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The basic mark requirement under the Madrid System (Q 239)

REPORT OF SWISS GROUP^{*}

Questions

I. Current law and practice

1. Is your country party to (i) the Madrid Agreement Concerning the International Registration of Marks, (ii) the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and/or (iii) the Trademark Registration Treaty?

As to (i): Yes

As to (ii): Yes

As to (iii): No.

2.a) To the extent it can be established, in how many published cases was a central attack used in the past ten years in your country?

The Swiss Group is aware of one published case where a central attack was used (BGE 130 III 371, «Focus»).

b) If these cases contain important considerations regarding the rationale, effect and effectiveness of a central attack, please summarise such.

The above mentioned case does not contain such specific considerations.

3.a) In your experience, is the system of international registrations often used (rather than alternatives, such as the filing of separate national registrations)?

Based on the Swiss Group's experience the system of international registration is often used by practitioners in Switzerland.

b) If the answer is no, is this because it is difficult to obtain the basic application or registration and/or are there other reasons? If so, which are those other reasons?

c) If the answer is yes, is this because it is more efficient in terms of costs or otherwise and/or are there other reasons? If so, which are those other reasons?

The Swiss Group assumes that cost-effectiveness may be the main reason why the system of international registrations is often used by practitioners in Switzerland.

4. If your country is party to the Protocol: is transformation often used in your jurisdiction? Why, or why not?

The Swiss Group has no information as to how often transformation is used with regard to international registrations that rest on a Swiss national application or registration. However, documents published by WIPO's Working Group on the Legal Development of the Madrid System for the International Reg-

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istration of Marks indicate that transformation is not often used with regard to international registrations that rest on Swiss national applications or registrations.

II. Policy considerations and proposals for improvements of the current law

5.a) *Should the basic mark requirement be abolished? Why, or why not?*

The Swiss Group does not support the abolishment of the basic mark requirement for the following reasons:

Applications for trademarks are subject not only to a formal but also to a substantive examination in most countries so as to safeguard against the registration of signs which either cannot function as trademarks or which are precluded from being monopolised through a trademark registration for other reasons.

In the system of international registration the basic mark sets a first threshold for marks that are meant to be protected through an international registration. By precluding marks that cannot be registered in the country where the applicant has its domicile or an industrial or commercial establishment from being registered in the international register, the basic mark requirement establishes a certain standard as to the substance of a mark. Of course this is not a uniform standard given that the examination practices of the Member States may vary, sometimes even to a rather large degree. Hence the same sign may be considered registrable in one Member State while being precluded from registration in another. Yet notwithstanding the fact that applicants having their domicile or establishment in a Member State with a rather strict examination practice may find it more difficult to obtain an international registration the basic mark requirement establishes a certain "quality control" by precluding signs from being registered in the international register that may obviously not function as a trademark in a number of Member States. It may therefore also prevent applicants from filing applications for international registrations that have very limited chances to be admitted to trademark protection by the designated Member States. Of course this effect of the basic mark requirement does not necessarily play out fully in the ambit of the Madrid Protocol as the Protocol allows filings based on national applications, i.e. at a moment where it is still unclear whether the basic mark will actually be considered registrable and mature into a national registration.

In many cases the basic mark requirement also establishes a kind of "early warning system" for owners of prior rights in potentially confusingly similar marks. To the extent such owners have established a trademark watch they may become aware of the applicant's mark either before the latter has filed an application for an international registration (if such application is filed based on a national registration) or very early in the process of obtaining an international registration (if such application is filed based on a national application). Hence such owners may contact the applicant at an early stage and make him aware of a potential conflict. Especially in cases where the applicant is intending to file his application based on a national registration such early intervention by owners of potentially conflicting older rights may allow the applicant to either change his mark or try to enter into co-existence agreements with such owners of older rights thereby avoiding to get entangled in legal proceedings such as oppositions or cancellation actions in those member states he intends to designate within an international registration. Likewise, the owners of prior rights in potentially confusingly similar mark are given the opportunity to settle potential conflicts at an early stage.

b) If the answer to (a) is yes, how should the new system work:

i) should any national registration or application qualify as a basic registration?

or

ii) should there be new central filing at WIPO with WIPO functioning as a mailbox receiving applications and forwarding those to the designated jurisdictions for examination?

or

iii) should WIPO even do more, such as engaging in harmonization (see below under III)?

c) Do you foresee problems in the implementation of such a new system? If so, which?

