



For Innovation

RELATIVE GROUNDS FOR REFUSAL

THE WAY FORWARD



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RELATIVE GROUNDS FOR REFUSAL – THE WAY FORWARD

INTRODUCTION

Summary and purpose of consultation

1. This consultation document deals with the issues that surround the way in which we, the UK Trade Marks Registry, examine new trade mark applications on the basis of their potential conflict with earlier trade mark applications or registrations. A detailed explanation of the background to this matter, followed by a number of options to deal with the issues, is given below.

Responding to the consultation

2. A response form is attached at Annex A for your use. Once completed, please send it to the address given below. Alternatively, a web based form is included in the electronic version of this document held on the Patent Office's web-site at www.patent.gov.uk; this can be completed and submitted on-line. An e-mail address is also given below should you wish to e-mail your views to us.

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3. We have adhered to the Government's Code of Practice on Public Consultations (see Annex B) in preparing this document. In line with the code, we would like to have your responses by **17 May 2006**.

4. Responses are welcomed from any individual or body especially from those who make use of (or intend to make use of) the UK registration system. Copies of this document, including large print versions, are available from the contact address given above. A full list of the organisations and individuals being sent this document is given at Annex C.

Impact assessment

5. Given that this consultation contains a number of different options, a full regulatory impact assessment (RIA) will only be produced when we have a clear picture of what option we will take forward. At the relevant time, a draft RIA will be made available for comment by our users and, when finalised, will accompany any legislation required to take forward the preferred option. We will, nevertheless, refer to the major impacts of the various options when commenting on the advantages and disadvantages of each of them.

Openness/Confidentiality

6. This is part of a review exercise, the results or conclusions of which may be published. As such, your response may be made public. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been requested.

7. Information provided in response to this review, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

8. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

9. The Patent Office will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

RELATIVE GROUNDS FOR REFUSAL – THE WAY FORWARD

BACKGROUND

Pre-consultation exercise

10. Before issuing this consultation document we sought the views of our users through a pre-consultation exercise, the aim of which was to gauge what were considered to be the strengths and weaknesses in our current system. These views, together with our own, have enabled us to put forward a number of options for the future of how we should deal with relative grounds. A summary of the responses from the pre-consultation exercise is provided at Annex D. We will also draw upon the information gained from the pre-consultation exercise when commenting on the advantages and disadvantages of each option.

Objective

The objective of this consultation exercise is to identify any changes that may be required to ensure that we have a system of national registration of trade marks which provides a useful affordable alternative for those with business in the UK to the registration of their mark as a Community trade mark. The system of national registration which results from this exercise must also address certain inequities and anomalies that are present in the current system, and must be sustainable for at least the next 15 years without the need for a further review.

Overview of the existing system

11. At the moment, applications made to us for a national registration are examined to ensure that the mark is distinctive, not offensive, and does not misdescribe the goods or services for which registration is sought. These are known as the ‘absolute’ grounds for refusing registration. In addition, applications for national marks are searched against records that contain the details of all the trade marks that are protected in the UK. The records therefore contain details of UK national marks, International Trade Marks¹ that have designated the UK or the European Community for protection, and also European Community Trade Marks (“CTMs”) that are registered at OHIM² in Alicante, Spain. The size and make-up of our search files (together with other facts and figures) can be seen in Annex E.

12. If we find an earlier mark that we consider is likely to be confused with the new trade mark, we will “cite” the earlier mark as a reason to refuse registration of the later trade mark. Unless the applicant can persuade us that we have misjudged the likelihood of confusion or can otherwise overcome our objection (for example, by gaining the consent of the owner of the earlier mark), registration is refused on what are known as ‘relative grounds’. The owner of the earlier mark does not have to ask us to do this, it is done automatically, whether or not the owner of the earlier mark is concerned about the later trade mark.

Why is change being considered?

13. This above regime worked reasonably well for many years when registration in the UK was the only way to protect a trade mark here. A single system of protection meant that there was a level playing field and no possibility of different routes of protection with varying prospects of success. However, the introduction in 1996 of parallel systems of international protection has resulted in a curious situation in which it is now easier to gain protection throughout the whole of the European Community than it is in the UK alone. This is because CTMs (which provide rights in the UK) are examined in a different way to national applications. Although

1 Marks registered by the World Intellectual Property Organisation (WIPO) under the provisions of the Madrid Protocol.

2 Office for the Harmonisation in the Internal Market (Trade Marks and Designs).

such applications are also examined on absolute grounds, a new CTM will only be refused on relative grounds if the owner of any earlier mark opposes it. This means that unless the owner of a national mark monitors the CTM register, he may find that another party has registered the same or a similar mark as a CTM. Further, the possibility of by-passing an examination on relative grounds at the national office by filing a CTM can and is used to circumvent objections that have been, or are likely to be, raised by the national trade mark registry.

