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MM/LD/WG/3/2
ORIGINAL: English
DATE: December 21, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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

Third Session
Geneva, January 29 to February 2, 2007

REVIEW OF ARTICLE 9*SEXIES* OF THE MADRID PROTOCOL

Document prepared by the International Bureau

I. INTRODUCTION

1. It is recalled that an *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 Geneva, from July 4 to 8, 2005, with a view notably to facilitating the review of the safeguard clause envisaged by Article 9*sexies*(2) of the Protocol Relating to the Madrid Agreement (hereinafter referred to as "the Protocol"[1])[2].

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[1] Similarly, the Madrid Agreement Concerning the International Registration of Marks will be hereinafter referred to as "the Agreement".

[2] By virtue of the safeguard clause (Article 9*sexies*(1) of the Protocol), 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. Under paragraph (2) of Article 9*sexies*, the Assembly may, by a three-fourths majority[3], 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[4], 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.

3. 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, 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, the possibility of transformation, the time period for the notification of provisional refusals and the fee system. However, the Working Group was unable to reach consensus as to whether the safeguard clause should be repealed or restricted[5].

4. At its thirty-sixth session (September-October 2005), the Assembly of the Madrid Union took note of these conclusions and decided that the Director General should convene a further meeting of the Working Group in order to continue the preparatory work for the review of Article 9*sexies*(1) of the Protocol. Such work was to 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).

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[3] 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.

[4] 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.

[5] 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 (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")), 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.

5. The Working Group held its second session in Geneva, from June 12 to 16, 2006. On that occasion, the Working Group considered the following five options in the context of the review of the safeguard clause[6]:

Option 1: Maintaining the safeguard clause as at present.
Option 2: Repeal of the safeguard clause.
Option 3: Repeal of the safeguard clause accompanied by certain measures aimed at limiting undesired effects that might result from such repeal.
Option 4: Restriction of the scope of the safeguard clause to cover only certain features of the international procedure (in particular, the refusal period and the fee system).
Option 5: Restriction of the safeguard clause to cover only existing international registrations or designations ("freezing").

6. It is recalled that an analysis of the implications and operational consequences associated with each of those options was provided in document MM/LD/WG/2/3, entitled "Review of Article 9*sexies* of the Protocol" (hereinafter referred to as the "background document").

7. During those discussions, a number of arguments were given by delegations in favor of, or against, each of the options, or combinations of options. Despite the divergences of views expressed, there emerged a consensus on the objectives to be achieved by the review of the safeguard clause, namely to:

(a) simplify, as much as possible, the operation of the Madrid system, keeping in mind the ultimate goal that the system be governed by only one treaty;

(b) ensure equal treatment among all Contracting Parties to the Madrid Protocol;

(c) allow users of States which are today bound by both the Agreement and the Protocol to be able to benefit from the advantages offered by the Protocol while limiting undesired effects that might affect them as a result of the application of the Protocol.

8. The Working Group thus concluded that it should continue its preparatory work for a review of the safeguard clause with the aim of achieving the aforementioned objectives. To this end, the Working Group agreed that it should give priority to exploring a proposal for a possible repeal of the safeguard clause accompanied by measures aimed at:

(a) ensuring that the level of services provided by the Offices of Contracting Parties to the Protocol is commensurate with the individual fees charged and the length of the applicable refusal period, and

(b) establishing more precise criteria and maximum levels to be applied by Contracting Parties to the Protocol when fixing the amounts of the individual fees they may require.

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[6] For the full report of that session, see document MM/LD/WG/2/11, hereinafter referred to as "the Report".

9. In respect of this Proposal of the Working Group (hereinafter referred to as "the Proposal") however, many delegations stressed the need to conduct further consultation with their relevant authorities and users groups. This was particularly the case with regard to delegations representing Contracting Parties bound only by the Protocol, which would be directly concerned by the Proposal, despite the safeguard clause not being applicable to them. Some delegations also made it clear that, while agreeing to focus on the Proposal, they did not want to exclude the possibility that the Working Group might revert to considering any other options. Consequently, the Working Group recommended that the Assembly extend its mandate so that it could continue its work, as outlined in paragraph 8, above.