6.a) Should the dependency on the basic mark be abolished? Why, or why not?

Not in the view of the Swiss group. The Dependency Clause is set forth in Art. 6 § 2, 3 and 4 of the Madrid Agreement and Protocol. This clause states that if a basic national application/registration fails during a period of five years following the registration of the international trademark, the corresponding international trademark follows the same fate in all designated countries.

The Madrid system aims at finding the right balance between the interests of applicants of new trademarks with those of the owners of existing trademarks, whilst offering a means of obtaining protection at the international level which is as efficient as possible. A modification of the system may not be taken light-heartedly and requires a thorough examination of the interests at stake, i.e.:

- Interests of the trademark holders in the maintenance or not of the dependency;
- Interests of trademark applicants in the maintenance or not of the dependency.

The Swiss group has undertaken an examination of the interests at stake.

Arguments that have been put forward in favor of the abolishment (or freezing) of the dependency are in particular the following:

- Strengthening of the solidity of the international registration, as its fate would not depend on the vicissitudes of the basic mark;
- Improved legal certainty, as in cases of “central attack” it cannot be established with certainty that there was an intention to attack the international registration as such, instead of only the basic mark;
- Mechanisms to attack the international registration could still be maintained as such;
- Legal sovereignty of designated Contracting Parties would be better respected;
- Lack of use of the possibility of transformation in the Protocol;
- Possible positive “psychological impact” on potential users of the system that envisage ceasing of effect and central attack as a deterrent for filing international applications;
- positive impact on the workload of the Offices of Contracting Parties and the International Bureau, by reducing the number of transactions performed by these actors or the Madrid system.

Arguments in favor of the maintenance of the Dependency Clause include the following:

- The Dependency Clause offers a balanced position between the rights of prior and new trademark owners by providing one filing procedure and one cancellation procedure. Indeed, the owner of a prior right is entitled by one legal procedure, which must be initiated within five years of the international registration, in order to obtain the cancellation of the home registration and consequently of the entire international trademark. For his part, the new trademark owner is able to utilize a single procedure, in his native language, to file an extendable international trademark;
- The applicant is in the best situation to ensure that he makes the necessary searches in order to ensure that his mark stands on firm grounds. Deleting the Dependency Clause, and in a more general sense the basic mark requirement, would increase the risk of cancellations in the home country after the international examination (see ECTA comments to the WIPO working Group on the Legal Development of the Madrid System for the International Registration of Marks, www.ecta.org/IMG/pdf/wipo_working_group_on_the_legal_development_of_the_madrid_system_for_the_international_registration_of_marks.d.pdf);
- Article 9quinquies of the Madrid Protocol provides sufficient protection for the trademark owner as it is possible to transform the failed international registration into national or regional applications. This means that the application will be treated as if it has been filed on the date of the international registration or on the date of record of the territorial extension. Thus, the trademark owner will not lose his rights and this situation demonstrates that the effect of the Dependency Clause can be reduced;

- It is not clear whether statistical evidence provided by WIPO on the number of central attacks justifies a change of system, nor if such a change has been called for by trademark applicants. In the absence of such claims, a change of system would appear to be premature;
- A comparison with other systems, in particular with the Hague system applicable for designs, is not appropriate, due to the differences between the IP rights at stake. Novelty plays a fundamental role in the field of design law, where lack of novelty prevents a design from benefiting of the protection of the law. Although the Hague system does not rely on a dependency clause, the novelty requirement provides a comparable alternative; as a consequence, the Hague system cannot be applied as such in the Madrid system.

The Swiss group's view is based on two fundamental concepts: Those of quality and of legal certainty. In the view of the Swiss group, the existence of a central cancellation procedure plays an important role in the risk assessment at a central level, thereby improving the quality of the basic trademark and the level of certainty. Thanks to the existence of the dependency rule and the risk of a central attack, the trademark applicant will better evaluate the quality of his basic trademark, as he will not take the risk of losing all his trademarks around the world within the Madrid system. This improves not only the quality of the basic trademark, but of all the "dependent" trademarks, thereby also improving legal certainty for the applicant as well as for third parties as to the validity of the trademark. This effect is in the interest of both trademark holders and applicants.

b) If not, should the dependency be changed? If so, how (e.g. to a different period, to applying in case of particular cancellation grounds only or to having effect only in jurisdictions where the attacker has prior rights)? Why?

