



For Innovation

RELATIVE GROUNDS FOR REFUSAL PROPOSED LEGISLATIVE CHANGES



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A DTI SERVICE

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RELATIVE GROUNDS FOR REFUSAL – PROPOSED LEGISLATIVE CHANGES

INTRODUCTION

Summary and purpose of consultation

Earlier this year the Patent Office consulted on how, in the future, the relative grounds for refusal contained in the Trade Marks Act 1994 (“the Act”) should be dealt with. After taking into account the views expressed in response to the consultation we then published our Minister’s decision on how we should proceed (see Annex A). In summary, the Registrar of Trade Marks will no longer refuse to register a new trade mark application in the face of an earlier conflicting trade mark unless the owner of the earlier mark successfully opposes the new application. The Registrar’s examiners would, nevertheless, still conduct a search as part of the examination process and would inform both the applicant for registration of the results of the search and also the owners of earlier conflicting trade marks identified in it if, and when, the application proceeds to publication.

Having decided what the policy should be, consideration has now been given to the legislative changes that are required to bring this policy into practice. This consultation document therefore sets out draft legislation to show how the new regime will operate. Explanations of the changes and the effects they will have are also included.

Responding to the consultation

We welcome your views on any aspect of the draft legislation. Given that this consultation is directed to the manner in which the legislative framework needs to be amended to facilitate the policy decision that has already been made, responses to this consultation should be similarly directed. Please send any comments to the postal or e-mail address given below:

Louise White
Trade Marks Registry
Concept House
Cardiff Road
Newport NP10 8QQ

E-mail: consultation@patent.gov.uk

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 **12 March 2007**.

Responses are welcomed from any individual or body especially from those who make use of (or intend to make use of) the UK trade mark 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

A draft regulatory impact assessment (RIA) has been produced and can be seen at Annex D. The RIA sets out our assessment of the impact that the new legislation will have on users of the national registration system. Please take the time to read this document and let us have any comments you have on any aspect of its contents. After considering any comments we receive, the RIA will be finalised and will accompany the legislation, when forwarded to the responsible Minister, in order that he can confirm that the benefits of the legislation justify any costs that the legislation will introduce.

Openness/Confidentiality

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.

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 request 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.

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.

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 – PROPOSED LEGISLATIVE CHANGES

PRIMARY LEGISLATION

Changes to the primary legislation are required. Section 8 of the Act enables the Secretary of State to make the necessary changes through an order in the form of a statutory instrument laid and approved by a resolution of each House of Parliament. Such an order may provide that a trade mark application should only be refused registration under the relative grounds provisions mentioned in Section 5 of the Act if objection on that ground is raised in opposition proceedings by the proprietor of an earlier mark or right. Section 8 also provides the power to make consequential changes relating to the carrying out of searches and to limit the persons who may file a declaration of invalidity (to correspond with the persons who may oppose on relative grounds). The draft Order under Section 8 of the Act reads:

“REFUSING TO REGISTER A MARK ON THE GROUNDS MENTIONED IN SECTION 5 OF THE TRADE MARKS ACT 1994

2. The registrar shall no longer refuse to register a trade mark on a ground mentioned in section 5 of the Trade Marks Act 1994 (relative grounds for refusal) unless objection on that ground is raised in opposition proceedings by the proprietor of the earlier trade mark or other earlier right.
3. Section 37(2) (search of earlier trade marks) of the Trade Marks Act 1994 shall cease to have effect.
4. The registrar may, in connection with an examination under section 37(1) of the Trade Marks Act 1994, carry out a search of earlier trade marks for the purpose of notifying the applicant and other persons about the existence of earlier trade marks that might be relevant to the proposed registration.
5. (1) Only the persons specified in paragraph (2) may give notice to the registrar of opposition to the registration.
(2) Those persons are—
 - (a) in the case of an opposition on the grounds mentioned in section 5(1) to (3) of the Trade Marks Act 1994, the proprietor of the earlier trade mark;
 - (b) in the case of an opposition on the grounds mentioned in section 5(4) of that Act, the proprietor of the earlier right; and
 - (c) in any other case, any person.
6. (1) Articles 2 to 5 shall not apply to a pending application which was accepted before the coming into force of this Order.
(2) In this article, “pending application” means an application for the registration of a trade mark which was made, but not finally determined, before the coming into force of this Order.
7. (1) This article shall not apply to an application for a declaration of invalidity which was made before the coming into force of this Order.
(2) Without prejudice to section 47(4) of the Trade Marks Act 1994, only the persons specified in paragraph (3) may make an application for a declaration of invalidity.
(3) Those persons are—
 - (a) in the case of an application on the grounds in section 47(1) of that Act, any person;
 - (b) in the case of an application on the grounds in section 47(2)(a) of that Act, the proprietor of the earlier trade mark; and
 - (c) in the case of an application on the grounds in section 47(2)(b) of that Act, the proprietor of the earlier right.”

