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

Seventh Session
Geneva, July 7 to 10, 2009

CONTRIBUTION BY SWITZERLAND

Document prepared by the International Bureau

1. In a communication dated June 15, 2009, the International Bureau received from Switzerland a text entitled “Working Group on the Legal Development of the Madrid System for the International Registration of Marks: Contribution by Switzerland”, for consideration by the Working Group on the Legal Development of the Madrid System for the International Registration of Marks, at its seventh session to be held in Geneva from July 7 to 10, 2009. Switzerland has requested that it be included on the Agenda, translated and made available, with its annexes, for that session.

2. The said Contribution text is annexed to this document.

3. *The Working Group is invited to note the contents of the attached Contribution by Switzerland.*

[Annex follows]

ANNEX

WORKING GROUP ON THE LEGAL DEVELOPMENT OF THE MADRID SYSTEM:
CONTRIBUTION BY SWITZERLAND

At the sixth session of the Working Group (November 2008), the *Association romande de propriété intellectuelle* (AROPI) made available to delegates a document relating to what it calls the “division of the international trademark/division of the international registration”. Since several delegates, as well as NGOs with observer status, showed interest in the AROPI proposal, Switzerland would like the proposal to be included on the agenda of the seventh session of the Working Group (July 7 to 10, 2009), as a separate item or under “other matters”. A discussion within the Working Group would allow the needs of users to be clarified in this area together with the benefits and shortcomings of the solution envisaged by AROPI.

The proposal, as submitted by AROPI (Annexes 1 and 2), may serve as a basis for discussion, and Switzerland will restrict itself to raising a few practical issues below.

Swiss (national) law provides for the possibility of dividing an application or registration. At the application stage, this division allows an applicant to obtain a registration for non-problematic goods and/or services, while continuing, in the original application, the procedure for problematic goods and/or services. Although free of charge, the division is not used frequently (about 35 requests for division of an application, out of about 15,000 annual filings; a single case of division of a registration is currently recorded in the register).

In order to make a comparison, at the international level the division envisaged is a division of the designation of a Contracting Party concerned. The division may be of interest in the following case:

1. The designated office issues a partial or total provisional refusal.
2. In the course of the national procedure, the office is of the opinion that some of the goods and/or services originally refused can now be accepted.
3. The national procedure continues, however, for the other goods and/or services originally refused, as a result of which the designated office cannot yet issue a declaration of partial refusal¹. This national procedure may last several years.

For the goods and/or services accepted during the national procedure (cf. 2, above), i.e. the goods and/or services whose fate is known to the owner but not to third parties (apart from national publication by the Contracting Party concerned), it may be of interest to obtain the official confirmation of their acceptance, while waiting for a declaration of acceptance or of partial refusal to be issued.

The division of the designation could be a way to obtain such confirmation.

¹ Or declaration of grant of protection following a provisional refusal, according to the terminology in force as of September 1, 2009.

Another practical way for the owner would consist in requesting the recording of a partial transfer (transfer limited to the designated Contracting Party for the goods and/or services concerned), but that requires a new owner to be recorded, whereas the owner has no intention of transferring his trademark. The latter solution is not therefore the appropriate instrument to use.

In case of partial provisional refusal, the goods and/or services not refused are accepted (Article 5 of the Madrid Agreement and Protocol). This principle (silence indicates acceptance) is an exception to the usual rule in trademark law and, in this regard, sometimes appears to be misunderstood (see the examples mentioned in Annex 1). If the aim of the owner is to obtain, shortly after the provisional refusal, an official document confirming the grant of protection for the goods and/or services which are not subject to the provisional refusal, the division of the designation concerned between the goods and/or services provisionally refused and those accepted therefore appears to be too complex a measure, in view of the clarity of the principle stated above. An alternative solution to this specific problem could be that the office concerned, or the International Bureau, is bound, on request and possibly in return for payment of a fee, to issue a confirmation of the acceptance of these goods and/or services.

