Title: Changes to provisions which allow merging of registered trade marks. **IA No: BIS0185 (Part 2)** **Lead department or agency:** Intellectual Property Office (IPO) **Other departments or agencies:** Department for Business, Innovation and Skills (BIS)	**Impact Assessment (IA)** **Date:** 22/11/2011 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries**: Nathan Abraham (nathan.abraham@ipo.gov.uk; 01633 814295)

Summary: Intervention and Options

RPC Opinion: Awaiting Scrutiny

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£0.15m	£0m	£0m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

Separate trade mark registrations can be merged into a single registration, reducing cost for the proprietor by minimising future renewal fees. The current merger provisions were designed to address fundamental differences between the existing Trade Marks Act and its predecessor and, as a result, are now outdated and under-used. Although IPO still receives a small number of merger requests, the corresponding laws no longer reflect patterns of demand, so we seek to streamline secondary legislation accordingly.

What are the policy objectives and the intended effects?

• To improve the current provisions so as to make the process of merging registered trade marks as straightforward as possible.
• To make IPO's new trade mark computer system more fit for purpose by removing any need for it to accommodate and process those specific merger actions which are no longer required by users.
• To make the new computer system as simple as possible for IPO's customers to use.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Retain the current provisions and develop full functionality into IPO's new computer system at a higher cost.
2. Amend the current provisions to better reflect the circumstances in which trade mark mergers are still needed by users, and build suitably limited functionality into the new software system at a lower cost.
3. Abolish all legal provisions for merging trade mark registrations, thereby avoiding any need to incorporate functionality into IPO's new trade mark computer system.
Option 2 is preferred. It amends legislation to better reflect the specific type of merger action now required by users; avoids the need to spend money on developing software functionality for those processes which are under-used; and avoids the need to introduce any new fees to business .

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/2014

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** 0	**Non-traded:** 0	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY: .... Date: ....

Summary: Analysis & Evidence

Policy Option 1

Description: Do Nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	**High:** 0	**Best Estimate:** 0

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0	0	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

There will be no costs as this is the "status quo" although this option will not meet the policy objective.

Other key non-monetised costs by 'main affected groups'

n/a

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0	0	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

There will be no benefits as this is the "status quo" although this option will not meet the policy objective.

Other key non-monetised benefits by 'main affected groups'

n/a

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0.0	**Benefits:** 0.0	**Net:** 0.0	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description: Amend merger provisions to reflect demand, and develop limited computer functionality

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.15	**High:** 0.18	**Best Estimate:** 0.17

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0	1	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

The IPO does not seek to introduce any fees for merging trademarks so there will be no monestised costs to business.

Other key non-monetised costs by 'main affected groups'

There may be a tiny minority of trademark proprietors who are negatively affected by limiting the conditions because they are no longer able to merge their registrations as they have different registration dates. However we believe that these will be negligble as there are very few pre 1994 'single' registrations left, and of those that are, most will have identical filing dates. No consultation respondees raised concerns about these costs.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.15	1	0	**0.15**
High	0.18		0	**0.18**
Best Estimate	0.17		0	**0.17**

Description and scale of key monetised benefits by 'main affected groups'

IPO will only have to spend £35,000 on software development rather than £200,000 if we do nothing, this therefore represents a £165,000 saving. There will be no benefits to business as the system will not add any additional facilities or improve the service.
A 10% sensitivity analysis has been carried out giving low and high estimates of £148,500 and £181,500 respectively.

Other key non-monetised benefits by 'main affected groups'

There are no further benefits.

