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

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PROPOSAL FOR A NEW RULE 1*BIS*

Document prepared by the International Bureau

I. INTRODUCTION

1. This document submits for the consideration of the Working Group a proposal for a new rule in the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks[1] 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 ("a Contracting Party bound by both treaties").

2. A draft of the proposed new rule is contained in the Annex to this document. The document explains the rationale for the proposed rule, introduces the proposal, provides explanatory notes in support to the proposed rule and raises, in closing, other related matters to consider.

[1] Hereinafter referred to as "the Common Regulations", "the Agreement" and "the Protocol" respectively.

3. 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 draft amendments of the Common Regulations for adoption by the Assembly, if the Working Group sees merit in the proposal.

4. In that regard, the Working Group is invited to take note of document MM/LD/WG/3/2 on the review of the safeguard clause as the proposal submitted in the present document touches upon a number of issues which are common to the repeal of the safeguard clause. The attention of the Working Group is drawn, in particular, to the fact that the adoption of the proposed Rule would make it unnecessary to further legislate to handle the direct consequences of a repeal of the safeguard clause, as foreseen in document MM/LD/WG/3/2, if that clause were to be repealed.

II. RATIONALE

5. The Agreement and the Protocol are independent, parallel treaties with separate, but overlapping, memberships. By the time the Working Group meets for the third time, the Madrid Union should consist of 80 members, 48 of which would be bound by both the Agreement and the Protocol.

6. It is recalled that Article 9*sexies*(1) of the Protocol, commonly known as the "safeguard clause", provides that where, with regard to a given international application or international registration, the country of origin is party to both the Protocol and the Agreement, the provisions of the Protocol shall have no effect in the territory of any other State that is also party to both the Protocol and the Agreement.

7. In simple terms, where, with regard to a given international registration, the country of origin is party to both treaties, the designation of any other State that is also party to both treaties is governed by the Agreement.

8. Article 15(5) of the Agreement provides that, in case a country denounces the Agreement, "international marks registered up to the date on which denunciation becomes effective[2], and not refused (…) shall continue, throughout the period of international protection, to enjoy the same protection as if they had been filed direct in the denouncing country". This provision does not address the effects of a denunciation on international registrations originating from the denouncing country.

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[2] Pursuant to paragraph 3, denunciation shall take effect one year after the day on which the Director General has received the notification of denunciation.

9. The question arises, therefore, as to what would be the consequences if a State bound by both treaties denounces the Agreement. This question is illustrated by the following example:

– holder X owns an international registration;

– with respect to that international registration, the "Contracting Party of the holder", namely State A, is bound by both treaties;

– that international registration contains the designation of State B, also bound by both treaties; by virtue of the safeguard clause, that designation was made under the Agreement;

– State B denounces the Agreement.

At the time that denunciation becomes effective, are the consequences for the designation of State B those provided for under Article 15(5) of the Agreement, or is it that, by virtue of these States being equally bound by the Protocol (and the safeguard clause no longer being applicable between them), the rights in that designation are carried over under the Protocol?

10. It is hereby submitted the latter consequence should ensue. The same should go if, in the example above, State A, instead of B, was to denounce the Agreement. In both cases, it remains that X fulfills the conditions under Article 2 of the Protocol to be the holder of an international registration and can, in that capacity, file new applications or subsequent designations designating State B.

11. This submission is to be considered in light of the procedure applicable to changes in ownership. From Rule 25(3) of the Common Regulations, it follows *a contrario* that a change in the ownership of an international registration may be recorded in respect of the designation under the Agreement of a Contracting Party bound by both treaties even if the transferee fulfills the conditions to be the holder of an international registration only under the Protocol[3].

12. At the time Rule 25(3) was developed, it was advocated that as a logical consequence to the recording of such a change in ownership – and "notwithstanding the safeguard clause", the fees applicable at the time of renewal with respect to the designation of that Contracting Party would be the individual fees (assuming that the Contracting Party at issue has made the declaration under Article 8(7) of the Protocol)[4]. The current practice of the International Bureau is in line with that interpretation.

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[3] Rule 25(3)(i) provides that a change in the ownership of an international registration may not be recorded in respect of a given designated Contracting Party if that Contracting Party is bound by the Agreement but not by the Protocol, and the Contracting Party in respect of which the transferee fulfills the conditions to be the holder of an international registration is not bound by the Agreement.