If the mechanism for the division of a designation is accepted and introduced into the Madrid system, the following issues must, *inter alia*, be dealt with:

- should provision be made for a system equivalent to the merger (Rule 27 of the Common Regulations) allowing a divided designation to return to the original international registration, in particular, prior to renewal of that registration?
- does an international registration resulting from the division have the same “value” as an international registration which has not been divided? May new countries be designated subsequently, based on the divided international registration? Do all the amendments provided for by the Common Regulations (license, transfer, limitation, etc.) remain possible?

Thank you in advance for including on the agenda, translating and making available the present proposal and the annexes thereto. We hope that the discussions of which it will be the subject will bear fruit and be beneficial to all.

Annex 1

PROPOSAL TO INTRODUCE INTO THE COMMON REGULATIONS UNDER THE MADRID AGREEMENT AND PROTOCOL PROVISIONS FOR THE DIVISION OF INTERNATIONAL REGISTRATIONS

Introduction

1. The legislation of most of the members of the Madrid Union provides the possibility for an applicant to divide its trademark registration application and, for the owner of a trademark registration, to divide the registration. In fact, both the Trademark Law Treaty (TLT) and the Singapore Treaty oblige their Contracting Parties to allow the division of registration applications and trademark registrations. Thirty-nine of the 82 members of the Madrid Union are currently bound by the TLT or have ratified it, or have acceded to the Singapore Treaty. In addition, the legislation of several members of the Madrid Union, who are not party to the TLT and have not acceded to the Singapore Treaty, provides for division¹. However, the Madrid system does not provide for the division of international registrations.

2. The division of registration applications allows, *inter alia*, an applicant whose application meets with objections or opposition concerning only part of the claimed goods or services to obtain, without waiting for such objections or opposition to be resolved, the registration of its trademark for the other goods or services covered in its application. Similarly, the division of a registration allows a trademark registration owner to exempt from invalidation or annulment proceedings which refer only to part of the goods or services covered by the registration the goods or services which are not covered by such proceedings. The absence of provisions in the Madrid system allowing the division of international registrations therefore deprives the applicant who has chosen the international channel of important mechanisms which would be available to it if it had chosen the national route. This situation is obviously contrary to the aims of the Madrid system and should be corrected. Consequently, it is proposed to invite the International Bureau to prepare, for the next session of the Working Group, a draft amendment to the Common Regulations, designed to introduce into said regulations provisions allowing the division of international registrations. The authors of this proposal believe that the draft prepared by the International Bureau should, *inter alia*, take account of the following elements.

Division of international registration applications or division of international registrations?

3. An international registration application does not have any effect *per se* in the designated Contracting Parties. If it does not lead to a registration, it will have no effect. As a result, there does not appear to be a need to provide for the division of international registration applications.

4. As of the date of registration and in each designated contracting party, an international registration has the same effect as a registration application duly filed directly with the Office of the Contracting Party. In the absence of a refusal by a designated Contracting Party in the period applicable to it or, in the case where a refusal has been notified, if it is withdrawn, the

¹ This is, in particular, the case of the European Community, Finland and Poland.

international registration acquires in the Contracting Party the same effect as if the trademark had been registered by the Office of the Contracting Party. Consequently, the division of the international registration should have, in a designated Contracting Party,

- if it is made *before* the trademark has acquired protection in this Contracting Party, the same effect as the division of a registration application filed directly with the Office of the Contracting Party;

- if it is made *after* the trademark has acquired protection in the Contracting Party, the same effect as the division of a registration in the register of the Office of the Contracting Party.

Modulable division

5. Since the division of international registrations is designed mainly to overcome objections, opposition or invalidation proceedings which may affect the international registration in one or more of the designated Contracting Parties (but not necessarily in all the designated Contracting Parties) and which may relate to different goods and services according to the designated Contracting Parties, it is important for the division of the international registration to be entirely “modulable”, i.e. the registration may be divided in relation only to the Contracting Party or Parties to which the division is relevant and, in relation to each Contracting Party concerned, the division may relate to the goods or services in dispute in the Contracting Party.

6. The provisions of the Common Regulations relating to the recording of a change of owner of an international registration (Rule 25), which allow the recording of the transfer of a registration for part of the goods and services and also only for some of the designated Contracting Parties (“partial transfer”), provide a model in this regard.