Key assumptions/sensitivities/risks | **Discount rate (%)** 3.5

We assume that removal of provisions which allow merger of trade marks which (i) have different dates of protection; and/or (ii) are subject to cancellation proceedings and/or (iii) form the basis for an International Registration, will not adversely affect trade mark proprietors (consultation reponses indicate that this will not be the case). Assumptions regarding estimated future demand for merger actions is on page 5.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0.0	**Benefits:** 0.0	**Net:** 0.0	Yes	OUT

Summary: Analysis & Evidence — Policy Option 3

Description: Remove legislation outright so that trade mark mergers are no longer possible

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2011	2011	10	**Low:** -0.05	**High:** -0.03	**Best Estimate:** -0.007

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0	1	0.022	**0.19**
High	0		0.026	**0.23**
Best Estimate	0		0.024	**0.21**

Description and scale of key monetised costs by 'main affected groups'

Removal of mergers would result in every individual trade mark being subject to an individual renewal action of £200 per application. Our forecasts suggest that there are on average 120 merger request per year, so this means that 120 companies would have to pay an additional £200 renewal action if they were unable to merge. Therefore the annual cost would be £24,000. We have carried out a 10% sensitivity analysis to give a high and low estimate of £26,400 and £21,600 respectively.

Other key non-monetised costs by 'main affected groups'

Removal of the merger provisions would effectively result in proprietors owning more trade mark registrations. In particular, those proprietors who have divided, and then successfully defended, their trade mark in response to a third party attack will feel unfairly penalised at having to pay multiple renewal fees in the future.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.18	1	0	**0.18**
High	0.22		0	**0.22**
Best Estimate	0.20		0	**0.20**

Description and scale of key monetised benefits by 'main affected groups'

IPO does not charge a fee for merger actions, so removal of the function would not result in any savings to business. The option would reduce IPO costs by removing a need to develop software to accommodate merger actions, so there will be a transitional benefit of £200,000.
A 10% sensitivity analysis has been carried out and gives high and low estimates of £220,000 and £180,000 respectively.

Other key non-monetised benefits by 'main affected groups'

Removal of the merger provisions has no non-monetised benefits to business.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

We assume that requests for merger actions will continue to decrease at a rate equitable to that found in recent years. Having dropped from 1,000 mergers in 2008, to 700 mergers in 2009, and then to 500 mergers in 2010, IPO assumes that merger request will decrease further to approximately 375 in 2011, and 225 in 2012. After that, merger actions are likely to stabilise at an average of around 50 per year.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.048	**Benefits:** 0.0	**Net:** -0.048	Yes	OUT

Evidence Base

PROBLEM UNDER CONSIDERATION

1. Proprietors of UK registered trademarks have the option of merging their separate registrations into one single right, providing that certain basic criteria are met. When introduced in 1994, this provision reflected some fundamental differences between the 1994 Trade Mark Act and previous trade mark legislation. Most importantly, it gave owners of trademarks registered under the 'old' 1938 Trade Marks Act an opportunity to minimise their renewal fees by 'combining' existing registrations.

2. IPO is currently developing a new trade mark computer system, and it has naturally sought to identify those functions for which the cost of developing suitable functionality will outweigh the potential value to users and, more importantly, those functions which do not meet user demand. Because the number of merger actions has dropped significantly in recent years, the corresponding provisions fall into this category.

BACKGROUND

3. On its introduction, the Trade Marks Act 1994 provided trade mark proprietors with the option of merging their registrations into a single registered trade mark. This was primarily in acknowledgement of a fundamental distinction between the new law and the preceding 1938 Trade Marks Act. Under the old law, individual trade mark applications were only permitted to cover one category of goods or services, meaning that applicants seeking protection for a range of products were obliged to file multiple applications for the same trade mark, and subsequently renew their individual registrations at a not insignificant cost.

4. By contrast, the 1994 Trade Marks Act permitted the filing of single applications covering *multiple* classes of goods and/or services. Although applicants are now required to pay a small fee for each additional 'class' of goods/services, the cost to users of applying for a 'multi-class' application is still much lower than it was under previous legislation whereby applications for different types of foods and services had to be filed separately.

5. To avoid unduly penalising those proprietors of trademarks registered under the old law, the 1994 Act (and the corresponding secondary legislation) introduced provisions which enabled proprietors of existing registrations to merge their separate trademarks into one single registration. This benefitted proprietors of pre-1994 registered trademarks by significantly reducing their future renewal costs.