EXPLANATIONS AND RATIONALE

Article 2 - This makes the basic order envisaged by Section 8 of the Act.

Articles 3 and 4 – These provisions have the net effect of removing the formal obligation to conduct a search for the purposes of examination and objection (the removal of Section 37(2)) and to replace it with a provision that as part of the examination process the Registrar may conduct a search for the purposes of notifying the applicant and other parties of any earlier marks that appear to provide a basis for opposition or subsequent invalidation of the new trade mark.

It will be important that the search conducted for these purposes is thorough and yet fully evaluated and focussed on those marks which are really likely to present a good arguable case as the subject of an objection under Section 5 of the Act to the registration of the new trade mark. We therefore intend to build on the existing quality of the search currently undertaken by the Registrar's examiners for the purpose of identifying grounds for the refusal of registration of new trade marks so that the search conducted for information purposes will be even more accurate.

Article 5 – This details who may oppose a prospective registration. The Act currently allows "any person" to oppose, but the legislation will stipulate that for grounds of opposition based on Section 5(1), (2) or (3) of the Act, all of which are based on the existence of an earlier trade mark, an opposition may only be filed by the proprietor of that earlier trade mark. Similarly, for grounds of opposition under Section 5(4), which is based on the existence of an earlier right, opposition may only be filed by the proprietor of that earlier right. Oppositions on the basis of any other grounds will continue to be able to be made by any person.

Opposition on grounds under Section 5 will, in terms of who can oppose, be more limited than it is now. Section 8 stipulates that, in the event of an order being made, opposition to prevent the registration of marks under Section 5 must be made by the proprietor of the earlier mark or sign. This is a consequence of the change that is, in our view, unavoidable if the new system is to operate successfully.

The new registration regime means that the assessment of conflict with earlier marks becomes a more market place based assessment (with proprietors opposing if they consider there to be a conflict) rather than the mechanistic paper based assessment that currently takes place. This requires that the persons permitted to oppose or seek the invalidation of a registered mark be limited to those who are in the position to assess the real economic effect that the new trade mark may have on the earlier one. This is plainly a judgment for the proprietor of the earlier mark to make. To allow anyone to oppose or seek to invalidate a trade mark registration on the basis of a third party's earlier trade mark or right would thus undermine the thinking which underpins the new regime. It would also permit the use of opposition and invalidation proceedings for tactical purposes, the result of which would be to expose the applicant to a greater risk of proceedings than the attainment of the overriding policy objective requires.

Article 6 – This stipulates that the provisions of the Order do not apply to pending applications which have already been accepted. The effect of this is that the provisions will apply to marks that were applied for before the coming into force of the Order but will not apply to pending applications that have already been accepted and that are simply awaiting publication or have already been published.

Article 7 - The impact of the Order on applications for declarations of invalidity are contained in this provision. Firstly, the Order stipulates that this provision applies only to invalidity applications filed on or after the coming into force of the order. Secondly, the Order limits the scope of who can file an application for a declaration of invalidity in a similar manner, and for similar reasons, to those who can file an opposition (see Article 5 above)

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SECONDARY LEGISLATION

Section 78 of the Act provides the power to make secondary legislation to regulate practice and procedure. The following is a draft set of amendment rules that will further amend the Trade Mark Rules 2000 (as amended) (“the Rules”):

“Changes following end of ex officio refusal on relative grounds; s 37

3.—(1) After rule 11, insert—

“Notifying results of search; s 37

11A.—(1) Where, following any search under section 37, it appears to the registrar that the requirements for registration mentioned in section 5 are not met, she shall notify this fact to—

- (a) the applicant; and
- (b) the proprietor of any earlier trade mark in relation to which at the time of acceptance of the trade mark it appears that the conditions set out in section 5(1) or (2) obtain.