14. The CTM system has proved to be very popular (please see Annex E for a comparison in the rates of filing between the UK and the CTM) and the rapid growth in the number of CTMs has led to a situation where a) the chances of a new UK applicant obtaining a UK national registration have decreased due to the large number of earlier protected CTMs, and b) it is now just as likely that a national trade mark application will fail because of a relative grounds objection based upon an earlier CTM (which has not itself been the subject of an examination on relative grounds), as one based upon an earlier national trade mark. If there is no change to the system of national registration, two thirds of the relative grounds objections raised by the national office in five years time will be based upon earlier CTMs, and within ten years at least three quarters of such objections will be based upon CTMs.

15. We think it important that there is a more equitable balance between applicants for registration of a national trade mark and applicants for the registration of a CTM.

16. There is evidence that the different examination systems confuse businesses who do not understand why the national office examines on relative grounds but OHIM does not.

17. We think it important that those seeking trade mark registration are able to easily understand the different systems of registration, that any differences between them are justifiable, and that the systems are complementary rather than contradictory.

18. The different but overlapping systems of registration also results in anomalies. For example, there may be a number of very similar or duplicate trade marks on the Community register in different ownerships (due to their respective owners not having opposed each other) all of which are cited against the next national applicant for a similar trade mark for relevant goods or services.

19. We think it important that the system provides a means of avoiding or at least overcoming these anomalies.

The non-use issue

20. There is a further problem with the current system of examination on relative grounds. Many trade marks are registered but unused. More still (probably the majority) are registered in respect of more goods and services than they are used for. A trade mark registration is liable to be revoked³ if the mark has not been used for five years in respect of the goods or services for which it is registered, and there are no proper reasons for such non-use.

21. The owner of an earlier trade mark is not allowed to rely upon his mark for the purposes of opposing or invalidating a later trade mark if his mark was liable to revocation for non-use. This is a feature of both the national and OHIM opposition and invalidation procedures. The purpose of the rule is to prevent owners of defunct trade marks abusing their continued registration by using them to bring opposition and invalidation actions against later marks.

3 A legal procedure for cancelling a registered trade mark.

22. The Registrar's examiners have no knowledge of whether a particular mark is in use or not. Accordingly, where an examiner identifies an earlier conflicting mark in a search, which is over five years old, and bases an official objection on it, he may be raising an objection on it that the owner of the earlier mark could not have properly raised himself. This appears to be unfair to applicants for national registration.

23. It has been suggested that the existing provisions for revocation of trade marks is a sufficient answer to this problem. We do not think it is for the following reasons. Firstly, filing a revocation action adds to the applicant's costs and causes delay. For example, applications to revoke an earlier CTM have to be filed at OHIM in Alicante, currently take at least a year to resolve, and the cost to the represented end user appears to be at least £1000, most of which is not recoverable. Secondly, if the availability of revocation provisions was sufficient, there would be no need for the additional restrictions on owners of unused marks bringing opposition and invalidation actions based on them. Such restrictions are part of the legislative framework and are widely supported by users.

24. Consequently, we think that the system of national registration must include provisions which make it unlikely that the Registrar will refuse applications on the basis of conflicts with earlier marks which ought not to be enforced because they are defunct.

OPTION 1

THE STATUS QUO

Advantages

25. Familiarity is an obvious advantage of maintaining the current regime. However, if the case to change is strong then this aspect can have little influence. The main advantage perceived by our users is one relating to the validity of registrations secured through the UK system. This relates to the fact that a registered trade mark can be declared invalid on a number of grounds, one of which is the existence of an earlier conflicting mark. If a registration has been through an official examination on relative grounds then there is clearly less likelihood of this happening.

26. Another advantage is the fact that the UK system does not place a burden on the owners of earlier marks as the registrar will block a new national application if it conflicts with an earlier mark. This may be of particular value to SMEs in particular, who may not be able to afford repeated opposition proceedings and sometimes feel inhibited from asserting their rights against large and wealthy opponents.