6. Given that the merger provisions were introduced seventeen years ago, all 'live' trademarks registered prior to the 1994 Act will have now moved through at least one renewal action (the renewal period for a registered trademarks is ten years). This means that most registered proprietors wishing to use the merger provisions in order to 'combine' their pre-1994 trade marks in order to save on renewal fees will have already done so. The demand for merger actions is therefore constantly diminishing.

7. There are other limited circumstances in which the merger provisions are still valued by proprietors. In particular, an applicant facing opposition proceedings against part of his or her trade mark application may choose to split the application in order to expedite registration of the 'unopposed' part, whilst defending the 'opposed' part. In cases where the applicant has then successfully defended an opposition action, the merger provisions enable the divided application to be returned to its original state.

8. Although there will always be a call for merging 'post-opposition' trademarks, overall demand for merger actions is dropping annually. Using past applications and the fact that as the pool of 'unmerged' older trademark registrations decreases so does the demand for merger action, IPO has forecasted the number of merger applications until 2020 and predicts that future demand for merger actions will

continue to decrease at a rate similar to that of recent years, with an average of 120 requests per year over the period 2011-2020.

Year	Number of Merger applications
2007	1,500
2008	1,000
2009	700
2010	490
2011	375
2012	250
2013	150
2014	75
2015	65
2016	65
2017	55
2018	55
2019	50
2020	50
Average between 2011 -2020	120

By such time, it is highly unlikely that proprietors of pre-1994 registrations will still be seeking to merge their trade marks in order to reduce renewal fees. In almost all cases, such action will have already been taken.

PUBLIC CONSULTATION

9. In March 2010, IPO published a consultation paper setting out a range of options related to the abolition, retention and amendment of the current merger provisions. The paper prompted 23 responses from a range of users including the main representative bodies for trade mark attorneys and business groups, legal firms specialising in intellectual property, and individual trade mark attorneys. Of those 23 respondents, 66% were in favour of retaining the merger provisions, and 33% were in favour of removing them outright. The minority favouring removal of the merger provisions made reference to the diminishing number of pre-1994 single class applications. By contrast, those favouring retention acknowledged that mergers are rarely used, but also insisted that the function is valued for those rare scenarios where an application is divided in response to third party opposition, successfully defended, then returned to its former state via a merger action.

10. A number of respondents favouring retention also acknowledged that introduction of a corresponding fee would be justified given the low level of demand for merger actions, but insisted that the fee should be lower than the cost of a standard renewal for a single-class trade mark application (i.e. <£200) in order to make any new streamlined function economically viable.

IPO'S DEVELOPMENT OF A NEW TRADE MARK COMPUTER SYSTEM

11. IPO is currently in the process of developing a new computer system which, when operational in 2012, will significantly improve all trade mark functions. IPO has naturally sought to identify those statutory processes which are under used and/or which do not satisfy market demand, in order to avoid unnecessary expenditure on the development of software functions which are unlikely to be used.

12. Given that it does not currently charge for trade mark mergers, IPO seeks to avoid introducing any new costs to business as a result of changing the provisions. In that context, IPO has considered three options. Firstly, retaining the existing merger provisions in full (the 'do-nothing' option) would preserve a function which already exceeds users' requirements, and would generate a minimum transitional cost to IPO of approximately £200,000 as a result of having to develop full mergers functionality into its new computer system. Secondly, amendment of the merger provisions in line with most business usage would result in a lower transitional cost to IPO of £35,000 to cover the development of simpler software functionality, and would not require the introduction of any merger fee – meaning a zero cost to business. Thirdly, removing the merger function outright would deny users the opportunity to merge their registered trademarks, and necessitate separate renewal actions at a higher cost to business. The second option is preferred.

DESCRIPTION OF OPTIONS CONSIDERED (INCLUDING DO NOTHING)

Option 1 - Do Nothing. Retain merger provisions as they are.
Option 2 - Amend legislation so that mergers law is more fit for purpose
Option 3 - Remove legislation outright so that trade mark mergers are no longer possible

PROPOSED CHANGES TO LAW ON MERGING OF TRADE MARKS UNDER OPTION 2

13. Under current provisions, the rules governing mergers of registered trademarks are fairly relaxed. Provided that the two marks are identical and in the same ownership, then the action can be taken. Crucially, current provisions do *not* require that marks intended for the merger have the same filing date. This reflects the circumstances in which the provisions were originally drafted – when the 1994 Act and rules were introduced there were many older 'separate' registrations for identical trademarks, and proprietors sought parity with the new legislation. To have insisted on identical filing dates in 1994 would have disadvantaged a large number of proprietors seeking to minimise future renewal fees. However, as all pre-1994 registrations have now passed through at least one renewal period, most proprietors seeking to merge their older registrations will have already done so.

