

**THE FUTURE OF RELATIVE GROUNDS  
EXAMINATION**

**A PRE-CONSULTATION**

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## **Introduction**

The Office wishes to establish whether the law should continue to require the registrar of trade marks to examine new applications in order to identify any conflict with earlier trade marks in different ownership and, if so, to refuse registration of the later trade mark.

This is usually called examination on ‘relative’ grounds in order to distinguish it from the separate examination of applications that is intended to prevent marks from being registered which are inherently unsuitable to be the subject of an exclusive trade mark property right: the so-called absolute grounds for refusal.

The Secretary of State has the power to make certain changes to the law from 1 April 2006. Section 8 of the Trade Marks Act 1994 enables him to make an order bringing an end to examination on relative grounds, and instead requiring that trade marks should not be refused on relative grounds unless opposition is filed by the owner of an earlier trade mark or right. The Office wishes to take a view on whether this and/or other changes should be made to the legal procedure for dealing with these matters.

### **The 2001 Consultation**

The Patent Office consulted interested parties on the same subject in 2001. The earlier consultation sought to establish whether there was a consensus for changing the law in this respect by means of an order under the Regulatory Reform Act. Users were divided at the time as to whether trade mark applications should still be examined by officials on relative grounds or whether such matters should only be capable of being raised in opposition or invalidation actions. A majority took the position that there should be no immediate change to the system of official examination on relative grounds before 2006.

One of the factors identified was the potentially prohibitive cost of the alternative means of enforcing earlier trade marks: opposition proceedings, particularly to small and medium businesses (SMEs). The earlier consultation showed strong support (81%) for simplifying opposition procedures with 84% of respondents indicating that the UK registry should introduce a system whereby the right to oppose an application on the basis of an earlier mark is subject to proof of use of that earlier mark.

Ministers concluded that there should be no change to the system of examination on relative grounds at that time, but that changes should be made to streamline and reduce the cost of using the opposition system.

### **The Changes Since Then**

Changes have subsequently been made to the opposition system. In particular, the right to oppose a trade mark has (for marks over 5 years old) been made conditional upon the opponent being able to show use of the earlier trade mark. The opposition rate was already falling and these changes have helped to further reduce the number of oppositions filed. Although the number of new applications has remained fairly stable the number of oppositions has dropped from 1312 in 2001 to 801 in 2004. Further, where opposition is filed, 46% of cases based on allegedly conflicting earlier

trade marks are now settled by a quick preliminary indication from the registrar as to the likely outcome of the matter, which removes the need for either side to file evidence at the Office. For the remainder, most are settled by negotiations between the parties. Only 150-200 cases per year proceed to the point where the registrar has to make a substantive decision on the opposition. And one in every three of those cases are now decided without the need for (or cost of) an oral hearing.

### **Why is a Further Consultation Necessary?**

The outcome of the earlier consultation has resulted in continuing uncertainty as to the future form of the UK system for examining trade marks. 72% of those who expressed a view in 2001 believed that the matter should be reviewed again at a later date. The proposed further consultation is intended to end this uncertainty by allowing an informed decision to be taken as to the form that the national registration system should take for the foreseeable future.

### **Why have a Pre-Consultation?**

The Office is conducting a pre-consultation exercise in order to establish whether its perception of the strengths and shortcomings of the current system is widely shared by users of the system. It is our intention to identify those features of the current system which are most valuable to users and those features which are causing the most difficulty. The results of the pre-consultation exercise will be used to produce options to put before users in a subsequent formal consultation document.

### **When will the Consultation Proper begin?**

The plan is to issue a consultation document early in 2006. This will be the subject of an extensive consultation exercise.

## **The Strengths of the Current System**

### **1. Safeguarding the rights of existing trade mark owners, particularly SMEs, who may not have the financial means to prevent the registration of later conflicting marks**

The current UK system of searching for earlier marks and initiating the refusal of later conflicting marks appears to have the advantage that owners of earlier trade marks do not have to take action themselves to monitor later national applications in order to identify and prevent the registration of later conflicting trade marks. It does not, however, remove the need for the owners of national marks to monitor applications to register Community trade marks because the Community trade mark office (which is based in Spain and known as OHIM) will not refuse to register a new Community trade mark because of the existence of an earlier conflicting trade mark unless the owner of the earlier mark opposes the registration of the later mark.

*We would like to know whether you agree that the current system of examination on relative grounds is a significant advantage to existing trade mark owners, and if so, why?.*

*We would also like to know whether you or your clients (particularly SMEs) employ a watching service to monitor applications to register conflicting Community trade marks.*

### **2. Removing the need for trade mark applicants to engage a commercial search service in order to ensure that the trade mark they propose to register is not in conflict with an earlier trade mark**

The official search of the register for earlier conflicting marks may lessen the need for applicants to conduct a commercial pre-filing search.