Reservations; declaration according to which the recording of a division has no effect

7. As is clear from the above, the legislation of all the members of the Madrid Union does not yet provide for the division of a trademark registration application or a trademark registration and the Contracting Parties whose legislation does not yet contain such a mechanism may need some time to introduce it. As a result, a provision could be envisaged allowing Contracting Parties whose legislation, on the date of entry into force of the amendment to the Common Regulations introducing the division of the international registration, does not provide for the division of the applications filed directly with their Office or the division of the registrations made by their Office (or both) to make a declaration to this effect². The same provision would provide that, in the presence of such a declaration, the International Bureau would not record the division in relation to the Contracting Party concerned. Of course any declaration made under this provision could be withdrawn at any time.

² The capacity to make such a declaration may be extended to new contracting parties, if it is feared that the obligation to authorize the division of the international registration constitutes, for certain potential Contracting Parties, an obstacle to accession to the Madrid system.

8. In addition, certain countries' legislation appears to subject the division of a registration application or a registration to certain conditions³. Consequently, a provision could be envisaged allowing Contracting Parties whose legislation subjects the division of applications filed directly with their Office or the division of registrations made by their Office (or both) to certain conditions to notify these conditions, in a declaration, to the International Bureau which would publish them. Contracting Parties which have made such a declaration would have the capacity, if a division which does not satisfy the conditions that they have stated in their declaration is notified to them by the International Bureau, to declare that this division has no effect in relation to them. Rule 27(4) of the Common Regulations, which allows a Contracting Party to declare that a change of owner has no effect in relation thereto, may serve as a model.

Fees

9. Where the legislation of a Contracting Party provides for the payment of a fee for the division of the registration application or registration, it is understood that the Contracting Party might also want to collect a fee for the division of the international registration. This could be the subject of a provision allowing a Contracting Party whose legislation provides for the payment of a fee for the division of the applications filed directly with its Office or the division of the registrations made by its Office (or both) to notify the International Bureau of the amount of the fee it wishes to receive for the division of an international registration in relation to it. The amount of this fee should not, however, exceed the amount of the fee collected⁴ by the Office of the Contracting Party for the division of a registration application filed directly with this Office if the division of the international registrations takes place before the mark has acquired protection in the Contracting Party and should not exceed the amount of the fee collected by the Office for the division of a registration made by it if the division of the international registration takes place after the trademark has acquired protection in the Contracting Party. In addition, for Contracting Parties which have not made a declaration under Article 8(7) of the Protocol ("individual fee") or where such a declaration does not apply, the amount of the fee should not exceed the amount of the "standard" designation fee.

³ For example, in the framework of the Community trademark, the declaration of division of an application is not admissible during a period of three months following publication of the application; it is not admissible either, during opposition proceedings, if it results in the introduction of a division between the goods or services which are the subject of the opposition.

Annex 2

**DIVISION OF INTERNATIONAL TRADEMARKS**

The division of international trademarks is a mechanism that would meet with considerable interest from the users.

The perceived “confidential” character of this procedure with some national offices should not distract from its importance.

The aim of this paper is to draw attention to some difficulties with which trademark owners are confronted daily and which the introduction of the principle of division into the Madrid system would make possible to lessen. For the practitioner, it is indeed surprising that a registration, when it falls under the “international” system, cannot enjoy a treatment equal to that of a national trademark when the legislation of the designated jurisdiction expressly provides for the possibility of dividing a trademark application or a national trademark.

This situation is very unsatisfactory.

The AROPI wishes to remedy this omission by supporting the introduction of the principle of division into the Common Regulations under the Madrid Agreement and the Protocol Relating to that Agreement, without this being binding for the contracting parties that have not yet integrated this option into their national law. If only to remain faithful to the spirit of the Madrid system, it would be opportune to re-establish the equality of treatment between international designations and national filings.