10. At its thirty-seventh session (September-October 2006), the Assembly of the Madrid Union took note of the conclusions and recommendations of the second session of the Working Group and requested the Director General to convene a further session of the Working Group in order to, *inter alia*, continue the preparatory work for a review of the safeguard clause to be undertaken by the Assembly, as recommended (see document MM/A/37/4, paragraph 13(c)(i)).

11. In order to assist the Working Group in the exploration of the Proposal, the present document contains a chapter recalling possible measures and related considerations, as discussed during the second session, and further expands on the implementation of the Proposal. By way of introduction, and so as to place in perspective the general implications and operational consequences associated with a repeal of the safeguard clause described in the background document, it also provides a brief update of the most relevant data relating to the application of the safeguard clause.

12. The conclusions of the Working Group will be reported to the Assembly of the Madrid Union in September 2007 and will serve as a basis for the International Bureau to prepare specific proposals (draft amendments of the Protocol and the Common Regulations, as may be required) for adoption by the Assembly in due course.

II UPDATE ON THE APPLICATION OF THE SAFEGUARD CLAUSE

13. By the time the Working Group meets for the third time, the Madrid Union should consist of 80 members. Of these, 48 would be bound by both the Agreement and the Protocol[7], 23 by the Protocol only, and 9 by the Agreement only. When the Working Group held its second meeting, those figures where 45, 22 and 11, respectively.

[7] 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, Montenegro, Morocco, Mozambique, Namibia, Netherlands, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Serbia, Sierra Leone, Slovakia, Slovenia, Spain, Swaziland, Switzerland, Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Ukraine, Uzbekistan and Viet Nam.

14. In the first 10 months of 2006, the International Bureau recorded 291,782 designations made in international registrations or in subsequent territorial extensions. These consisted of 157,026 (namely 53.8%) designations governed by the Agreement and 134,756 (namely 46.2%) designations governed by the Protocol.

15. If the safeguard clause had not been in place during that time, of those 291,782 designations, 21,785 (namely 7.5%) designations would instead have been governed by the Agreement and the remaining 269,997 (namely 92.5%) would have been governed by the Protocol. In other words 135,241 (namely 46.4%) *additional* designations would have been *made under the Protocol* instead of under the Agreement[8].

16. Similarly, of the 29,382 international registrations recorded by the International Bureau in the first 10 months of 2006, 5,654 (namely 19.2%) resulted from international applications governed exclusively by the Agreement (i.e., containing only designations governed by the Agreement), 11,571 (namely 39.4%) resulted from international applications governed exclusively by the Protocol (i.e., containing only designations governed by the Protocol) and 12,157 (namely 41.4%) 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).

17. If the safeguard clause had not been in place during that time, of those 29,382 international registrations recorded, only 193 (namely 0.7%) would have resulted from applications governed exclusively by the Agreement[9], 23,748 (namely 80.8%) would have resulted from applications governed exclusively by the Protocol, and 5,441 (namely 18.5%) would have resulted from applications governed by both treaties[10].

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[8] On the basis of the figures provided in the background document, 55.8% of the designations recorded in 2005 were governed by the Agreement, comparatively to 44.2% by the Protocol. If the safeguard clause had not been in place in 2005, 7.2% of the designations would instead have been governed by the Agreement and the remaining 92.8% would have been governed by the Protocol.

[9] 134 international registrations originating from the 10 States bound exclusively by the Agreement during that period and 59 international registrations originating from States bound by both the Agreement and the Protocol, but not containing any designation governed by the Protocol.