(2) But the registrar has no duty to notify an excluded proprietor.

(3) An excluded proprietor is—

- (a) in relation to a mark which is an earlier registered trade mark or an international trade mark (UK) as defined in section 6(1)(a), 6(1)(ba) and 6(2), a proprietor who has notified the registrar in writing that he wishes to be excluded; and
- (b) in relation to an earlier Community trade mark or international trade mark (EC), as defined in section 6(1)(a), 6(1)(b) and 6(2), a proprietor who has not filed a request to be notified on Form TMXX in relation to that mark.

(5) Rule 54 shall not apply to any decision made in pursuance of this rule.

(6) No decision made in pursuance of this rule shall be subject to appeal.”.

(2) In rule 13, for paragraph (1) substitute—

“(1) Any notice to the registrar of opposition to the registration, including the statement of grounds shall be filed on Form TM7.

(1A) The time prescribed for the purposes of section 38(2) shall be the period of three months beginning with the date the application was published.”.

Transitional provisions

Rule 3 shall not apply to a pending application which was accepted before the coming into force of the 2007 Order.”

EXPLANATIONS AND RATIONALE

Rule 3 of the draft amendment rules introduces a new Rule 11A to the Rules and, furthermore, amends Rule 13 of the Rules. The various impacts of these changes can be broken down as follows:

Rule 11A (1), (2) and (3) – These rules set out who will be notified as a result of the search carried out under the provisions of Section 37(1). The applicant for registration will be notified of any earlier marks which at the time of examination appear to the Registrar on the face of things to provide a ground of objection under Section 5(1) or 5(2) of the Act. The applicant will decide whether his mark proceeds to publication in the light of this information. If the trade mark is published, the Registrar will notify the proprietor (except an “excluded proprietor”) of any earlier mark identified in the search which still appears to the examiner to provide a basis for an objection under these parts of section 5.

The above rules define an “excluded proprietor” as two things. Firstly, it is a proprietor who has informed the Registrar in writing that he wishes to be excluded from receiving such notifications. This enables a proprietor who would otherwise receive a notification to “opt-out” of receiving them. This rule retains the flexibility for a proprietor who may, for example, conduct his own watching service to opt-out of receiving official notifications.

The second category of “excluded proprietor” consists of the proprietors of Community Trade Marks (“CTM”) and international trade marks which have designated the Community as a whole for protection (International–EC) who have not asked to be notified of such matters (by filing a Form TMXX). We do not propose to notify these categories of proprietors of earlier marks unless they opt-in to receiving notifications. We see this as necessary for a number of reasons:

- a) Notification is, effectively, an information service to assist the applicant and the proprietor of the earlier mark. The provision of such a service obviously costs the Patent Office and this cost will be met by the revenue that the Patent Office receives from its statutory fees. Whilst applicants and proprietors of UK marks (and International marks designating the UK) pay UK statutory fees to the Patent Office, proprietors of CTMs and International-ECs do not. Not requiring such proprietors to opt-in to the notification system (and to pay a fee for doing so) would mean that users of the UK registration system would be subsidising this information service for the benefit of proprietors of CTMs and International-ECs.
- b) As opposed to proprietors of UK marks or International marks that have specifically designated the UK, proprietors of CTMs or International-ECs cannot be presumed to have a specific interest in the UK market. The enlargement of the European Community means that more and more trade marks protected at Community level are not in use in every member state. For this reason we do not consider it appropriate to send what would be significant numbers of notifications to proprietors of earlier marks protected at Community level who may well have no interest in receiving such information.
- c) What we have proposed is a mirror of the way in which the CTM registration system operates. Only proprietors of earlier CTMs are notified by OHIM as a result of their searches; proprietors of national marks are not. We therefore believe that this proposal aligns the UK regime with the one operated by OHIM at Community level and, furthermore, we are satisfied that it accords with the relevant legislation and does not discriminate against the rights of CTM proprietors.

