



**Should the Dependency Clause
(or the Basic Mark Requirement altogether) be eliminated?**

MARQUES is an official non-governmental organisation that was granted observer status at the World Intellectual Property Organization - WIPO in 1989 by the Governing Bodies at their Twentieth Series of Meetings (*cf.* paragraph 213 of General Report, document AB/XX/20).

During the 12th Session of the Working Group on the Legal Development of the Madrid System for the International Registration of Marks held in Geneva between 20-24 October 2014, the Chair invited User Organisations, particularly **MARQUES**, that had supported the proposal to eliminate the dependency clause, to describe the problems of maintaining the dependency clause (see document MM/LD/WG/12/7, number 313). The next, 13th Session of the Working Group is scheduled for 2-6 November 2015.

MARQUES will describe those problems hereinafter. In addition, **MARQUES** has conducted its own survey among its corporate members, i.e. users from industry and commerce, and will also summarise the relevant conclusions that can be drawn from the **MARQUES** survey.

A. Summary of the Problems of Maintaining the Dependency Clause (and of the Problems Maintaining the Basic Mark Requirement altogether)

The pros and cons for and against the elimination/freeze of the dependency clause and, in addition, elimination of the basic mark requirement altogether, are briefly outlined hereinafter.

I. PROs for the Elimination of the Dependency Clause

1. General Considerations

1.1 Increase of legal certainty for trade mark owners because vulnerability in first 5 years would be eliminated.

1.2 Where proceedings (e.g. opposition or cancellation proceedings) are not concluded within the 5-year dependency term, the legal uncertainty can last even longer, until the proceedings are finally concluded, which can be many years later.

2. No unreasonable partial loss in designated countries or total loss of entire International registration.

2.1 No more unreasonable loss of rights based on a central attack in opposition/cancellation proceedings because of a partial limitation or total cancellation of the International registration even though the attacking party has no corresponding earlier rights in the designated countries.

Note: even if the attacking party has corresponding earlier rights in the designated countries, this does not necessarily mean that it would be successful in invoking these rights in the designated countries because, e.g., the attacking party's earlier trade mark registrations might not have been genuinely used and/or there may be no likelihood of confusion under the national law of any of the designated countries. Altogether, this violation of the right to be heard in the designated countries would be eliminated.

2.2 No more unreasonable loss of rights where the basic mark application is limited, refused or withdrawn before the Office of origin on absolute grounds within the 5-year dependency term, such as:

(a) because of a limitation of the goods and/or services covered by the basic mark application under stricter examination practices before the Office of origin by comparison with those of the more lenient designated countries, or

(b) because of a refusal of the basic mark application for lack of distinctiveness, misleadingness, immorality, etc. even if these grounds of refusal would not be raised in the designated countries. Altogether, this violation of the right to be heard in the designated countries would be eliminated.

Note: A survey of WIPO revealed that most notifications under Rule 22 of the Common Regulations are not sent by Offices of origin as a result of third party action; (see document MM/LD/WG/11/4, page 3.)

2.3 No more unreasonable losses of the entire International registration as a result of the non-renewal of the basic mark while an opposition or cancellation action, initiated within the 5-year period, is pending against the basic mark, or - in other words - no need to maintain the basic mark solely for the purposes of keeping the International registration in force. Notably, most users are not even aware of this problem/risk.

2.4 Many users are totally unaware of the dependency clause and, thus, do not recognise that by the loss of the basic mark they will lose the entire International registration.

2.5 Most users are even less aware of the possibility of transformation and, thus, might not request transformation within the three-month period following the date of cancellation in the International register.

Note: A survey of WIPO revealed that within a period of 18 months only 223 requests for transformation had been received by the Offices participating in the survey, whereas 37,826 designations ceased to have effect as a result of recorded cancellations in 2013 alone (see document MM/LD/WG/9/3, page 4 and Annex II, Table I thereto.)

3. Simplification of the system

3.1 Substantial reduction of workload at national offices and WIPO, because:

(a) the Office of origin is no longer required to notify WIPO of the ceasing of effect, refusal or limitation of the basic mark and to request the cancellation (to the extent applicable) of the International registration,

(b) WIPO no longer needs to publish a corresponding limitation or ceasing of effect notice in the Gazette,

(c) WIPO no longer needs to inform the designated Contracting Parties about such limitation or ceasing of effect, and

(d) the designated Contracting Parties no longer need to update their national registers accordingly and/or re-publish the designation because of a limitation or ceasing of effect.

3.2 Elimination of follow-up work for the central attacking party after a successful central attack, because (a) WIPO no longer needs to be reminded by the central attacking party to publish and/or inform the designated Contracting Parties of the limitation or cancellation and its consequences, and (b) the designated Contracting Parties no longer need to be reminded thereof by the central attacking party, i.e. the limitation or cancellation of the International registration is often not or not fully/correctly taken into account by the designated Contracting Parties.

3.3 Transformation is costly, time consuming and burdensome for the trade mark owners.

3.4 In particular, it appears that in some countries transformation proceedings have not been fully and/or correctly implemented into national law.

3.5 Where a basic mark in a certain script, such as Latin or Arabic, is not used in the country of origin (e.g. Asian countries), depending on the applicable law of the country of origin, the corresponding International registration may become vulnerable to a non-use cancellation action invoked against the basic mark during the 5-year dependency period. However, this disadvantage may be overcome by shortening the dependency period from 5 years to 3 or even 2 years.

All of the disadvantages outlined above under items from 1.1 to 3.5 do not exist if a trade mark owner files individual national applications and, thus, the discrepancy between the filing of national trade mark applications and the filing of International trade mark applications would be eliminated with the abolition of the dependency clause.