Disadvantages

27. There are number of distinct disadvantages of maintaining the status quo which combine to make achieving a UK registration increasingly difficult. At the present time, of all the citations raised against new UK applications, 50% are CTMs. This is a remarkable figure given that OHIM have been accepting CTMs for less than 10 years. We can only predict that this percentage will continue to increase if the status quo is maintained. This creates difficulties on a number of fronts. First, the sheer number of potential earlier marks means that, if nothing is done, more national applicants will fail an official examination on relative grounds

28. Secondly, the CTM system offers an alternative method of protecting a trade mark in the UK without submitting to an official examination on relative grounds. An applicant who has conducted a pre-filing search which shows one or more obstacles to the registration of his new mark, and has taken a commercial decision that the risk of proceeding is worth taking, therefore has the option of simply filing a CTM instead. The supposed levelling effect of national examination on relative grounds therefore appears to be ineffectual.

29. Thirdly, the fact that new CTMs themselves are not blocked by earlier marks (unless opposition is raised) means that the registers that have to be searched will often contain a number of conflicting marks, possibly all in different ownerships, that will all block a new UK application. These so called "overlapping" registrations mean that being able to gain the consent of all of them can be very expensive, problematic and potentially wasteful. If any one of the owners of the earlier marks fails to provide consent then the time and cost spent obtaining consent from the other owners is wasted.

30. Fourthly, article 11(2) of the Directive⁴ requires that an earlier mark cannot be used as a basis of refusal under relative grounds unless it has been put into genuine use (basically in the five year period from registration or an uninterrupted period of five years at any time following that). In practical terms, this is currently dealt with by the applicant of the new application making a claim for the formal revocation of the earlier mark and, if successful, so allowing the new application to proceed. This has worked reasonably well when dealing with UK national marks because the revocation procedure is dealt with by us, the UK Trade Marks Registry, in a well established and easy to use mechanism.

4 First Council Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks

CTMs have not caused much of a problem in this area so far as only a relatively small number of CTM's have passed their five year milestone. However, more and more are now passing this milestone and as the years progress this will of course increase. This will create significant practical problems because an applicant wishing to revoke a CTM must launch their proceedings at OHIM. This is problematic on a number of fronts; firstly, dealing with an office in another country (Spain) is unlikely to be easy (particularly for SMEs), secondly, the language of the proceedings cannot be guaranteed to be in English, thirdly, initial indications suggest that revocation proceedings at OHIM are unlikely to be quick and, even if successful, the applicant is likely to recover less of the cost of the action than is the case in national revocation proceedings.

31. It is clear from the Directive that earlier marks should not be enforced if they have not been used. We feel that it is disproportionate and burdensome to require an applicant, particularly SMEs, to start revocation proceedings at OHIM in order to avoid official objections from the UK Trade Mark Registry based on defunct CTMs.

Summary

32. Although included here as an option it seems to us that there are good reasons to believe that the status quo cannot be maintained for another 10-15 years. In order for the system to remain workable and effective over this time period, it is necessary to introduce at least a minimum degree of change in order to deal with some of the problems we have identified. Our experience shows that it is SMEs who are the most disadvantaged by the current system of official examination on relative grounds. They have less resource to fund the pursuit of multiple consents and/or revocations. The position, as described above, will only worsen if no action is taken.

OPTION 2

SEARCH AND CITE WITH NOTICE

33. This option is put forward as the minimum degree of change required to deal with some of the more significant problems that exist with the status quo. We would continue to conduct an official search and to cite any earlier mark that is in conflict. However, in certain circumstances we would allow the application to proceed so long as the applicant notifies the owner of the earlier mark. We see this notice system operating in three primary situations:

- i) Overlapping registrations – where an applicant is faced with a number of earlier registrations (in different ownerships) containing the same distinctive character as each other and the mark applied for.
- ii) Where the earlier conflicting mark is itself junior to another relevant and existing registration in the name of the applicant. Typically, this occurs when a CTM is registered which conflicts with and postdates an earlier national registration in the name of the national applicant. The applicant is usually seeking to register another variation on the mark he has already registered here, but finds that a conflicting CTM has been registered since he registered his first national mark.
- iii) Marks liable for revocation – if a citation has been raised which has been registered for more than five year then we will consider waiving it if the applicant makes a claim that it has not been put into genuine use. The applicant will need to state what steps have been taken to ascertain the status of the earlier mark; so long as reasonable steps appear to have been taken (and no relevant use found) then the citation may be waived on notice.

Advantages

34. This option maintains the perceived advantages of the status quo but in a way which deals with some of its problems. A solution to the overlapping registrations problem will assist applicants as they will no longer be required to obtain multiple consents to enable their application to proceed.