[10] On the basis of the figures provided in the background document, 20.1% of the international registrations recorded by the International Bureau in 2005 resulted from international applications governed exclusively by the Agreement, 35.2% resulted from international applications governed exclusively by the Protocol and 44.7% resulted from international applications governed by both the Agreement and the Protocol. If the safeguard clause had not been in place in 2005, 0.5% of these international registrations would have resulted from international applications governed exclusively by the Agreement, 79.8% from international applications governed exclusively by the Protocol and 19.7% from international applications governed by both treaties.

18. By the time the Working Group meets for the third time, there will be 13 Offices of States bound by both treaties that have, by means of a declaration under Article 5(2)(b) of the Protocol, requested the extension of the refusal period to 18 months[11]. Of these, a further six have also made the declaration under Article 5(2)(c), permitting the period of 18 months to be extended in the case of the notification of a provisional refusal based on an opposition)[12] and one, namely Armenia, has started issuing statements of grant of protection as provided for by Rule 17(6) of the Common Regulations[13].

19. Finally, by the time the Working Group meets for the third time, there will be 13 Offices of Contracting Parties bound by both treaties that have requested the payment of an individual fee[14], following a declaration under Article 8(7) of the Protocol.

III. REPEAL OF THE SAFEGUARD CLAUSE ACCOMPANIED BY CERTAIN MEASURES – RECAPITULATION OF CONSIDERATIONS

20. At the first session of the Working Group, in July 2005, a number of delegations and representatives of observer organizations already 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.

21. During its second session, the Working Group pursued the matter further and formulated the Proposal, linking the repeal of the safeguard clause to two types of measures : (a) measures aimed at ensuring that the level of services provided by the Offices of Contracting Parties to the Protocol be commensurate with the individual fees charged and the length of the applicable refusal period, and (b) measures aimed at establishing more precise criteria and maximum levels to be applied by Contracting Parties to the Protocol when fixing the amounts of the individual fees they may require.

22. At its third session, the Working Group might want to further dwell into the following three considerations that were but briefly touched upon during its previous meeting: 1) the specific measures to be devised, 2) the Contracting Parties to which the measures would apply, and 3) the legal mechanism which would be required to give effect to such measures.

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

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

[13] The number of Contracting Parties whose offices issue statements of grant of protection under that rule has generally risen, with currently 15 offices doing so, namely those of, Armenia, Australia, Benelux, European Community, Georgia, Hungary, Ireland, Japan, Norway, Republic of Korea, Singapore, Sweden, Syrian Arab Republic, Turkey and the United Kingdom.

[14] Armenia, Belarus, Benelux, Bulgaria, China, Cuba, Italy, Kyrgyzstan, Republic of Moldova, Switzerland, Ukraine, Uzbekistan and Viet Nam, compared to 11 Contracting Parties in 2005.

Specific Measures to be Devised

23. Regarding measures concerning the level of services, the Working Group could recommend tying the possibility of making a declaration under either Article 5(2) or 8(7) of the Protocol to the obligation of providing an adequate level of services to users. Such a level of services could consist in the issuing of statements of grant of protection, possibly directly to users, the issuing of information upon request by an applicant, or free online access to information on the status of a given designation before the Office of the Contracting Party concerned. These services should be seen as alternatives. Thus, for example, the issuing of statements of grant of protection would not be compulsory for an Office that offers any of the other services.

24. As far as measures relating to the fixing of the amount of individual fees are concerned, the Working Group might further deliberate on the suggestion that maximum levels of individual fees be established depending on whether the Office of the Contracting Party concerned examines on absolute grounds only, or also on relative grounds following opposition, or on all grounds *ex officio*. Alternatively, the Working Group might wish to work towards defining the term "savings" used in Article 8(7) of the Protocol.

25. While it emerged from the discussions during the second session of the Working Group that Contracting Parties generally would have no difficulties with measures concerning the level of services, some reservation was expressed regarding measures dealing with the fixing of individual fees. This is to be juxtaposed with the view expressed by the representatives of some user groups that users would be ready to pay additional fees in exchange for additional services.