In summary, we consider it right only to notify proprietors of CTMs and International-ECs if they opt-in to the notification system for any particular mark or marks in respect of which they are interested in receiving such notifications. Although the particular request form will attract a modest fee, we believe that the ability to opt-in to our notification system provides a proportionate and balanced solution.

The amendment rules do not place any consequences on an applicant for registration who does not respond to being notified of an earlier mark. The absence of any consequences means that an application for registration will proceed automatically to publication unless the applicant requests its withdrawal. In practice, we will allow a period of time (two months if there are no other objections to registration) between issuing the examination report and accepting the application and arranging for its publication. This period of time (which can be extended) can be used to amend or withdraw the application.

Rule 11A (5) and 11A(6) – These rules stipulate that any decision to notify under Rule 11A may not be the subject of a hearing or appeal. For example, the applicant for registration may not appeal the Registrar’s decision to notify the proprietor of a particular earlier trade mark identified in the examiner’s search.

We consider it inappropriate that an applicant for registration should be able to challenge a decision to notify the proprietor of an earlier mark as this decision is partly for the benefit of the proprietor of the earlier mark. Further, a decision to issue a notification has no substantive effect on the rights or interests of the applicant for registration. A decision of that kind will only be made if the proprietor of the earlier trade mark objects to registration by filing a notice of opposition, in which case the Registrar will not be bound or fettered by the earlier decision to issue (or not to issue) a notification to the opponent.

We do not want to issue notifications which are not necessary. Accordingly, we will, in practice, allow the applicant an opportunity to restrict his specification in order to avoid the need to notify the proprietor of any earlier trade mark identified in the search report sent to the applicant. Further, the applicant will be permitted to make one written submission in response to the search report drawing attention to any marks which the applicant believes were included in the search report in error. If, as a result of a restriction of the application and/or of any arguments submitted on behalf of the applicant, the examiner decides that the list of conflicting earlier marks should be amended, he will proceed accordingly. The examiner will not, in any circumstances, enter into a continuing dialogue/argument as to the continued relevance of any earlier mark.

Amendment to Rule 13 – The amended rule is simply a re-draft to take into account that the right to oppose is no longer applicable to “any person”

Transitional provisions – as with the primary legislation, the changes will apply to applications that were pending when the rules come into force, except for pending applications that have already been accepted for registration.

ANNEX A

RELATIVE GROUNDS FOR REFUSAL – THE WAY FORWARD

RESPONSE DOCUMENT

Background

In February 2006 we, the UK Trade Marks Registry, published a consultation paper on how we should deal with the relative grounds for refusal contained in Section 5 of the Trade Marks Act 1994 (“the Act”). The consultation period ended on 17 May 2006. This response document provides a summary of the responses received (a detailed summary is provided in Annex A) together with our conclusions on what we plan to do next.

It was extremely helpful that when we came to analyse the responses, a large number of respondents gave specific and quite detailed reasons for the preferences they expressed. We must therefore thank all of the users who engaged in the process for contributing to a thought provoking debate that has been invaluable when reaching such an important decision on the future of the UK trade mark registration system.

Our conclusions

It would be impractical to respond directly to every point or argument raised by each respondent. We have, nevertheless, considered each and every response when reaching our conclusions. We will, therefore, focus on the various options identified in the consultation document and our primary reasons for us adopting (or otherwise) them.

Option 1, the status quo, was favoured by only 17% of respondents. The primary reasons put forward by those advocating this option were two-fold. Firstly, that the “stronger” more valid registration obtained through the UK system created a point of value compared to a “weaker” less valid Community Trade Mark (“CTM”). This point of value was seen by these respondents as an important aspect in the filing decisions of prospective applicants and, consequently, if this point of difference did not exist then there would be little point in filing at the UK office given the relatively better value CTM option. Secondly, a move away from the status quo to any form of search and notify system would, inevitably, increase the burden on existing trade mark owners (due to the requirement to monitor and enforce their marks against later applications) and that this burden would be particularly felt by small and medium sized enterprises (SMEs).