[4] See document GT/PM/VI/10, paragraph 43.

13. This consequence is inferred from the fact that, from the date of the recording of such change in ownership, there is a *de facto* conversion in the International Register of the designation of that Contracting Party into a designation under the Protocol. Similarly, where a change in ownership is recorded in respect of the designation under the Protocol of a Contracting Party bound by both treaties and the transferee fulfills the conditions to be the holder of an international registration under the Agreement[5], that designation under the Protocol converts into a designation under the Agreement.

14. This latter case of conversion is acknowledged in Rule 1xvii*bis* (defining the abbreviated expression "Contracting Party whose designations is governed by the Agreement") and both cases are reflected in the electronic database put at the disposal of users under Rule 33 (the *Madrid Express* data base). Conversion is, however, not regulated by any provision of the Common Regulations. Thus, the proposal would also serve to confirm this pragmatic feature of the Madrid system.

15. Finally, in light of the procedure relating to changes in ownership, it should be noted that, in the example given above, if X had assigned his designation of State B to a transferee fulfilling the conditions to be the holder of an international registration only under the Protocol, this designation, having converted into a designation under the Protocol, would survive State B's denunciation of the Agreement. It would thus appear iniquitous that the designation of State B be deprived the possibility of conversion if it were to remain in the name of X, as the latter equally fulfills the conditions to be the holder of an international registration only under the Protocol.

III PROPOSAL

16. The proposal contained in Annex I for the consideration of the Working Group is that of a new Rule 1*bis* to be introduced in the Common Regulations. This rule would provide for the conversion of a designation governed by the Agreement into a designation governed by the Protocol, and for the conversion of a designation governed by the Protocol into a designation governed by the Agreement. It would apply not only in case of a denunciation but also, and more ordinarily, to changes in ownership of the kinds described in paragraphs 11 and 13, above. As highlighted in paragraph 4, above, it would also apply should the safeguard clause be repealed.

17. The proposal provides for the conversion of designations that are recorded in the International Register only. Thus, pending designations would continue to be processed according to the treaty under which they were made, before being converted into designations governed by the other treaty.

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5 This follows from the combined application of the safeguard clause and an *a contrario* interpretation of Rule 25(3).

18. This approach with respect to pending designations is necessary to ensure that the Office of the designated Contracting Party receives a notification consistent with the fee and refusal systems applicable to that designation. This is particularly important where the Contracting Party in question has made declarations under Article 8(7) or 5(2) of the Protocol. It also ensures that, where such Contracting Party was designated under the Agreement, the fees paid remain sufficient for the registration procedure to follow its course, nothwistanding the fact that that Contracting Party made a declaration under Article 8(7) of the Protocol.

19. At present, following the recording of a change in ownership of the kind detailed in paragraphs 11 and 13, above, conversion has 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 a recorded designation. Nor does conversion have an impact on the refusal period, even where that period is still running at the time of conversion.

20. Ultimately, the implications of a conversion of the designation of a Contracting Party are limited to the following issues: 1) the fees payable on renewal, to the extent that this Contracting Party has made the declaration under Article 8(7) of the Protocol, 2) the presentation of a request for the recording of a cancellation or a renunciation concerning that designation and, 3) the possibility of transformation that is provided only by the Protocol.

21. These current practices and consequences referred to in the preceding two paragraphs would not change as a result of the adoption of Rule 1*bis*.

IV NOTES CONCERNING PROPOSED RULE 1*BIS*

22. The draft contained in Annex I formally introduces in the Common Regulations the expressions “designation governed by the Agreement” and “designation governed by the Protocol”. These notions are not tied to the fact that the request for extension of protection to a Contracting Party was, in the international application or subsequent designation, necessarily made either under the Agreement or under the Protocol. Thus, with respect to the same Contracting Party, what was initially a designation governed by the Agreement may become a designation under the Protocol, or *vice-versa*, where the circumstances provided in the proposed Rule so allow.

Subparagraph (i)

23. This provision provides for the conversion of a designation governed by the Agreement into a designation governed by the Protocol.

