law by the Berne Convention.³¹ Some countries³² offer registration and deposit facilities as an option, for purposes of confirming and verifying rights and interests, for evidence in the event of litigation or infringement proceedings, and for use in financial and investment matters.

Statistics on registration are generally not readily available. However, the Copyright Office of the United States of America maintains such records and makes them publicly available. In this case, they are interesting, because while registration and deposit are generally optional (as required by the Berne Convention and the TRIPS Agreement), these statistics reflect activity in the busiest copyright industries in the world. For instance, for fiscal year 2000, the United States Copyright Office completed 515,612 copyright registrations.³³ From its beginnings in 1790 through 2000, the Office has made 29,131,112 registrations (most with deposited works).³⁴ This represents an archive of huge, multi-dimensional proportions, reflecting the cultural history and creativity of an entire nation. Even more important, it is open to the public, searchable, and available to teachers, scholars, students, business people, and lawyers, among others.

Without undercutting the value and obvious benefits which we have been witnessing in the cultural industries, it might be time to consider a system of optional registration and deposit of works, from the perspective of how they might positively affect economic development, particularly in developing countries. It is not possible to establish or operate a system of collective management without a clear system for the identification of the works to be managed. A simplified, cost-effective system for registration of works, and deposit of those works, is a modality by which collective management societies might be able to get a start in countries where there are currently no such societies operating. Repertoires and catalogues of local works could serve as the basis for licensing those works for public performance and thereby serve as a springboard for local musicians, songwriters, recording companies, and distributors. In short, local industries could be nurtured into national, even regional, industries.

CONCLUSION

This chapter has presented a systemic overview of acquisition and maintenance of IPRs. The facts and statistics, as well as the discussion and rationales, all point to the value of the IPR system, and likewise, to the necessity of enhancing and fine-tuning the system so that it operates and serves all levels of society and all countries of the world, to its maximum capacity. That system is definitely functional, but there are some areas where fine-tuning might produce even more benefits and meaningful results.

As business becomes more global, greater harmonization of the IP system can be seen as one of the key goals ahead. Harmonization includes creating more uniformity at the national and regional levels, and that occurs through international consensus as reflected in international instruments created, adopted, and embraced by the maximum number of Member States. It has been quite visible in the PCT, with its expanding number of contracting states, moves towards electronic filing, and the efforts underway to transform the PCT into a more advanced and flexible international patent system. On the marks side, the expanding number of Member States which are party to the Madrid system is favoring much easier acquisition and maintenance of global trademark rights at a fraction of the cost, in multiple countries.

WIPO has been, and must remain, at the forefront of these efforts to realize protection for IPRs at low cost, with ease and convenience, but always with certainty, reliability, and consistency based on professional expertise and know-how. Economic development and the business community demand this; Member States want it; and creative and innovative communities are motivated by it. It is the mandate of WIPO to support it, provide the environment where it becomes a reality, and to shepherd it into the 21st century and beyond.