Whilst we understand the points being made, we still maintain that the status quo is not viable. The information gained from the pre-consultation exercise did not point toward regime differences as being a major contributing factor in the choice of where to file. In relation to burden it is sufficient to say at this stage that we consider the change we intend to make to be necessary to overcome the increasing tensions between the UK and CTM regimes and the practical difficulties this creates. But we will ensure, as far as we possibly can, that systems are in place to limit any potentially increasing burdens on existing right holders, particularly SMEs, the overall aim being to produce a well balanced system that is fair to both existing right holders and new applicants. We have also borne in mind that the majority of unrepresented applicants, who are all SMEs, did not favour Option 1 and, consequently, seemed content with having to face the task of at least enforcing their own marks in the event of conflict.

Conclusion – the arguments put forward by those favouring Option 1 have not persuaded us that the status quo should be maintained – we will not proceed with Option 1.

Options 2 & 3, it is fair to say, received only minority support representing just 7% of respondents between them. These options were aimed at “tweaking” the existing system so as to eliminate some of the most glaring difficulties caused by the tension between the UK and CTM registration procedures. Although we still feel that these options are better than the status quo, and a few respondents agreed, we do not feel able to proceed with either of them due, firstly, to the more administratively complicated and burdensome systems they will create (particularly Option 3), secondly, because they do not solve the fundamental tensions and difficulties, and, thirdly, there is a lack of support for them.

Conclusion – we will not proceed with either Option 2 or Option 3.

Options 4 & 5 both represent a change to the current regime whereby the official search for conflicting earlier marks will be used solely for information purposes. The decision to oppose the registration would be placed solely in the hands of the owners of earlier intellectual property. The only difference between the two options resides in whether we should inform the owners of any earlier trade marks (if their mark is identified in an official search of a new application) in addition to the applicant (Option 5), or whether we should inform the applicant only (Option 4).

Approximately 70% of respondents favoured a move to some form of search and notify system as characterised by Options 4 & 5. There was general support for the proposition that the status quo was not sustainable and that a change of this sort was necessary. We agree.

In the consultation document we recommended Option 4 as our preferred option. This recommendation was made on the basis that the majority of our users (primarily SMEs), whether represented or not, were unlikely to take action, even if they were notified of a potentially conflicting trade mark, unless there was actual conflict in the marketplace. In view of this, we felt that there was little benefit in notifying the owners of earlier marks. Some of the respondents in favour of Option 4 agreed with this assessment. The other primary argument put forward in favour of Option 4 was that the responsibility for both monitoring and enforcing intellectual property rights was the clear responsibility of their owners, and, therefore, once registered, their owners should ensure adequate watching of their marks through commercial watching services rather than relying on the Trade Marks Registry to do this for them.

In relation to Option 5, the primary argument centred on the inherent benefit of ensuring that the owners of earlier trade marks are exposed in some way to the prospective registration of a potentially conflicting mark. This would have the result that potential objections to the registration and use of new marks would more likely to surface at an early stage rather than later (by which time significant investment may have been made in the new mark by its owner). The Registry notifying the owners of earlier marks would ensure this third party exposure to proposed new registrations which otherwise may not take place due to the lack of take-up of commercial watching services. The other primary argument centred on minimising the burden on the owners of earlier marks who, without the Registry notifying them as per Option 5, would move straight from a position of official policing and enforcement of their trade marks (at least against later national applications if not Community applicants) to a position where they would have to pay for a commercial watch in order to monitor for later conflicting applications.

The choice between Option 4 and 5 is not an easy one. The respective arguments are finely balanced, as are their pros and cons. However, on balance, there does seem to be merit in ensuring that potential disputes are settled as early as possible in order to avoid wasted investment in new marks. Option 5 is clearly most likely to support this objective and based on this, together with the other arguments in its favour, and taking into account that Option 5 received far more support than option 4, we feel that this option represents the way forward.

Conclusion – we will proceed with Option 5.

NEXT STEPS

The next steps will be to flesh out Option 5 in more detail and to introduce the legislative and administrative changes to bring it to fruition. This will involve further consultation with our users on the procedural rules we intend to introduce, which will cover the procedures for notifying the applicant of any relevant marks identified in the official search, how long the applicant will have to withdraw or restrict his application before it is published, and the circumstances in which owners of earlier trade marks will be notified of later conflicting marks. We anticipate that this process and the necessary changes to the internal systems of the Trade Mark Registry of the Patent Office will take some time to complete and, therefore, we expect the new regime to come into force in October 2007.