24. The expression "Contracting Party designated under the Agreement" makes it clear that this provision only applies to recorded, as opposed to pending designations[6] (although such recorded designations may have been effected subsequently to the international registration itself). This first condition is reinforced by the words "remains in the International Register as a designation governed by the Protocol", which operate the conversion. These words also ensure that, as such, the applicability of the Protocol to that designation will be reflected in the data accessible to offices and third parties.[7]

25. The second condition for conversion to happen is that the Agreement ceases to apply in relations between the Contracting Party of the holder and the designated Contracting Party. This could be because, following the coming into effect of its denunciation of the Agreement, one of these two Contracting Parties is no longer bound by this treaty. It could be also because, following a change in ownership of the kind detailed in paragraph 11, above, the Contracting Party of the holder with regard to the given international registration has changed, from the country of origin bound by the Agreement, to another Contracting Party bound only by the Protocol. In the event of a repeal of the safeguard clause, it would be because, as foreseen in MM/LD/WG/3/2, the Protocol has become the treaty applicable in the relations between the Contracting Party of the holder and the designated Contracting Party.

26. The third condition is that, on the date the Agreement ceased to apply, both Contracting Parties are equally bound by the Protocol. It is, however, not necessary that the two were already bound by the Protocol on the date of effect of the designation.

27. Conversion happens instantly the moment that all the conditions above are met. As described in paragraph 17, above, in case the second condition is met before a pending designation is recorded in the International Register, that designation would first be recorded under the Agreement before being converted into a designation governed by the Protocol.

Subparagraph (ii)

28. This provision provides for the conversion of a designation governed by the Protocol into a designation governed by the Agreement. The conditions applicable under subparagraph (i) are applicable, *mutatis mutandis*, to this second kind of conversion.

V. OTHER MATTERS TO CONSIDER

29. If the Working Group were to see merit in the proposal, the International Bureau would then prepare a comprehensive proposal for adoption by the Assembly in due course. In addition to the draft new rule itself, this comprehensive proposal would encompass the consequential amendments to the Common Regulations and the transitional provisions that the Working Group would recommend.

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[6] See item xvii of Rule 1, which defines "Contracting Party designated under the Agreement" as one for which the request for extension of protection "has been *recorded* in the International Register".

[7] See paragraph 14, above.

Consequential Amendments to the Common Regulations

30. As stated in paragraph 19, above, the current practice is that conversion does not affect a refusal period that has started to run. The Working Group might recommend that, for certainty, the adoption of Rule 1*bis* be accompanied by a consequential amendment confirming this practice. The Common Regulations in general would have to be scrutinized to ensure that the appropriate adjustments are made by means of consequential amendments[8].

Transitional Provisions

31. In particular, the introduction of the proposed rule into the Common Regulations would 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 treaty applicable before the conversion of a given designation are deemed to conform to the other treaty. This would ensure, notably, that the presentation of a request for the recording of a cancellation or a renunciation presented direct to the International Bureau would not be considered irregular if, in between its filing and its processing, the designation (or one of the designations) concerned converted into a designation under the Agreement[9].

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

(i) whether a new rule to provide for the conversion of designations, as described in the proposal above, should be recommended for adoption by the Assembly and, if so,

(ii) what changes, if any, to the draft proposed Rule 1bis, as contained in Annex I, and what consequential amendments to the Common Regulations and transitional provisions it would further recommend.

[Annex follows]

8 Query, for example, whether it would then be preferable to delete item xvii*bis* of Rule 1.

9 See Rule 25(1)(c).

ANNEX

Rule 1bis
Designations governed by the Agreement and designations governed by the Protocol

The designation of a Contracting Party is governed by the Agreement or by the Protocol depending on whether the extension of protection concerning the Contracting Party is requested under Article 3*ter*(1) or (2) of the Agreement or under Article 3*ter*(1) or (2) of the Protocol. However,

(i) where, with regard to a given international registration, the Agreement ceases to be applicable in the relations between the Contracting Party of the holder and a Contracting Party designated under the Agreement, the designation of the latter remains in the International Register as a designation governed by the Protocol, insofar as, at the date on which the Agreement ceased to be applicable, both the Contracting Party of the holder and the designated Contracting Party are parties to the Protocol;

(ii) where, with regard to a given international registration, the Protocol ceases to be applicable in the relations between the Contracting Party of the holder and a Contracting Party designated under the Protocol, the designation of the latter remains in the International Register as a designation governed by the Agreement, insofar as, at the date on which the Protocol ceased to be applicable, both the Contracting Party of the holder and the designated Contracting Party are parties to the Agreement.

[End of Annex and of document]