In our view, there is no need for a change. It has to be noted in particular that the five year limitation of the dependency already constitutes a limitation of its duration. Until 1957, dependency was unlimited in time.

Any change in the dependency would have to ensure that legal certainty is maintained or improved. A reduction of the time limit e.g. to three years could possibly be envisaged but would need to be based on clear statistical evidence and/or request from the users of the system.

7. Do you support a freeze of the application of the five year dependency clause and what are your considerations in this respect?

The Swiss group does not support such a freeze for basically the same reasons as outlined with regard to question 6 hereinabove.

8.a) Do you find that the basic mark requirement does not function well in the context of translations, transliterations and transcriptions in countries with different writing systems/languages? If so, would you support a change to the Madrid System with the purport that, when assessing genuine use, use of a translated, transliterated or transcribed mark is considered use of the mark? Please list any requirements such use should meet in your view (e.g. identical pronunciation and/or meaning).

No, the Swiss group does not think that the basic mark requirement does not function well in this context. The problem addressed in this question is the fact that the basic mark in non-Latin characters is in the most western countries not validly used because it was only filed to obtain the basis for the international registration. However, to resolve this problem, the Swiss trademark law provides that the "use of a trademark for the export" constitutes valid use (art. 11 al. 2 Swiss Trademark Act). In accordance with this rule, the labelling of a good with a trademark which is only used abroad constitutes valid use if the good is offered from Switzerland, but not used within Switzerland. Moreover, trademark applications in many countries require that the trademark is also filed or registered in the country of origin. In this case, the abolishment of the requirement of a basic registration would not be an advantage at all.

In any case, the Swiss group does not support a rule as proposed in the question: The treaties of the Madrid System are not the place for the harmonization of substantive trademark law. However, a possible solution of the problem with transliterations and transcriptions could be obtained if the WIPO application form provides a section in which a specific transliteration or transcription of the trademark

for specified countries could be rendered. As a consequence, a word trademark in Latin characters would have effect in the EU and the US, but with the Cyrillic transliteration of the mark Russia could be designated and with the Chinese transcription China. A combined effect of the "original" and the transliterated or transcribed trademark in a certain country could be conceivable, but should be depending on a separate fee in order to avoid too many designations.

b) Are there any other aspects relating to the basic mark requirement that do not function well and if so, what should be changed?

In the opinion of the Swiss group, there are no such requirements and consequently, no change is necessary.

III. Proposals for harmonization

Is harmonization desired? If yes, please respond to the following questions without regard to your national laws.

9. Should absolute and relative grounds be harmonised, enabling the examination of international registrations to be handled by WIPO, as well as possibly also oppositions and cancellation actions (in a manner similar to Community Trademark registrations handled by OHIM), or should such not be harmonised (because it may not be feasible or for other reasons)? Note that this question only aims to ask whether such harmonization is desired as a result of a change to the basic mark requirement; the question as to how such a new system should look exceeds the scope of this working question.

One of the main downsides of the basic mark requirement is the fact that national trademark offices examine marks while applying quite different standards. Hence, while an applicant may have reasonable access to the Madrid System in a certain jurisdiction given that his or her mark has good chances to survive the local examination process, this may not be the case in another jurisdiction in regard to the very same mark. This factual discrimination of applicants (who are tied to a specifically restrictive trademark office) is not so much due to the lack of harmonization of absolute and relative grounds. Rather, it has to do with the differences in the application of existing examination standards.

Still, should the basic mark requirement be abolished, the Swiss group doubts that a centralized examination at WIPO for absolute and relative grounds is the right way to go, even if harmonization of absolute and relative grounds and a more standardized application of such harmonized rules could be a desirable option further down the road.