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
Fax: +44 (0)1633 814509
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 - REGULATORY IMPACT ASSESSMENT

1. Title of proposal

The Trade Marks (Examinations) Order 2007
The Trade Marks (Amendment) Rules 2007

2. Purpose and intended effect

- Objective

The objective of the changes is 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 new regime is also intended to address certain inequities and anomalies that are present in the current system. The aim is for the new regime to be sustainable for at least the next 15 years without the need for a further review.

- Background

As part of the examination procedure of national UK trade mark applications a search is conducted to see if anyone has already registered a mark that conflicts with it. If a conflicting mark is found it is raised as an official objection and will block the new application from proceeding. The proprietor of the earlier mark does not have to ask for this to be done, it is done automatically. This system has worked reasonably well for many years.

However, since 1996, it has been possible to register Community Trade Marks ("CTMs"). In 2004 it became possible for proprietors of international trade marks registered with the World Intellectual Property Organisation to request that they are protected throughout the whole of the European Union. Both these forms of registration give legal protection for the trade mark in the UK, even if its proprietor has no specific interest in the UK market, and therefore also block any apparently conflicting national UK application.

CTMs and international marks protected throughout the Community are not examined in the same way as UK applications: they are not blocked by earlier registrations unless their owners formally oppose. This, taken into account with the huge numbers of CTMs that are being registered, has meant that UK applicants will now often face significant numbers of blocking registrations.

Whilst blocking registrations can be overcome in a number of ways (e.g. by obtaining consent, amending specifications, filing for the cancellation of the earlier mark due to non-use) the burden of doing so in respect of CTMs is significantly increased due to geographical and language issues.

There is a further problem with the current system. Under the law, an opponent or applicant for invalidation can only object to the registration of a trade mark because of a conflict with an earlier mark that is more than 5 years old to the extent that he or she can show that the earlier mark has been used (or that there are proper reasons for non-use). The Registrar cannot know whether the earlier marks his examiners find on registers have been used. Consequently, the use conditions which govern who can bring an opposition or invalidation action based on earlier conflicting marks do not apply to the Registrar. However, this means that some marks are currently being refused registration on the grounds specified in section 5(1) and (2) of the Act in circumstances where the owners of the earlier marks could not themselves oppose registration.

Furthermore, the protection afforded to existing UK national registration holders (by our automatic blocking regime) appears to be at least partly undermined by the availability of alternative mechanisms of protecting trade marks in the UK by obtaining protection at Community level.

The above factors have resulted in a situation where it is become increasingly more difficult to secure a UK national registration. The situation will only worsen with time as more and more marks are protected at Community level.

- Rationale for government intervention

We consider it essential to intervene as without doing so the registration system of UK national trade marks will, ultimately, become gridlocked. The time and resource that will be needed to attempt to overcome so many blocking CTMs and international-ECs will become disproportionate to the benefits of achieving registration. This will, ultimately, lead to a situation where the decision to be made between filing a national UK registration or filing a CTM will be based on the ease (or difficulty) of securing registration rather than a decision based on the geographical scope of the rights desired. This can not be right for UK businesses and it is for this reason that it is proposed to change the system.

3. Consultation

- Within government

The following government agencies/teams have been involved in the consultation process and we have taken their views into account in the decision making process and the drafting of the relevant legislation:

DTI Legal
Parliamentary Counsel
The team responsible for the Gowers Review of Intellectual Property
Small Business Service
The DTI Better Regulation Team

- Public consultation

We have undertaken a number of consultation exercises to reach this point. We initially consulted informally to ascertain what users of the national registration system saw as the strengths and weaknesses of the current regime. The information gained from the informal consultation was then utilised to form a series of 5 options for users to consider; these options were put forward for consultation in February 2006. Following an analysis of the results of the February 2006 consultation, and taking into account a) that the majority of respondents from all interest groups favoured a move to an opposition based system for handling objections based on earlier conflicting trade marks and b) more users supported Option 5 than any other option, we are now consulting on the draft legislation to bring Option 5 to fruition.

Consultation has therefore been extensive. Part of the above consultation exercises included significant numbers of meetings with interested parties around the country. We also paid great attention to direct business users (those without legal representation); more information about our activities in this area can be seen at paragraph 6 below (Small Firms Impact Test).