35. The use of notification as a means of dealing with the situation where the applicant is the owner of the most senior relevant mark will provide a means for the owner to avoid further official objections based on intervening CTMs. Strictly speaking, the applicant should otherwise be required to either seek the consent of the owner of the intervening CTM or else make an application to OHIM to invalidate it. Either route is liable to cause the applicant delay and cost.

36. This option also deals with the issue of revocable registrations and provides some mechanism to ensure that earlier marks are not enforced unless they are in use. The mitigation of these problems assists to make the process of achieving registration, particularly for SMEs, less difficult than it would otherwise be.

Disadvantages

37. This option does not provide a complete solution to the congestion caused by the rapid rate of growth of citable marks, particularly CTMs. These marks, as we have said, have not themselves been exposed to an official examination on relative grounds, and furthermore their owners may not necessarily be interested in the UK market. Thus, in the reality of the marketplace, there may be no real conflict. Although applicants can continue to pursue consent to deal with this, there is a cost to this, and it may be difficult negotiating with the owners of earlier marks in other member states (which may be more distant following enlargement).

38. The way in which the problems of overlapping and intervening registrations and revocable marks are dealt with under this option is not ideal. The decision on whether to waive, on notice, overlapping registrations calls for a value judgement. This may be difficult to prescribe and, thus, issues of consistency may arise. With regard to revocable registrations, the onus is on the applicant to effectively demonstrate a negative (i.e. non use of the mark) which can be difficult. Furthermore, relying upon the applicant's own investigations of the extent of the use of earlier cited marks to determine whether an official objection should be waived on the basis that a notice will be sent to the owner of the earlier mark, could result in some applicants taking a selective approach to their investigations.

39. Finally, having different approaches to different categories of earlier mark will no doubt bring additional complexity, and with it less certainty of approach, to the registration system in the UK.

Summary

40. Although this option is undeniably better than the status quo, it does not deal with all of its problems. We believe that this change to the system of examination on relative grounds will make the system sustainable in the short to medium term, but as the proportion of earlier cited marks which are CTMs continues to grow the fundamental tensions between the national and Community systems of trade mark registration will continue and national applicants will face a harder time achieving registration than those seeking protection at Community level.

OPTION 3

SEARCH AND CITE WITH NOTICE COUPLED WITH A PROOF OF USE REGIME

41. This option is similar to option 2 in terms of how the problem of overlapping and intervening registrations will be dealt with (i.e. via notice) but will deal with the problem of revocable registrations in a different way. If an application has cited against it a registration that has been registered for more than five years, the applicant will be able to call upon the registrar to show that it is not susceptible to revocation for non-use before it is enforced. In practical terms this will mean the registrar having to contact the owner of the earlier mark and asking them to provide evidence about the use that has been made of it. If evidence of use is provided within the time period allowed then the citation would be maintained (or at least to the extent justified by the use) but if no evidence of use is provided then the application will be allowed to proceed.

42. The registrar would thus simply be seeking the owner's assistance in establishing whether there is a proper basis on which to enforce the earlier mark. However, as the proceedings at that stage are between the applicant and the registrar then no question of costs can be raised against the owner of the earlier mark. Nor can there be any issue of estoppel preventing the filing of an opposition to the new application even if the owner did not file any evidence of use (or filed insufficient evidence). We could also introduce a mechanism allowing the evidence filed on one case to be considered in the context of another in order that the owner is not put to this trouble and cost unnecessarily.

Advantages

43. This option retains the advantages of option 2 but deals with the issue of revocable registrations in a more balanced way. There is no burden on the applicant to prove a negative and, furthermore, the more formalised procedure will prevent any possible abuse of the system. The system retains a provision whereby the owners of earlier used marks who object to the registration of a later trade mark can rely on the registrar to enforce their trade mark without them having to start opposition proceedings.

Disadvantages

44. Some of the disadvantages of option 2 (relating to the size of the register and the necessary value judgement to deal with overlapping registrations) remain. An additional disadvantage is, however, introduced, namely, a system that requires the owner of an earlier mark to demonstrate use is a more burdensome, complex and potentially costly regime than exists now.

45. However, this argument must be balanced by the fact that marks falling into this category may be the subject of separate revocation proceedings (to overcome citations in a "search and cite" regime). Furthermore, in the absence of official examination on relative grounds, opposition and invalidation proceedings would be necessary to enforce earlier trade marks. These require a statement (and, if challenged, proof) of use of the earlier mark. Looked at this way, this is not a new burden, but merely a re-positioned one. In any event, any increase in the burden on existing trade mark owners would appear to be justified if the alternative is the mechanistic enforcement of rights, at least some of which ought not to be enforceable at law.