14. The demand for merger actions is now generated – in much smaller numbers - from a wholly different set of circumstances. With the majority of trade mark applications now being filed in respect of multiple classes, third-party oppositions will often target *some* but not *all* of the goods and/or services intended for protection. To avoid unnecessary stalling of uncontested goods/services, applicants facing opposition will often divide their applications – expediting registration of the uncontested parts, whilst defending those terms subject to attack. In the event of successfully defending an opposition, the proprietor will then seek to reassemble its two 'split' applications back into a single unitary right. This is what now generates the demand for merger actions.

15. In all such cases, the separate registrations seeking merger action will have identical filing dates, as they will have been created from an initial single application. This is why the vast majority of current merger actions relate to marks with identical filing dates, and why IPO now seeks to amend the law to ensure that identical filing date is a legal requirement for mergers.

16. There are two additional merger conditions which IPO seeks to introduce as part of the amendment, largely in order to benefit those seeking to enforce their trade marks in response to third party infringement. Under the current 'relaxed' provisions, a trade mark proprietor forced to defend a cancellation action (based, for example, on a third party's claim that the mark registered is not actually being used) can delay matters by simply merging the contested mark with a later registration at zero cost. This can result in extra cost for the plaintiff who, as a result of the merger action, needs to amend the cancellation action in order to continue with its prosecution. To avoid such circumstances, IPO seeks to exclude registrations which are subject to cancellation actions from being merged.

17. The current provisions also create problems for both IPO and users in respect of International Registrations. Under the Madrid Protocol, an applicant seeking trade mark protection in multiple jurisdictions can file a base application in one single territory which is party to the Protocol, and the World Intellectual Property Organisation ('WIPO') then distributes the mark amongst other territories nominated by the applicant, who will examine and register the mark according to their own laws. Apart from the obvious benefit to the applicant of having to file a single action and receive multi-jurisdictional protection, the system also benefits those seeking to contest Madrid International trade marks. In particular, a plaintiff can attack an International registration by filing one single action against the base registration (i.e. it does not have to file multiple actions in all territories nominated by the applicant). Under the current provisions, merging a UK trade mark registration which forms the basis of an International Registration creates problems – it generates additional dialogue between IPO and WIPO (who are obliged to alter their records), and creates problems for third parties seeking to attack International Registrations by making it difficult to identify the base registration. As a result, IPO also seeks to exclude from merger actions those UK trade marks which form the basis for an International registration, and which are within the five year dependency period.

18. In most cases, current merger actions result from circumstances outlined in paragraphs 14-15 above. The number of merger requests filed which (i) are intended to circumvent the need to defend cancellation actions and/or (ii) form the basis of International Registrations, are very small. The impact of the proposed changes will be equally small.

COSTS, BENEFITS AND IMPACTS

Option 1

19. By retaining the merger provisions in their current form, IPO would be continuing with a system which already exceeds user requirements, and which complicates the administrative process for both IPO and its users. IPO would also need to develop corresponding functionality into its new trade mark computer system at a minimum cost of £200,000 as estimated by the software developers. This is because merging trade mark registrations with different dates for potentially overlapping goods/services would require complex processes to merge the individual lists of goods and services into a single list, without duplicating the same goods/services, and also to work out the priority date(s) to which the merged trade mark would be entitled. Further, permitting the merger of trade marks which are the subject of cancellation proceedings or are being monitored for restrictions because they have been used as the basis for a dependent international registration under the Madrid Protocol, would also require complex software changes in order to assess the significance of the merger to the cancellation proceedings or the International registration, and then to re-establish the linkage between the cancellation proceedings or the international registration with the record for the merged trade mark. It is estimated that this work would take at least 300 days of software development and testing. Much of this cost would have to be recouped from users - either by introducing a fee on trade mark merger actions and/or by raising fees on other chargeable trade mark functions. None of these measures would be welcomed by IPO's users.