4. Discrimination

Article 6. of the Paris Convention states that the application for the registration of a mark cannot be refused or invalidated on the ground that the filing, registration or renewal has not been effected in the country of origin. If the Madrid System had been established after Article 6 of the Paris Convention was enacted, there would certainly not be any basic mark requirement, the possibility of central attack, or dependency.

5. Elimination rather than "freeze" of the dependency clause

The concept of a "freeze" is not widely understood and, therefore, would in itself result in legal uncertainty.

II. Additional PROs for the Entire Elimination of the Basic Mark Requirement

1. The International trade mark would be filed directly with WIPO and – if desired – the home country could be designated via the Madrid System. Hence, eliminating the basic mark requirement would not completely change current filing routines, whereby the registration process tends to start in a business' home country. However, it would simplify the international trade mark filing system and bring it in line with The Hague System for International designs.

2. The ability to file an initial national application and then apply for an International registration, while claiming priority within the first 6 months, would not be lost or undermined.

3. Specifying lists of goods and services would be easier, as specifications could be drafted more broadly than or differently from the specification requirements in the country of origin. This would be particularly helpful in countries like China, South Korea and Japan with *sui generis* classification systems, the United States which require very specific/detailed specifications, or Europe where retail services must be defined with reference to the products sold.

4. Furthermore, the elimination of the basic mark requirement would be favourable for applicants who want to obtain protection only in countries other than their home country.

5. In particular, in order to obtain protection for a trade mark in a certain script, such as Latin or Arabic, it would no longer be necessary to initially file a basic mark in the country of origin in that particular script prior to applying for a corresponding International registration, even where the mark applied for would not be used in the relevant script in the country of origin (e.g. Japan, China, Korea, etc.).

III. CONTRAs against the Elimination of the Dependency Clause

Those users of the Madrid System who actively use the central attack will lose a weapon.

However, such users are still able to attack the national/regional designations under an International registration at a local level, although this is certainly likely to be more cumbersome and costly.

IV. Additional CONTRAs against the Entire Elimination of the Basic Mark Requirement

1. Costs at WIPO would probably increase due to the greater degree of examination involved.

However, these additional costs would clearly be offset by the advantages achieved through the elimination of the basic mark requirement.

2. The first examination by the Office of origin, also referred to as the "certification function", would be lost.

However, the first "central" examination by the Office of origin is not necessarily an advantage, in particular from the applicant's perspective, e.g. if the examination process is overly strict or if a ground for rejection lies in a national/regional peculiarity. Moreover, designated Offices usually examine International registrations as thoroughly as domestic national applications; e.g. before the USPTO the provisional refusal rate resulting from "indefinite specifications" may significantly exceed 90%.

B. Summary of the Relevant Conclusions That Can Be Drawn From MARQUES' Survey Among Its Corporate Members

1. Approximately 80% of the replies received from **MARQUES** corporate members support the elimination of the dependency clause, and also support the elimination of the basic mark requirement altogether.

2. Conversely, approximately 20% of the respondents were content with the current status of the dependency clause (question 7 of the **MARQUES** survey) and would not support the complete elimination of the basic registration requirement (question 4 of the **MARQUES** survey). 50% of these respondents had never filed nor defended a central attack (questions 2 and 3 of the **MARQUES** survey). Thus, only about 10% of respondents (with experience of the central attack procedure) wish to keep the system as it is. Not surprisingly, this 10% comprises trade mark owners with large trade mark portfolios registered worldwide. Of course, for this small group of albeit large users, the central attack can be very advantageous, because these users are more likely to have earlier rights in the country of origin on which a central attack can be based.

In addition, successful cancellation of the basic registration avoids the need for further proceedings in the other jurisdictions where a conflict might exist. However, within the group of the remaining 90% of respondents there are also large corporate users with large trade mark portfolios. Thus, it seems that the vast majority of users either suffer from the downsides of the dependency clause and basic registration requirement or, at least, recognise the advantages for the Madrid System if dependency and the basic registration requirement were eliminated.

3. As regards the question of whether a reduction of the dependency period is preferred over a freeze of the dependency clause (question 6 of the **MARQUES** survey), some answers considered the term "*freezing*" to be confusing, for which reason they would rather support a reduction of the dependency term. This might be one reason why the large majority of users (about 70%) who support the elimination of the dependency clause (and basic mark requirement) would rather support a reduction of the dependency period than a freeze of the dependency clause, but a few added that "*a reduction of the dependency period would be better than nothing*". Interestingly, those replies which support the maintenance of the dependency period (and basic mark requirement) would rather support a freeze of the dependency clause than a reduction of the dependency term, probably on the basis that the freeze might be reversed after a few years. Altogether, about 50% of the replies support a freeze of the dependency clause

and about 50% of the replies support a reduction of the dependency period, if the dependency clause is not completely eliminated (question 5 of the **MARQUES** survey).

4. It is noteworthy that three respondents stressed in a separate note that WIPO should not take over any additional tasks that are presently addressed at a national level, such as substantive examination or opposition. This is in line with comments that **MARQUES** has received from other interested parties.

Respectfully submitted,

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About **MARQUES**

MARQUES is the European association representing brand owners' interests. **MARQUES'** mission is to be the trusted voice for brand owners.

MARQUES unites European and international brand owners across all product sectors to address issues associated with the use, protection and value of IP rights, as these are vital to innovation, growth and job creation, which ultimately enhance internal markets.

MARQUES is an accredited organisation before the Office for Harmonisation in the Internal Market (OHIM), appointed observer at the OHIM Administrative Board and Budget Committee, an official non-governmental observer at the World Intellectual Property Organisation and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission, which extends and replaces the former Register of Interest Representatives, opened by the Commission in 2008.

More information about **MARQUES** and its initiatives is available at www.marques.org.