Summary

46. Again, we consider this to be better than the status quo and although it is more burdensome for existing trade mark owners, it is a fairer and more equitable system than the one we have now. Having said that, the additional bureaucracy it would create would tend to make the national system of registration more complex than the systems used in most other countries or at OHIM, and probably more expensive to use than it is now.

OPTION 4

SEARCH AND NOTIFY (THE APPLICANT ONLY)

47. We would conduct a search of the register and would notify the applicant for registration of any earlier marks that conflict with it. We would not, however, raise any official objection. The applicant would then make an informed decision, in the knowledge of the state of the register, as to whether they should proceed forward to publication.

48. The search we conduct would be thorough and the results well focused. We would only notify the applicant of genuine conflicts; there has been concern that a regime such as this would be characterised by a “belt and braces” list of any potentially conflicting marks. We are adamant that this will not happen as doing otherwise would undermine the value of the system. Indeed we would expect to have improved further the quality of the official search so as to provide better targeting of the scope of any likely objections.

49. The regime as described above departs from a paper based assessment of conflict as we have now, to a more market placed assessment made by the owners of the respective marks; we will only refuse a mark on relative grounds if the owner of an earlier conflicting mark is concerned enough by the later marks prospective registration to file an opposition. In view of this, we also intend to introduce a requirement that any opponent wishing to rely on a relative ground must have a proprietary interest in the earlier mark or right to be relied upon. The same requirement would also apply in relation to requests to cancel a registered mark on the basis of an earlier mark or right. To do otherwise would mean that a third party could utilise someone else’s earlier mark or right against an actual or proposed registered mark even though the owner of the earlier mark or right is or was content for the later mark to be registered. This would create too much risk of the later trade mark being subsequently held to be invalid and would therefore undermine the regime described above.

Advantages

50. The pre-consultation exercise highlighted that commercial watching services⁵ are not greatly utilised despite being quite affordable. This is unsurprising in relation to the UK system as we currently refuse later conflicting marks. However, against the CTM system operated by OHIM this is surprising given that a new application will only be refused on relative grounds if it is opposed successfully by the owner of the earlier mark. This suggests to us that most owners of national trade marks are more likely to employ a “wait and see” strategy and take action only in the event of actual conflict in the marketplace, rather than to embark upon a strategy of pre-emptive oppositions.

51. Adopting a “wait and see” strategy makes sense for a number of reasons. Firstly, if they are indeed the owner of an earlier mark, they will, of course, be able to take invalidity action should the need arise unless, of course, they have acquiesced in the knowledge of the use of the earlier mark in the marketplace for a period of five years. Furthermore, the proportion of marks that only really conflict on paper (due to the broad specifications of many marks) is now very significant and the situation is getting worse.

52. In view of the above, the fact that we will notify the applicant of any conflicting marks mean that he is fully aware of the validity of any subsequent registration secured. The subsequent registration is thus as valid as the applicant knows it to be. If the applicant receives a report in which no earlier marks are identified then the subsequent registration must surely be as valid as one secured through a search and cite regime. The defence set out in section 11(1) of the Act that the use of one registered trade mark cannot infringe another would still apply.

5 services offered to existing mark owners that watch accepted new applications in order, ultimately, to lodge oppositions

53. On the other hand, if the applicant has chosen to proceed in the face of advice as to the existence of apparently conflicting marks then the applicant has made a commercial decision taking account of the risks presented by the existence of earlier apparently conflicting marks but also the result of knowledge or enquiries as to the actual trade of the owners of those marks. This is essentially a risk assessment and the applicant must therefore be fully aware of the risks associated with proceeding with the registration and use of the mark. These may include his application being subsequently declared to be invalid, in which case the defence under section 11(l) would cease to apply by virtue of section 47(6). The ability to make an informed choice on the basis of this information is, we feel, a major advantage of this option.

54. This option provides a balance which makes it easier and less burdensome for an applicant to secure a registration in which he believes that the risk of actual conflict with an earlier mark is small, yet it maintains the rights of existing trade mark owners to launch invalidity proceedings if the marks do come into conflict in the marketplace.

55. For owners of earlier marks who are keen to ensure that conflicting marks do not secure a registration, they can, of course, continue with the watching services that they no doubt already employ to monitor the Community Trade Mark Register and extend this to also monitor the national register.