- 1 Under the Paris Convention, all countries party to the Convention (163 countries as of July 15, 2002) are required to establish an IPO to perform this specific function.
- 2 Some examples are as follows: Ministry of Industry (France), Ministry of Justice or Law (Germany and Singapore), Ministry of Commerce or Economics (the United States of America and Argentina), Ministry of Industry, Commerce and Tourism (Brazil). WIPO, Christine Perrot, *The Organization and Management of an Industrial Property Office and Websites of National IP Offices*, WIPO/CEIPI/PI/SB/99/20, 1999. Links to national IPOs may be found at <http://www.wipo.int/news/en/>
- 3 <http://www.inpi.fr/inpi/html/quelqmots/index.htm>
- 4 <http://www.indecopi.gob.pe>
- 5 The time-frame for patent examination in the Republic of Korea was reduced from 28 months in 1998 to 24 months in 1999. The result was achieved by: (a) sharply increasing the number of examination personnel, (b) continuously entrusting prior art search to an outside prior art searching agency, (c) introducing a quick registration system for utility models, and (d) increasing the subjects qualifying for preferential examination systems. It is believed that a more expeditious granting of patents and utility models will increase the use of the system and its value for the business community, and make it more effective. See <http://www.kipo.go.kr/ehhtml/eNewB01.html>
- 6 European Commission, *Commission Proposes the Creation of a Community Patent*, July 2000. http://europa.eu.int/comm/internal_market/en/intprop/ind-prop/2k-714.htm
- 7 WIPO, *Industry Advisory Commission, Report of the Third Meeting*, May 4-5, 2000.
- 8 In December 1999, KIPO announced that a Business Cooperation Agreement was reached with the Korea Patent Attorneys Association. Under the agreement, patent agents will provide free services on patent management to SMEs in their first application for a patent in a move meant to facilitate access to the IP system for such firms. KIPO press release, December 1999, <http://www.kipo.go.kr/ehhtml/eNewB01.html>
- 9 WIPO, *Industrial Property Statistics* (Geneva, 1999) and *Trilateral Cooperation, Trilateral Statistical Report*, (1999): 1.
- 10 WIPO, *Alternatives to the Substantive Examination of Patent Applications* WIPO/ARIPO/IP/96/2, 1996.
- 11 *Ibid.*
- 12 *Trilateral Statistical Report 1999.*
- 13 <http://www.wipo.org/eng/pressupd/2000/upd92.htm>
- 14 www.ipaustralia.gov.au
- 15 Calculated from WIPO 1998 statistics.
- 16 Hisamitsu Arai, *Intellectual Property for the Twentieth Century: The Japanese Experience in Wealth Creation* (Geneva: WIPO, 1999), 60.
- 17 WIPO, *Regional Cooperation in the Field of Industrial Property* WIPO/CEIPI/PI/SB/14, 1999.
- 18 Hamidou Kone, *Regional Cooperation in the Field of Intellectual Property: the African Intellectual Property Organization (OAPI)* WIPO/IP/HRE/98/13.Rev.1, 1998.
- 19 Mzondi Chirambo, *The African Regional Industrial Property Organization (ARIPO): An Example of Regional Cooperation in the Field of Industrial Property* WIPO/SR/PRE/00/8&14, 2000.
- 20 <http://www.european-patent-office.org>
- 21 <http://www.eapo.org>
- 22 *Basic Facts about the PCT*, <http://www.wipo.int/pct/en/index.html>
- 23 www.wipo.int

- 24 See <http://patentagenda.wipo.int>
- 25 The task of the OHIM is to promote and manage marks and designs within the European Union. It carries out registration procedures for titles to community industrial property, it keeps public registers of these titles, and it shares with the courts in member states of the European Union the task of pronouncing judgment on requests for invalidation of registered titles. For further information, see <http://www.oami.eu.int/en/role/brochure/br1en09.htm>
- 26 The Paris Convention introduced the international requirement that contracting states provide for a trademark register.
- 27 For examples see: Article 46, Trademarks Act (R.S. 1985, c. T-13) of Canada (<http://laws.justice.gc.ca/en/laws/T-13/91316.html>); Article 7, Trademarks Law 32/1988 of Spain (<http://www.oepm.es>); or Sec.146, Intellectual Property Code of the Philippines (http://www.dti.gov.ph/iac-ipr/IP_Legislations/ra8293.html).
- 28 WIPO, *The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement: Objectives, Main Features, Advantages*, Publication No. 418 (<http://www.wipo.int/publications/marks/418/418.pdf>).
- 29 The schedule of fees and a list of the individual fees can be seen at <http://www.wipo.int/madrid/en/index.html>
- 30 WIPO, *The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement: Objectives, Main Features, Advantages*, paragraph 43.
- 31 Berne Convention, Article 5(2).
- 32 For example, India, Japan, the Republic of Korea, and the United States of America.
- 33 United States Copyright Office, 1999, 2000.
- 34 Figure courtesy of the United States Copyright Office, and Renee Coe.