Contracting Parties Concerned

26. As set out in the introduction, the Proposal is so drafted that the measures identified therein would not be limited to Contracting Parties bound by both the Agreement and the Protocol but would, in fact, concern all Contracting Parties to the Protocol. In that respect however, the direction that the Working Group followed during its second session was clearly to link the application of those measures concerning the level of services to the possibility of making a declaration under either Article 5(2) or Article 8(7) of the Protocol. Naturally, the application of the measures relating to individual fees is itself linked to the possibility of making a declaration under Article 8(7) of the Protocol.

27. It remains to be considered if and how any such measures would apply to Contracting Parties that have already made declarations relating to the refusal period or individual fees. In that regard, several solutions could be envisaged by the Working Group, from immediate application, to deferred application, to, simply, non-application to such Contracting Parties. All these considerations would have to be further explored, bearing in mind the agreed-upon objectives of the review of the safeguard clause.

Legal Mechanism Required

28. Regarding the legal mechanism which would be required to give effect to the measures envisaged in the Proposal, the Working Group might first consider the possibility of an amendment of the Protocol. Since those measures concern all Contracting Parties to the Protocol, their implementation could not, however, be achieved through the review by the Assembly of the safeguard clause itself, as this clause applies only to Contracting Parties bound by both the Agreement and the Protocol. Therefore, the Working Group is invited to note that if implementation were to be pursued by means of an amendment of the Protocol, the adoption of such amendment would require the holding of a diplomatic conference.

29. At its third session, the Working Group might however want to explore other means by which such an implementation could be achieved, and notably the following possibilities:

– a voluntary declaration by Contracting Parties,

– a decision by the Assembly containing a recommendation addressed to Contracting Parties,

– the adoption by the Assembly of an interpretative statement, or

– an amendment of the Common Regulations[15].

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[15] For example, the Working Group could envisage implementing item (a) of the Proposal by an amendment to Rule 17(6) of the Common Regulations. That rule concerns statements of grant of protection and it could be expanded with the addition of a new subparagraph along the following lines:

> "(new) Where a Contracting Party that has made a declaration pursuant to Article 5(2)(b) or Article 8(7)(a) of the Protocol is designated under the Protocol and the Office of that Contracting Party has not communicated a notification of provisional refusal or the information referred to in Article 5(2)(c)(i), the Office of that Contracting Party shall, within the period applicable under Article 5(2)(a) or (b) of the Protocol, send to the International Bureau, or direct to the holder of that international registration, the statement or statements referred to under subparagraph (a), unless that Office is an office that
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> (i) offers free on-line access to its Register in respect of international registrations designating that Contracting Party, or
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> (ii) provides, upon request, information as to the status of international registrations designating that Contracting Party."

As far as item (b) is concerned, the Working Group could envisage modeling a new provision on Rule 37, replacing the indications of coefficients by set percentages of the "national fee", or maximum amounts in Swiss Francs, or a combination of both.

IV. OTHER MATTERS TO CONSIDER

30. If the Working Group were to recommend a repeal of the safeguard clause accompanied with measures as envisaged in the Proposal, the International Bureau would then prepare a comprehensive proposal for adoption by the Assembly in due course. In addition to the recommendation of the Working Group on the implementation of the measures discussed above, this comprehensive proposal would encompass the following issues: 1) the abrogation or amendment of Article 9*sexies* of the Protocol, 2) consequential amendments to the Common Regulations, 3) transitional provisions.

31. Additionally, this comprehensive proposal would include the proposal set forth in document MM/LD/WG/2/4 to amend the Common Regulations so as to establish a full trilingual regime (i.e., a regime whereby French, English and Spanish would be working languages, even in situations where the Agreement alone applies), which the Working Group already recommended be submitted to the Assembly for adoption in the framework of the revision of the safeguard clause[16].

Amendment of the Protocol

32. 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 that Article 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.

33. 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 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[17].

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[16] See the Report, paragraph 123.