Disadvantages

56. The pre-consultation exercise highlighted opinion that the degree of validity in a mark secured through a search and cite system would be higher than that secured through a search and notify system. For the reasons given above, we do not believe that these fears are well founded. Nevertheless, there may be a perception that a UK registration is worth less.

57. The registrar no longer policing new applications for earlier marks and the subsequent onus placed on the owners of earlier marks is a disadvantage to those who own an earlier conflicting national trade mark, are using it, and wish to see it enforced against later conflicting national applications without having to bear the cost of opposition proceedings.

Summary

58. The disadvantages of the status quo have already been identified and this option will dispense with them immediately. The disadvantage for owners of existing national trade marks, particularly for SMEs, of having to oppose later national marks, or of relying upon a “wait and see what happens in the marketplace” approach does not, in our view, outweigh the benefit of the proposed change to new applicants in circumstances where a) the proportion of unused and only partly used marks on the registers is higher than ever, and b) the parallel system of CTM registration already provides a means of circumventing the national system of official examination on relative grounds for those who can afford the cost of a CTM.

59. New applicants who secure a registration will be doing so in the full knowledge of the likely risks attached to the validity of any subsequent registration. We feel that a commercial risk assessment by the applicant and his advisors is preferable in current circumstances to the notional face-of-the-register based analysis and blocking system that is undertaken in our official examination on relative grounds.

60. Owners of earlier marks can still enforce their registrations through opposition and invalidity proceedings. Asking them to make a positive step before their rights are enforced creates a more balanced marketplace based regime reflecting real and likely conflict as opposed to notional paper based assessments.

OPTION 5

SEARCH AND NOTIFY (APPLICANT AND EARLIER MARK'S OWNER)

61. As in option 4, this option places the onus on the applicant to make an informed decision on whether the application should proceed. The registrar would not raise any objection based on the existence of earlier marks. However, in this option we would also notify the owners of any earlier marks that we have advised the applicant that may be in conflict. This will alert the owners of these marks to the prospective registration of the application and thus allow them to lodge an opposition. Receiving such notifications could be made optional.

Advantages

62. As in option 4, this has the significant advantage that the problems of the status quo are immediately relieved. When compared to option 4, this option is more likely to be of use if our assessment of the “wait and see” strategy is incorrect. If the majority of existing mark owners would prefer a mechanism to allow them to enforce their marks before registration then this option is advantageous. We have already discussed the balancing act between a “search and cite” regime and a “search and notify” regime in relation to option 4 which applies equally here.

Disadvantages

63. Clearly, a requirement on the owners of earlier marks to enforce their registrations themselves (as opposed to relying on the registrar to do it for them) creates additional burden. More national oppositions will no doubt be filed as a result of a move to this option although judging by the limited take-up of watching services covering the CTM, the increase in the number of oppositions is unlikely to bring the proportion of marks opposed to anything like the 18-20% figure experienced at OHIM.

64. Although the need to file opposition to enforce an earlier mark is a disadvantage, we would highlight the changes to the opposition procedure that were introduced in 2004 which means that the burden is not as high as in other jurisdictions. The introduction of a preliminary indication means that many opposition cases based on earlier conflicting trade marks are no longer the subject of a full blown opposition procedure. Also, the introduction of a proof of use regime into the opposition procedure has prevented the filing of abusive oppositions and ensures that earlier marks are only enforced to the extent that they have been used (so meeting the requirements of Article 11(2) of the Directive).

65. Notifying the owners of earlier marks could be a disadvantage if this leads to the stoking up of unnecessary and unsuccessful oppositions. We therefore believe that this option would require us to further improve the quality and targeting of the official search if this disadvantage is to be avoided.

Summary

66. As with option 4, we believe this option to be more a more balanced mechanism than the status quo or any other form of “search and cite” regime. It provides an easier route for new applicants (particularly when considering the increasing difficulties they will face with the status quo) yet permit the owners of earlier marks to enforce their marks when required through an easy to use opposition system.

6 Approximately 40% of oppositions that are based on conflicting trade marks do not proceed to full blown opposition.

RECOMMENDATION

67. When we last consulted on this issue in 2002 we recommended a model similar to that of option 4. We are of the same view now. We are not simply sticking to our guns. We have approached the matter with fresh eyes and have re-assessed the position, taking into account how the landscape has changed and the feedback received from the pre-consultation exercise.