*We would like to know whether you or your clients (particularly SMEs) rely upon the UK official search to identify whether a new mark conflicts with any earlier trade marks, or whether you arrange for a search to be done before applications for new marks are filed.*

### **3. A higher presumption of validity**

Both national and Community trade marks enjoy a prima facie legal presumption of validity. However, pre-registration examination on absolute and relative grounds should reduce the likelihood of post registration invalidation actions.

*We would like to know whether examination on relative grounds adds significantly to the perceived validity of a national registration as compared to, for example, a registered Community trade mark.*

*We would also like to know the extent to which such a perception depends upon the level of confidence you have that the UK official search for earlier marks will inform you of any relevant earlier marks.*

#### **4. Avoiding Oppositions**

Both the UK national registration procedure and the procedure for registering Community trade marks include an opposition process whereby third parties can object to a proposed registration. Partly because the system of registering Community trade mark system does not include official examination on relative grounds, the proportion of Community marks opposed (18-20%) by third parties is higher than the proportion of national marks (3%).

*We would like to know the extent to which the reduced likelihood of facing opposition costs in connection with a national application (because of pre-publication examination on relative grounds) influences you or your clients to use the national trade mark system.*

#### **5. Making sense of search reports**

Examination on relative grounds appears to have the advantage of making it easier to identify valid marks because it prevents the registration of the same mark by different undertakings for the same products, except by consent. The UK register is therefore relatively “pure”.

This should make it easier to understand who has valid rights in which marks than would be the case under a system which depended solely on oppositions to resolve relative grounds conflicts, such as the Community trade mark. This is because potential opponents do not always oppose the registration of later conflicting marks and it therefore becomes relatively common for searches of such registers to reveal a number of identical or very similar marks registered for the same products, but all in different ownership.

*We would like to know the extent to which the relative “purity” of the UK register makes it easier for you to assess whether a new mark is registrable and/or free for use.*

*We would also like to know whether any such advantage is significantly undermined by the need to also search the register of Community trade marks.*

#### **6. Other Advantages?**

*We would like to know if you believe that the current system of examination on relative grounds has significant advantages other than those listed above?*

## **The problems of the current system**

### **1. Doubt about whether there is still a policy justification for the requirement that the registrar should initiate the enforcement of earlier trade mark rights**

The historical purpose of the policy of examining trade mark applications on relative grounds was to discourage the registration and use of the same or similar trade marks by unconnected undertakings, where this was likely to result in the public being confused as to the origin of goods or services.

However, changes made to the law in 1994 and since have rather diminished that rationale for the policy of examination on relative grounds. In particular, section 5(5) of the 1994 Act provides that any such objection can be set aside if the owner of the earlier trade mark consents to the registration of the later mark.

*We would like to know whether you think that examination on relative grounds is still justified, and if so, on what basis.*

*We would also like to know if you think that the responsibility for enforcing these private property rights should lay solely with the right holders*

### **2. The registrar initiating the enforcement of such right without testing whether the earlier trade mark is susceptible to revocation for non-use**

A person opposing or seeking the invalidation of a trade mark because of an alleged conflict with an earlier trade mark has to show that the earlier mark was not itself subject to revocation for non-use. However, despite this restriction on the right to bring opposition and invalidation proceedings, the registrar continues to refuse to register new trade marks where it appears to him that there is an earlier conflicting trade mark, without it being established whether the earlier mark is subject to revocation for non-use.

*We would like to know whether (and why) you think that it is appropriate for the registrar to initiate the refusal of applications on relative grounds without the owner of any earlier conflicting trade marks over 5 years old providing a statement of use.*

### **3. The creation of a market in letters of consent**

From time to time the view has been expressed that the changes made to the law in 1994 have created a market for letters of consent, which is sometimes exploited by owners of earlier trade marks who would not, if the later mark were accepted and published, be likely (or perhaps able) to oppose registration.

On the other hand, it has been said that where a conflict is identified in a search, the applicant for registration must in any event seek the consent of the owner of any conflicting trade mark in order to avoid the situation where the use of the trade mark might become an infringement. On this view of the matter, the “burden” of seeking consent for registration is largely illusory.