20. IPO predicts that future demand for merger actions will continue to decrease at a rate similar to that of recent years, with an average of 120 requests per year over the period 2011-2020. To fully recover the £200,000 software development costs over a five year accounting period, IPO would need to pass these costs on to its users and therefore set the merger fee at approximately £335 per merger (Cost of software development / number of merger application over five year period = £200,000 / (120 x 5) = £335) This is both undesirable and unworkable. As the cost of renewing a single-class trade mark registration is already £200, any merger fee would need to be lower than the cost of renewal in order to make it a worthwhile exercise.

21. By introducing a merger fee of *under* £200 per action, IPO would still fall short of recouping its software development costs within five years. It would also be introducing an undesirable new cost to business, which would likely lead to even less demand for the service. In order to avoid double counting of these costs we have used the £200,000 IT costs as our baseline, but it is important to note that it would be IPOs objective to pass these costs onto users.

Option 2

Costs

22. The IPO does not seek to introduce a fee for merging trademarks under Option 2 so there will be no monetised annual cost to business for future merger actions.

23. Limiting the conditions under which merging of trademarks is permitted may be negatively received by a tiny minority of trade mark proprietors who own pre-1994 registrations filed on different dates, and who will no longer be able to merge their registrations. Similarly, proprietors facing cancellation actions and/or those using UK trade marks as the base registration for an International Trade Mark will be prevented from merging their rights. However, the non-monetised cost in all such cases will be negligible. This is because there are very few pre-1994 'single' registrations left unmerged, and of those that are, most will have identical filing dates anyway - thereby still qualifying them for valid merger actions under the proposed changes. None of the potentially negative impacts presented here were raised by consultation respondents.

Benefits

24. Under Option 2 IPO will incur a saving in IT costs; if IPO was to do nothing then it would incur costs estimated by the software developers to be £200,000, however under Option 1 with the new requirements as discussed on page 7, the IT costs to develop software that allowed for mergers of trade marks filed on the same date, but for different goods/services, excluding marks which are subject to cancellation proceedings or have been used as the basis for a dependent International Registration, have been estimated by the software developers to be £35,000 representing 52 days of development and testing. This is therefore a one-off benefit of £165,000.

25. There will be some non-monetised benefit to business, but it will be minimal. As set out in paragraphs 16-17 above, a very small number of merger actions can distort and increase the cost of third parties' efforts to enforce their Intellectual Property because (i) mergers can be used to circumvent rights holders' obligation to defend against cancellation actions (including scenarios where those cancellation actions are fully justified) and/or (ii) mergers can complicate the administration of Madrid Protocol registrations where the trade mark being merged forms the basis for an International designation. Neither of these two scenarios was envisaged when the merger provisions first commenced in 1994. However, given that the number of mergers which are filed in such circumstances is so small, no specific figures have been provided at previous consultations. In broader terms, Option 2 reflects the majority view of consultation respondents. Therefore, adoption of the preferred policy will contribute to the maintenance of goodwill between IPO and its users.

Option 3

Costs

26. Removing the merger provisions outright would generate extra costs for those businesses who would otherwise seek to merge their trade mark registrations prior to renewal in order to reduce subsequent renewal fees.

27. Without the benefit of mergers, every individual trade mark would have to be subject to an individual renewal action and associated fee in order to extend the period of protection. We estimate an average demand for merger requests to be 120 per year as discussed on page 6 above. As each of those requests are seeking to merge two separate single-class trade mark applications, this would result in an additional £200 renewal fee for each of the companies if they were unable to merge and were subject to an individual renewal action and associated fee for each trade mark rather than just one under the current legislation. Therefore we estimate that the annual monetised cost to business would be £24,000:

Number of separate trademarks registrations which would be made subject if merging was not possible	120
Minimum renewal cost for each single-class trade mark registration	£200
Annual cost to business brought about by removal of merger provisions	**£24,000**

Benefits

28. Removing the mergers provisions outright would generate transitional savings for IPO as a result of not needing to develop any mergers functionality into its new trademarks computer system. This would be a saving of £200,000 as discussed under the “do-nothing” option.