4. Options

The consultation process narrowed down the options. We now either make the changes detailed in the proposed legislation or do nothing. The changes envisaged by the proposed legislation can be summarised as:

- A regime whereby an earlier conflicting trade mark can only prevent the registration of a new application if the earlier mark's proprietor successfully opposes the registration of the new application.
- A search will be conducted as part of the examination process of the new application. If the search reveals the existence of any earlier marks then the applicant will be given the results of the search in order that they can decide whether it is worth the risk in still proceeding with the application.
- If the applicant elects to proceed then the owners of any earlier marks will be notified that the application is proceeding, so putting them in an informed position about the status of the new application.

5. Costs and benefits

- **Sectors and groups affected**

Potentially all business sectors are affected as trade mark registration covers the full range of goods and services that are traded in the UK. All groups are also likewise affected as trade mark registration may be sought from sole traders to large multi-nationals, both with or without legal representation.

- **Costs**

We expect there to be an increase in the number of oppositions filed to compensate for the removal of the automatic blocking of earlier marks. Although, as detailed below (see benefits section), we expect that this cost will be off-set by a significant reduction in the number of new applications that fail on relative grounds examination.

We have benchmarked against other territories who have made similar changes to their regimes, and, as part of this process, also taken into account any differences inherent in their particular markets and user base. From this exercise we have estimated that the rate of opposition may double (from approximately 1000 to 2000 opposition cases) in the medium to long term.

The potential increase in the opposition rate should be measured against the introduction in 2004 of the preliminary indication ("PI") into the UK opposition procedure. The PI was introduced following a previous consultation on relative grounds examination the outcome of which was to not change to the regime that we are now implementing. That decision was made partly because it was considered that the opposition procedure was too costly and time-consuming to deal with an increase in the opposition rate. The PI was subsequently introduced to streamline the opposition procedure and to reduce the cost and time it takes to prosecute an opposition. This streamlining was beneficial not just for oppositions filed since its introduction but it also had the benefit of creating an opposition procedure that would meet the needs of a future relative grounds regime that focused more on opposition rather than examination.

The PI has been extremely successful. Approximately 50% of opposition cases now fall away without entering the evidential stages of opposition. The PI assists in commercial agreements being reached more quickly.

The legal costs associated with the shifting emphasis of the new regime are more difficult to quantify. Whilst it is fair to say that a typical opposition costs considerably more than the typical fees paid to counter an official objection raised by the Registrar, we believe that the significantly reduced numbers of applications that will, in the future, have relative grounds issues means that the net effect will be neutral.

- **Benefits**

Approximately 15% of new trade mark applications currently fail due to the existence of earlier trade marks. Based on current levels of filings, this represents some 4,500 applications (equating to at least £900,000 in official fees) that are effectively lost. These cases will no longer fail unless the proprietor of the earlier mark opposes the application. Given the success of the PI, we believe that we will only need to issue a decision on approximately 300 opposition cases per year. Although we need to factor in the increase in the number of oppositions (and statutory fee) filed, this will still equate to a saving (in terms of statutory fees) to the business community.

There will, no doubt, be cases where individual businesses are worse off. However, the new regime will feature a number of mechanisms that individual businesses can avail themselves of to mitigate against such costs. Firstly, the notification service we intend to offer will be reliable. Users will be justified in having a high degree of confidence in the quality of the search results. This means that if the proprietor of an earlier mark is notified that a conflicting new application is proceeding to publication then, all things being equal, they are likely (although not guaranteed) to succeed in an opposition provided that their earlier trade mark satisfies any use requirements. The registrar has power to award costs (from a published scale) to successful litigants.

Similarly, if an applicant for registration is notified of an apparently conflicting mark, but they take the risk of proceeding and they lose an opposition, the opponent will be entitled to an award of costs. The notification system will therefore put the applicant/proprietor into an informed position as to our opinion of their likely success in opposition – they are then in a good position to assess the risk of launching or defending an opposition action.

The quality of the search, together with the utilisation during opposition of the PI, means that an applicant or proprietor making reasonable, informed and proportionate decisions on the action they intend to take will mitigate against potential cost. The cost issue is one of balance. Under the present regime significant numbers of new applications (and the costs associated with them) are lost due to notional paper based conflicts that do not represent a real commercial conflict. The new system readdresses this balance and creates a more equitable system for all parties.