On the other hand it could be discussed to implement harmonized rules in relation to absolute and relative grounds, which would have to be applied by national trademark offices on the level of national examination processes for basic marks intended to be extended via the Madrid System. This could help to reduce the current discrepancies in examination processes around the world and could avoid discrimination of users of the Madrid System in certain jurisdictions due to particularities in local examination practice and the current basic mark requirement.

10. Please briefly list your considerations for the answer given under 9) (which may e.g. relate to feasibility, efficiency, costs, the potential need for new judicial authorities, etc.).

The Swiss group concludes that the Madrid System is basically an efficient registration and renewal system: an applicant can hold one mark under one registration number effective in a bundle of several countries and/or territories while the rights deriving from such mark are basically a matter of the applicable national or supranational law.

On the other hand, the Swiss group doubts whether the Madrid System and WIPO as an organization should be charged with more and heavier duties such as a complex examination process in regard to absolute and/or relative grounds. This would require considerable restructuring of the whole organization, considering that WIPO dealt with around 40000 applications in the record year of 2011, (www.wipo.int/pressroom/en/articles/2012/article_0004.html), while OHIM received nearly 106000 CTM applications in the same period with a full examination process for absolute grounds (oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_ohim/)

the_office/SSC009-Statistics_of_Community_Trade_Marks- 2014_en.pdf).

Summary

In relation to the Madrid System the Swiss Group does not consider it necessary to abolish the basic mark requirement or the dependency on the basic mark. Both elements have positive effects. They establish a certain standard as to the substance of a mark, enable owners of already registered marks to intervene against younger marks at a very early stage and encourage applicants to properly evaluate the availability of their marks prior to filing. The current system is well-balanced as it limits the dependency to 5 years and allows transformation so as to alleviate the potentially overreaching effect of a central attack. The basic mark requirement does not lie at the core of issues related to translations, transliterations and transcriptions. For the Swiss Group neither harmonization of absolute and relative grounds of refusal nor the handling of substantive examination, opposition or cancellation procedures by WIPO is desirable.

Zusammenfassung

Aus Sicht der Schweizer Gruppe besteht hinsichtlich des Madrider Systems keine Notwendigkeit, das Erfordernis einer Basismarke sowie die Abhängigkeit zur Basismarke abzuschaffen. Beide Elemente haben positive Auswirkungen. Sie etablieren einen Standard für den Gehalt einer Marke, ermöglichen es den Inhabern älterer Rechte, frühzeitig gegen jüngere Marken zu intervenieren, und veranlassen Anmelder dazu, die Verfügbarkeit ihrer Marken vor der Anmeldung sorgfältig abzuklären. Das derzeitige System ist ausgewogen, da es die Abhängigkeit auf 5 Jahre beschränkt und mit der Möglichkeit der Umwandlung auch die potentiell überschüssenden Wirkungen eines Zentralangriffs mildert. Die Hauptursachen von Problemen im Zusammenhang mit Übersetzungen, Transliterationen und Transkriptionen liegen nicht im Erfordernis einer Basismarke und in der Abhängigkeit von der Basismarke. Die Schweizer Gruppe erachtet weder eine Harmonisierung der absoluten und relativen Schutzausschlussgründe noch eine Zuständigkeit der WIPO für die materielle Markenprüfung oder für Widerspruchs- und Lösungsverfahren als erstrebenswert.

Résumé

En ce qui concerne le système de Madrid, le groupe suisse ne considère pas qu'il soit nécessaire de supprimer la condition de la marque de base ou la dépendance à la marque de base. Les deux éléments ont des effets positifs. Ils établissent un certain standard quant à la teneur d'une marque, permettent aux titulaires de marques déjà enregistrées d'intervenir contre des marques postérieures à un stade très précoce et incitent les demandeurs à évaluer correctement la disponibilité de leurs marques avant le dépôt. Le système actuel est bien équilibré puisqu'il limite la dépendance à 5 ans et autorise la transformation, de manière à atténuer l'effet potentiellement trop étendu d'une attaque centrale. L'exigence d'une marque de base n'est pas à l'origine des problèmes liés aux traductions, aux translittérations et aux transcriptions. Le groupe suisse considère que ni l'harmonisation des motifs absolus et relatifs d'exclusion, ni l'attribution à l'OMPI d'une compétence en matière d'examen matériel des marques ou de procédures d'opposition et d'annulation n'est souhaitable.