*We would like to know whether you believe that the current system creates too much of a burden on applicants before the UK Patent Office by requiring the consent of the owner of an earlier mark where it appears to the examiner that the mark applied for conflicts with an earlier trade mark.*

*If you think it does, we would like to know whether you would like the law to be changed so that in some circumstances (for example in the circumstances described in point 5 below) the requirement for a letter of consent should be dropped in favour of notification being sent to the owner of the earlier trade mark.*

#### **4. Relative grounds examination places too much of a burden on applicants**

18-20% of Community trade mark applications are opposed. Opposition can be filed on the basis of earlier trade marks or rights in any of the Member States of the EU. Despite the wider scope for relative grounds objections to Community marks, the proportion of national applications which face official objections on relative grounds is actually higher at 26-27%. And a further 3% of national applications are opposed by third parties. This means that a typical national applicant is over 50% more likely to face an objection on relative grounds compared to a typical applicant for a Community trade mark. Further, the proportion of national applications finally refused on relative grounds is also higher (7.5%) than the proportion of Community marks (2%) finally refused on such grounds.

*We would like to know whether and how often the higher risk of facing a relative grounds objection in the national registration system has caused you (or your clients) to apply to register a Community trade mark instead of a national one.*

#### **5. Overlapping trade mark rights in different ownerships**

Conflicting and overlapping rights can exist between Community trade marks and between Community marks and national marks. UK applicants can be faced with citations of earlier conflicting marks consisting of an earlier national registration and one or more subsequent Community trade marks, or just a number of co-registered earlier Community trade marks, all of which appear to conflict with each other and yet are registered in different ownerships. Applicants sometimes find it hard to understand why, in these circumstances, the registrar should initiate the refusal of the latest trade mark when it does not appear to conflict with the earlier marks to any greater extent than they do with each other.

*We would like to know whether you think that duplicating, overlapping and intervening trade mark rights have become a problem and, if you do, whether you would favour a change in the law which introduced a more flexible framework for resolving such conflicts during the examination of national applications (see point 3 above) .*

## **6. Other Problems?**

*We would like to know if you believe that the current system of examination on relative grounds has significant problems, other than those listed above.*

## **Annex A**

### **The existing system of trade mark registration**

When carrying out a relative grounds search for earlier conflicting marks, the UK registry search both the UK national register and the Community trade marks register. Where a conflicting mark is identified that is in a different ownership to the application, an objection is raised to the registration of the later mark. If the applicant for the later mark is unable to overcome the objection, the later mark is refused registration.

Although the substantive trade law has been harmonised in the EU, the procedures for obtaining registration can and do vary both between OHIM and the UK and between the UK and other Member States.

In 1996, a system of registration of trade marks covering the whole of the European Union was introduced. This European system exists alongside the national registration systems and enables a person seeking to protect a trade mark in the EU (including the UK) to file an application at the Office for the Harmonisation in the Internal Market (OHIM), which is based in Alicante, Spain.

When an application for a Community- wide registration is made to OHIM, it carries out its own independent examination. But unlike the UK, it does not itself raise objection to the registration of a mark on the basis of an earlier conflicting national or Community trade mark. OHIM will only refuse to register a Community trade mark on relative grounds if the owner of the earlier right or mark brings a successful opposition against the proposed registration. OHIM decides whether the opposition is successful.

In some European countries, notably Germany, France and Italy, applications to register new trade marks are not subject to any official search for earlier conflicting trade marks. The onus is instead on the owner of an existing trade mark to watch for and, if appropriate, to oppose or seek to invalidate any later trade marks which the owner of the earlier mark believes to be in conflict with it.

In practice, this requires owners of registered trade marks who wish to exercise their right to prevent the registration of later conflicting marks to engage a commercial watching service in order to identify potential conflicts. In order to prevent another party securing a later conflicting trade mark it is necessary to monitor applications for national trade marks, Community trade marks, and international trade marks (insofar as they are designated for protection in the same territory as the earlier national mark).

## Annex B

### Facts and Figures

#### Volumes

The number of national and Community trade mark applications over the last few years is shown below.

Year	2002	2003	2004	2005(projected)
UK*	36007	34096	34756	35500
OHIM*	45104	57637	58848	65000

\*includes designations under the Madrid Protocol

#### The make-up of the UK Registry' search files

The search records currently contain details of 947k earlier trade marks. Just over 60% are these are national marks or international marks protected in the UK. Nearly 40% are made up of Community trade marks. These trade marks are together registered for (or applied for protection for) goods and services covering a total of 1.9m classes. Over half (50.5%) of these classes are accounted for by Community marks.

43% of the relative grounds objections raised by the UK Registry are based upon earlier Community marks. In 2001 the figure was less than 30%.

#### Proportion of Applications Refused on Relative Grounds

30% of applications made to the UK Registry attract objections on relative grounds. The vast majority of these objections are raised by the Registrar during examination. In 2004, 2586 national applications were finally refused on relative grounds. This represents approximately 7% of all national applications.

18-20%\* of applications for Community trade marks are opposed, all on relative grounds. Approximately 2%\* of applications are finally refused on relative grounds.

\* information provided by OHIM