In summary, the benefits are that the difficulties encountered by applicants attempting to register UK national trade marks, together with the anomalous and inequitable situations that have occurred since it has been possible to register CTMs and international-ECs, are alleviated. The problem of significant numbers of new applications (and the cost of funding them) failing due to notional or theoretical conflict (as opposed to genuine commercial conflict) will be alleviated. The rights of existing trade mark proprietors are still protected through the opposition system and, to assist existing trade mark proprietors, we will provide a notification service to them. The new regime provides greater balance between the rights of earlier trade marks and those of new applicants.

6. Consultation with small businesses - Small Firms Impact Test

We have carried out a stage 1 impact test with small firms. The test was carried out by speaking directly to small businesses and to legal professionals who represent small businesses. To engage directly with small businesses we held face-to-face discussions with unrepresented applicants (typical small businesses) and also conducted telephone surveys with unrepresented users of our services; both these activities were preceded by the individual taking part receiving a simple and easy to understand summary of the background and the proposals being made. We also ensured that information on the proposals was sent to the Small Business Service (SBS) for onward transmission to firms on their database of interested parties. Professional representatives were also invited to comment on the impact that the proposals would have on their small business clients.

The results of the above have led us to conclude that the proposed changes, although they will clearly have some form of impact, will not have a significant or disproportionate impact on small business. This view was supported by a high proportion of the small businesses we spoke to who expressed the general view that change was required. Indeed, without change the impact on small businesses will be more significant and disproportionate than with it. A small business will be less equipped to deal with a continuing regime of new applications being automatically blocked by earlier conflicting marks; the avenues for overcoming blocking registrations will be more difficult, costly and time consuming and this will impact disproportionately on small businesses.

The SBS have agreed with our assessment that the proposals are unlikely to have a significant or disproportionate impact on small firms, and that there is no requirement to carry out stage two of the impact test.

7. Competition assessment

We consider that the changes will have no effect on competition between right holders or between firms of legal representatives. We do not consider that a company or firm will be placed at a disadvantage as a result of the changes; neither do we consider that any new start up company or firm will be prevented from entering the marketplace.

Although the new regime creates a shift of burden, the shift creates a more balanced and equitable system between existing right holders and applicants for new trade mark registrations. If anything, the shift will put some parties on a more equal footing. For example, those wishing to avoid the mechanistic enforcement of earlier marks against their new application will, under the current regime, need to file a CTM to do so. This creates additional cost and a process that may be daunting for an applicant without legal representation. The changes mean that it is only necessary to file a CTM if the applicant genuinely requires the broader geographical protection (or for some other benefit) that this right offers.

8. Enforcement, sanctions and monitoring

The changes will form the framework under which the handling of relative grounds objections will take place. As such, we will not have to specifically enforce the proposals on users. Users have a choice as to whether they wish to apply for a trade mark or to enforce their existing trade mark against others. If they choose to do so under the national system of registration then they will have to do so with regard to the procedures laid down. As there are no specific enforcement procedures then no specific sanctions against non-adherence (or mechanisms to monitor non-adherence) apply.

9. Implementation and delivery plan

It is our intention for the legislation to come into force on the October 2007 common commencement date. Guidance on the new regime will be produced and will be available prior to the change. We also intend to provide familiarisation sessions to any interested party in order to guide would-be users of the system through the new way of doing things.

10. Post-implementation review

One of our objectives was to aim for the new regime to be sustainable for at least the next 15 years without the need for further review. We believe that the degree of public consultation and the degree of support for the proposed change mean that formal review is unnecessary in the short to medium term. However, as with any change, we will monitor how the new regime is working. The Patent Office has formal feedback and complaints mechanisms and also has standing meetings with various user representative groups. It is through these fora, and our own observations, that this monitoring will take place.

11. Summary and recommendation

Taking into account the information provided above, together with the extensive consultation that has taken place, the Patent Office strongly recommends that the changes embodied in the legislation be adopted.

Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed

Date

Minister's name, title, department

Contact point for enquiries and comments: name, address, telephone number and email address.

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