68. We believe that the status quo cannot be sustained over the 10-15 year period that this review is intended to cover. The difficulties that are being faced by new applicants are significant and these will worsen with time. Whilst we can keep a “search and cite” regime, subject to various tweaks to deal with the most glaring problems, we do not believe that this will resolve the fundamental tension between the national and CTM systems. As the number of overlapping registrations and revocable CTMs increase we will face a position where, if we were to adopt option 2 or 3, a significant proportion of the citations we raise will be waived on notice and/or be the subject of a proof of use requirement. Whilst this is better than having no mechanism at all to deal with these problems, this will add to the complexity and cost of the current search and cite regime. These matters, coupled with the rapid growth in the size of the registers of citable marks, particularly the CTM register, suggest to us that a more radical answer is needed.

69. This is why we recommend option 4. It permits a regime that will not cause unnecessary difficulties for applicants, gives applicants the option of making a commercial risk assessment about the wisdom of proceeding with an application when there are earlier conflicting marks, yet still allows owners of existing marks to enforce them whenever they wish and have a legitimate legal basis for doing so.

70. Option 4 is preferred to option 5 as we believe this represents the regime most likely to be operated by the majority of our users (primarily SMEs). From the intelligence we have about their approach to the CTM system, we believe that they will mostly adopt a marketplace assessment of conflict before incurring legal costs in adversarial actions. We therefore believe that this option is most useful to the majority of our users, and is sustainable and cost effective.



ANNEX A

RESPONSE FORM

Name:

Firm / organisation:

Address:

.....

Are you responding on an individual basis or do you represent a group or organisation?

If you are representing a group or organisation, please tell us who.

.....

1) Which, if any, of the options we have identified do you favour?

.....

2) If you wish to do so, say why you have come to that conclusion.

.....

.....

.....

.....

.....

3) Is there anything that could be built into your preferred option to make it more attractive?

.....

.....

.....

.....

4) Do you have any other comments?


.....

.....

.....

ANNEX B

General Principles of Consultation

This consultation is being conducted according to the Code of Practice on Written Consultation issued by the Cabinet Office (available from the [Cabinet Office web site](#) ). This recommends the following criteria:

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

Comments about the consultation process

If you have any comments or complaints about how this consultation process is being handled, please tell the Patent Office's Consultation Co-ordinator, who is:

Maria Ciavatta
Consultation Co-ordinator
The Patent Office
Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: +44 (0)1633 813741
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E-mail: Maria.Ciavatta@patent.gov.uk

ANNEX C

List of consultees

The following is a list of organisations and individuals to whom a copy of this consultation document has been sent. It is also available on the Patent Office website and can be viewed and commented upon by anyone accessing it:

The Council on Tribunals
The Law Society
The Law Society of Scotland
The Bar Council
The Institute of Patentees and Inventors
Trade Marks, Patents and Designs Federation
Confederation of British Industry
University of London, Queen Mary
British Retail Consortium
Incorporated Society of British Advertisers
Chartered Society of Designers
Chartered Institute of Patent Agents
Institute of Trade Mark Attorneys
Association of British Chambers of Commerce
Consumer's Association
National Consumers Council
Federation of Small Businesses
Licensing Executives Society
International Federation of Industrial Property Attorneys
International Chambers of Commerce
Association of the British Pharmaceutical Industry
Intellectual Property Institute
London Chamber of Commerce and Industry
Institute of Practitioners in Advertising
Anti-Counterfeiting Group
Intellectual Property Lawyers Association
British Brands Group
Patent and Trade Mark Group, Institute of Information Scientists
The Patent Judges
The Intellectual Property Sub-Committee of the City of London Law Society
British Pharma Group
The British Agrochemicals Association Limited
British Generics Manufacturers Association
British Library
Centre of Research for Intellectual Property & Technology (SCRIPT)
EC Laws Committee - LES Britain & Ireland
The Appointed Persons

ANNEX D

Pre-consultation exercise – summary of findings

Between July and October 2005, the Trade Marks Registry carried out a pre-consultation exercise in relation to the future of the examination on relative grounds for refusal. The aim of the exercise was to tease out the relevant issues and to obtain feedback on the system as it stands with a view to conducting a formal consultation early in 2006 which fully and accurately reflects the interests of users.

This report summarises the views of respondents as to the advantages and disadvantages of the current UK system and highlights their opinions on some of the issues that are relevant in deciding if the current system should be retained.

What is the value of the current system and for whom?

Some respondents felt, to varying degrees, that the current system is still of value. Most agreed that the current system provides greatest value to SMEs as it reduces expense and reduces the need for monitoring of marks. The provision of a search also justifies the initial outlay for SMEs. A free policing service in this regard is seen as an appropriate role for the Registry if the UK system was to change.