29. Option 3 will not generate any benefits for business because it is simply a removal of a service that saves a number of businesses money. The consultation responses confirmed that the provisions *are* valued by IPO users, with an acknowledgement that reasonable fees may need to be introduced in order to cover the cost of processing. Implementing Option 3 in the face of consultation respondents' views is therefore unlikely to be received as a positive step.

Preferred Option

30. Option 2 is the preferred option, and reflects the majority view of respondents to the consultation exercise. Current legislation sets out a fairly broad set of conditions in which trade mark mergers are permitted i.e. provided that the registrations intended for merger are in respect of the same trade mark, then a merger can be completed. In reality, most mergers correspond to registrations covering not only *identical marks*, but also *identical filing dates*, and so we would seek to ensure that any amendment to the existing provisions continues to permit such actions. IPO now proposes that the provisions be amended so as to exclude those registrations which (i) have different filing dates; and/or (ii) are subject to cancellation proceedings; and/or (iii) constitute the base registration for an International trade mark (IR) protected under the Madrid Protocol. By excluding the aforementioned scenarios, IPO will be able to provide a merger function which fully meets the needs of business, and which also results in significant savings on software development.

One In, One Out

31. This measure is deemed to be an OUT with zero net cost to business. This is based on the assumption that the changes are a simplification to the current legislation rather than a new regulation and so should be considered as an OUT.

Specific Impact - Competition

32. No adverse impact on competition. Overall demand for trademark merger actions is already very low, and will continue to decrease in the future. Demand for those specific types of merger actions which will fall outside the proposed changes (and which will not therefore be permitted) is even lower.

Specific Impact - Micros and Small Businesses

33. IPO does not have information from its users on the size of the organisations they belong to. However, we are able to identify those trade mark applicants/proprietors which are not represented by an agent of any kind. And whilst any size or type of organisation may be unrepresented, we believe that most unrepresented applicants are likely to be SMEs or individuals working alone.

34. Although unrepresented applications make up around 50% of IPO's current trade mark input, implementation of the preferred policy is unlikely to have any adverse effects for small or micro-sized businesses. The corresponding percentage of trade mark filings by unrepresented applicant in the years prior to, and immediately after, implementation of the 1994 legislation was much lower, at around10-15%. Therefore, the majority of small/micro businesses currently holding registered trademarks will have used the 1994 provisions which permit single registrations covering multiple classes of goods and services - thereby avoiding any future need to use the merger provisions other than in the rare case of defending opposition proceedings.

Specific Impact - Race Equality

35. The manner in which the trademarks system will continue to operate means that the changes have no bearing on race equality. Amending the current provisions for merging trademarks will affect all proprietors, regardless of race.

Specific Impact - Disability Equality

36. The manner in which the trademarks system will continue to operate means that the changes have no bearing on disability equality. Amending the current provisions for merging trademarks will affect all proprietors, regardless of race.

Specific Impact - Gender Equality

37. The manner in which the trademarks system will continue to operate means that the changes have no bearing on gender equality. Amending the current provisions for merging trademarks will affect all proprietors, regardless of gender.

Specific Impact - Sustainable Development

38. The manner in which the trademarks system will continue to operate means that the changes have no impact on sustainable development.

Specific Impact - Carbon Impact and Other Environmental Assessment

39. Streamlining the merger provisions will nominally reduce the amount of paper forms both submitted by users, and issued by IPO. The environmental impact of this is positive, but is likely to be very small.

Specific Impact - Health Impact Assessment

40. The manner in which the trade marks system will continue to operate means that the changes will have no impact on public health in the UK.

Specific Impact - Justice System

41. The manner in which the trade marks system will continue to operate means that the changes will have no impact on the justice system.