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

Consequential Amendments to the Common Regulations

34. Consequential amendments to the Common Regulations would be required to give effect to a repeal of the safeguard clause, 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. Other provisions whose operation is, at the moment, directly or indirectly based on the safeguard clause would require adjustment, so as to reflect the fact of its repeal[18].

Transitional Provisions

35. In the context of a repeal of the safeguard clause, two different types of situations would need to be taken into account: on the one 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 and, on the other hand, the processing of international applications, subsequent designations and requests for the recording of renunciations and cancellations that are *pending* on the date of the coming into force of the repeal. To this end, new provisions would need to be introduced in the Common Regulations.

36. With respect to the conversion of existing designations, the provisions 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[19]. In that regard, the approach could be that designations of States party to both the Agreement and the Protocol recorded in the International Register before the date of effect of the repeal would, *on that date*, convert into designations under the Protocol.

37. Understandably, such conversion should have no bearing on the applicable fees, the required basis for filing an international application or the determination of the entitlement to file as these matters are, by definition, already settled with respect to an existing designation.

38. The Working Group could however wish to specifically avoid that conversion have an impact on the refusal period. In that respect, 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.

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[18] Among the provisions directly based on the safeguard clause, Rules 11(1)(b) and (c) on the handling of a request to present an international application prematurely filed with the Office of origin and Rule 24(1)(b) and (c) on the entitlement to file a subsequent designation are particularly noteworthy.

[19] On October 31, 2006, there were 3,873,045 such designations in force, contained in 422,285 international registrations.

39. Ultimately, the sole effects of the conversion of a designation of a Contracting Party should be the following: 1) on renewal, individual fees would have to be paid instead of standard fees if that Contracting Party has made the declaration under Article 8(7) of the Protocol, 2) requests for the recording of a cancellation or a renunciation concerning that designation could be filed directly with the International Bureau and, 3) such designation could, in the appropriate circumstances, benefit from the possibility of transformation that is provided only by the Protocol.

40. Regarding international applications, subsequent designations and requests for the recording of renunciations and cancellations that are *pending* on the date of the coming into force of the repeal, it could be advisable, for certainty, to provide that their processing continue according to the regime applicable on the date on which these were filed, or are deemed to have been filed.

41. Under this approach, designations made under the Agreement would first be recorded as such before being converted into designations under the Protocol. This would be necessary to ensure that the fees paid with respect to the designation of a Contracting Party that has made the declaration under Article 8(7) of the Protocol remain sufficient for the registration procedure to follow its course. It would also ensure that the Office of that designated Contracting Party receives a notification consistent with the fee and refusal systems applicable to that designation, i.e., a notification of a designation under the Agreement.

42. The provisions required to implement this approach would also have to be accompanied by transitional provisions in line with current Rule 40(2), so as to provide that procedures accomplished in conformity with the Agreement (i.e., the applicable treaty before the repeal of the safeguard clause came into force) is deemed to conform to the Protocol. This would ensure, notably, that individual fees would not become applicable with respect to existing designations, until renewal is due.

43. With respect to the above, the Working Group is invited to take note of document MM/LD/WG/3/4. This document contains a proposal for a new rule in the Common Regulations to provide for a change in the treaty applicable to the recorded designation of a Contracting Party bound by both the Agreement and the Protocol. Although submitted in a different context, this proposal touches upon a number of issues which are common to the repeal of the safeguard clause and the proposed provisions would, in fact, implement the approach and solutions advocated for in the previous paragraphs.

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

(i) whether a repeal of the safeguard clause accompanied with measures as envisaged in the Proposal should be recommended for adoption by the Assembly and, if so,

(ii) what specific recommendations it would make concerning such measures, in particular in relation to the issues raised in paragraph 22, above, and

(iii) whether, the International Bureau should prepare for adoption by the Assembly the comprehensive proposal referred to in paragraphs 30 and 31, above, including, in particular, draft transitional provisions reflecting the approach described in paragraphs 36 to 42, above.

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