A number of respondents also stressed that a UK registration is a “strong” right with a high presumption of validity – without this, larger companies would seek a CTM registration only. A “secure” right encourages businesses to file in the first place and acts as a deterrent to later filers. It is also seen as a sound basis for a Madrid application due to the thorough search undertaken. The certainty incumbent with securing a strong right was highlighted as another important factor.

Additional points raised:

- There was concern amongst some that section 11(1) would be abolished along with relative grounds examination
- The system is also beneficial to newcomers – i.e. a clean register
- Letters before action based upon a UK registration certificate are effective –situation would be different if there was a less vigorous examination regime

Some respondents felt strongly that there was no longer any value to the current system – this was because of OHIM and the expense now caused to clients.

Watching the Register

Overall, the number of trade mark holders utilising a watching service to watch CTMs was small. Where watching services were employed they tended to be employed by larger companies. The cost of follow-up action was suggested by many respondents as a reason for the low rate. Some suggested that smaller firms prefer to react to an actual conflict rather than to pre-emptively oppose applications.

Value of the official search

Most professional representatives carry out their own clearance search or utilise the Trade Mark Registry’s Search and Advisory (SAS) service. This is because the official search comes too late in the process to be of use and that the real issue is knowing whether a mark is free to use rather than merely free to register. The official search is also seen by some as too inconsistent and not wide enough. For others, the official search was very important as it is done quickly. A fast track service for searching would be advantageous for those who do rely on the official search.

Unrepresented applicants are more likely to rely on the official search. However, some utilise the SAS service or the office's search facilities (e.g. the on-line search facility).

Whether/Where to file

The primary factors influencing whether and where to file were commercial considerations and client needs – geographic spread of the clients business together with the speed and cost of the respective services. Some firms advise a client to take the CTM route (irrespective of scope of business) where pre-filing searches reveal conflicting earlier marks.

Some stated that they simply preferred to use the UK office as it provides a better and faster service. For others, reduced likelihood of facing opposition did have some influence, but the geography of the business was still the main factor.

Proof of use

Whilst some felt that it was undesirable for the Registry to object without knowing if the earlier mark is revocable for non-use others felt that the present system works well.

It was emphasised that any new system should not be overly bureaucratic, burdensome or costly for brand owners (particularly SMEs). On the flip side, some stressed that the current system is already burdensome in requiring an application for revocation – this entails significant expense for small businesses.

Some respondents felt that the Registry should be more receptive to evidence from the applicant that an earlier mark is not in use, while others then questioned whether this would mean informing the earlier owner and asking for submissions/evidence. Others suggested that the Registry could ask for use on a mark that is over 5 years old before citing. Some respondents were opposed to any use procedure occurring at examination stage, suggesting instead that the Registry follows the US model which requires a statement of use upon renewal.

Consent

Expensive consents are rare and the threat of revocation is often used as a tool to lever it. Cost can however become a problem when dealing with numerous cited marks. Other difficulties in obtaining consent were identified as:

- some nationalities appearing to be adverse to allowing the request or simply misunderstanding the request;
- Not being able to gain a response to a request;
- The cost of investigating earlier use;
- Where earlier rights holder cannot be contacted or the company has gone into liquidation
- CTMs more complicated and costly – translation costs. Problem will worsen with expansion of the EU

Most respondents felt that owners of earlier marks were fair when deciding on the costs of providing consent. However, some felt that excessive fees were being charged and that a request for consent was seen by the owner of the earlier mark as a money making opportunity.

Notice

A number of respondents agreed that waiving citations on notice was a viable option and could be particularly useful in relation to CTM marks. There was, however, caution expressed about taking such an approach; comments include:

- Should not be overly bureaucratic and involve mounds of paper
- Should not follow the system used by OHIM
- Should not create unnecessary and confusing options
- Could create similar risks to consent
- The reality of market place should be a paramount consideration
- Notification should only be sent to the owners of the earlier marks which are genuine citations – i.e. after a Hearing or discussion with a Hearing Officer

It was generally agreed that notification could help where:

- already duplicate, overlapping rights
- citation pending a long time (although some caution was exercised over this situation)
- citation borderline
- evidence earlier mark unused and over 5 year old

Enforcement of Private Property Rights – who should be responsible?

There were mixed views on who should enforce the rights of trade mark owners. Those who felt the Trade Marks Registry should continue to “search and cite” said that this was particularly beneficial for SMEs.

ANNEX E - 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 950k earlier trade marks. Just over 60% of 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

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