For the users, the interest in divisions arises notably in the following situations:

Market authorization

Most jurisdictions provide systems of administrative authorizations when the goods onto which the trademark is affixed are in the therapeutic (pharmaceutical) and phytosanitary fields or even, in certain cases, in the food industry. These authorizations are usually granted by independent state authorities that more often than not require a prior trademark registration. These authorizations are generally subject to carrying out clinical tests performed in laboratories – in order to determine the impact of this or that product on public health – and it

may take several months, or even years, to achieve approval. For the record, the often constraining effect of these procedures is recognized in respect of patents by the “Supplementary Protection Certificates” or SPCs that enable the owners to benefit from an additional period of protection in order to compensate the negative effects of a market launch that has been delayed by these analyses. These delays result in loss of profits that can sometimes be considerable for the owner who has already consented to very substantial investments at the initial stage of the product’s development.

Hence, when a mark is barred from registration by reason of a partial objection or opposition – and we are aware that these procedures can also be lengthy – the opportunity of a division for the part that has not been challenged emerges straightaway. The owner can already proceed with the administrative steps to gain marketing approval for the undisputed goods. Failing that, the regulating authority will refuse to consider the matter, deeming the partial refusal comparable to “encumbrances” affecting the whole trademark.

Confiscation of infringing works

The coverage in the daily press cannot be overseen: it is universally accepted that piracy and infringement no longer involve only luxury goods but now impinge on all economic sectors. Experience has shown that customs authorities are relatively diligent and carry out efficient border controls upon request from trademark owners. However, the customs authorities request – rightly so – a trademark registration certificate establishing the rights on which the plaintiff wishes to rely. When a mark is barred by reason of a partial objection or opposition, the opportunity of a division for the part that has not been challenged is therefore obvious. Upon issuance of the registration certificate for the undisputed part, the owner can already seek customs surveillance with the aim of prohibiting the entry, transit and placement on the market of infringing goods liable to harm his image or even adversely affect public health. Failing that, the customs authorities will refuse to consider the surveillance application, deeming the partial refusal comparable to “encumbrances” affecting all of the rights upon which the owner is attempting to rely.

Granting of Licenses

In daily business life, a trademark owner will often entrust intermediaries with the distribution of his goods and/or services on specific markets. One will immediately envisage a license in the case of goods or, to a certain extent, a franchise in connection with services. In either case, the owner will not necessarily call upon a single intermediary, these being selected according to their speciality and “commercial credibility” within a given sector. Thus, partial licenses are often granted in order to optimize the distribution of the relevant products or services on markets where the trademark owner might not have the benefit of a sufficient presence compared to locally implanted firms.

In this particular context, the partial refusal of protection against the owner’s mark will jeopardize the conclusion of such a contract, even though the objection is merely “provisional” and furthermore concerns products/services that are unrelated to the object of the agreement.

This situation places the owner in a somewhat awkward position vis-à-vis the licensee who will tend to put off the negotiations.

It goes without saying that the license is often associated with investments on the part of the licensee and the latter can thus, legitimately, refuse to pursue discussions despite the assurances – legally well-founded – given by the owner.

Mergers / Acquisitions

The acquisition of equity participations is a recurring phenomenon, usually appearing, it is true to say, with particular acuteness when the financial markets are plagued by uncertainty. Yet even in periods of stability, it often represents an element of “consolidation” designed to reassure shareholders.

Such operations generally give rise to “audits” during which a trademark that has been partially refused to registration will be inevitably be classified among the assets that are “doubtful” or even to be disregarded. Such considerations will escape the engrossed owner, who is not in a position to present and claim his rights, as well as the auditors who hesitate to acknowledge them.

* * *

These examples are not at all exhaustive and have no other purpose than to demonstrate the importance of the division principle for the users.

Division is provided for by international agreements (TLT and Singapore Treaty) and this procedure is a requirement for the contracting parties to these treaties.

Division is a measure that affords flexibility to the trademark owners who must come to terms with the commercial imperatives that imbue everyday business life. Furthermore, the fact that it is an integral part of recent national or regional legislation in trademark matters demonstrates its usefulness indeed.

The authors of the present paper are convinced by the legitimacy of that measure and convey their gratitude to the States that have integrated it into their domestic law.

They however regret that the owners of international registrations should be deprived thereof for the sole reason that they have chosen to follow the Madrid system path. With respect to these very same states, such a difference of treatment is rather delicate to justify.

October 2008

[End of Annex and of document]