Specific Impact - Human Rights

42. The manner in which the trade marks system will continue to operate means that the changes will have no impact on human rights.

Specific Impact - Rural Proofing

43. The manner in which the trade marks system will continue to operate means that the changes will have no impact on rural areas or life.

Annexes

Annex 1: The Trade Marks Act 1994 - Provisions relating to the merging of separate trade mark registrations

Registration: supplementary provisions

41.–(1) Provision may be made by rules as to–

(a) the division of an application for the registration of a trade mark into several applications;

(b) the merging of separate applications or registrations;

(c) the registration of a series of trade marks

(2) A series of trademarks means a number of trademarks which resemble each other as to their material particulars and differ only as to matters of a non-distinctive character not substantially affecting the identity of the trade mark.

(3) Rules under this section may include provision as to-

(a) the circumstances in which, and conditions subject to which, division, merger or registration of a series is permitted, and

(b) the purposes for which an application to which the rules apply is to be treated as a single application and those for which it is to be treated as a number of separate applications.

Annex 2: The Trade Marks Rules 2008 (SI 2008 No. 1797) - Provisions relating to the merging of separate trade mark registrations

Merger of separate applications or registrations; section 41 (Form TM17)

27. –(1) An applicant who has made separate applications for registration of a mark may, at any time before preparations for the publication of any of the applications have been completed by the Office, request the registrar on Form TM17 to merge the separate applications into a single application.

(2) The registrar shall, if satisfied that all the applications which are the subject of the request for merger–

(a) are in respect of the same trade mark;

(b) bear the same date of application; and

(c) are, at the time of the request, in the name of the same person, merge them into a single application

(3) The proprietor of two or more registrations of a trade mark may request the registrar on Form TM17 to merge them into a single registration and the registrar shall, if satisfied that the registrations are in respect of the same trade mark, merge them into a single registration.

(4) Where any registration of a trade mark to be merged under paragraph (3) is subject to a disclaimer or limitation, the merged registration shall also be restricted accordingly.

(5) Where any registration of a trade mark to be merged under paragraph (3) has had registered in relation to it particulars relating to the grant of a licence or a security interest or any right in or under it or of any memorandum or statement of the effect of a memorandum, the registrar shall enter in the register the same particulars in relation to the merged registration.

(6) The date of registration of the merged registration shall, where the separate registrations bear different dates of registration, be the latest of those dates.

Annex 3: Consultation Response Document (not yet published)

AMENDMENTS TO THE TRADE MARK RULES 2008

FORMAL RESPONSE DOCUMENT

Background

1. In March 2010 the Intellectual Property Office (IPO) published a consultation paper entitled 'Amendments to the Trade Mark Rules 2008'. The consultation paper presented a proposal relating to services provided by the IPO to ascertain their continued relevance and user's willingness to pay for them. The proposal was:

> To remove the facility to merge trade mark applications or registrations together.

2. The background to the consultation was explained as:

> "The Intellectual Property Office (IPO) is reviewing a number of the procedures it has adopted in the trade mark field to ascertain if they provide the necessary services to our customers. We aim to provide a service that meets the needs of business and to reduce any unwarranted burden, but some procedures have been in place some time and their level of usage brings into question their relevance. The purpose of this consultation is therefore to consider whether two particular services that are currently provided for by the IPO should continue."

3. The consultation period ended on 1 June 2010.

Responses

4. A total of 23 responses were received. A number of the responses were received after the closing date of the consultation, but these have been included in the assessment detailed in the following document. The respondents ranged from representative bodies for IP firms and business groups, to individual IP firms and individual IP attorneys. A list of the respondents can be seen in annex A.

5. This response document provides a summary of the responses received and our conclusions and planned next steps. It would not be practical to respond to each and every point raised (although they have all been taken into account), so this document covers the primary points and themes raised. The summary of the responses is broken down for each of the proposals.

Proposal

6. The proposal was:

> "To remove the facility to merge applications or registrations together."

7. The majority of responses received were against the proposal. Of those that expressed a view on this question, 33% were in favour of the proposal to remove the facility whilst 66% were against it.

8. The Institute of Trade Mark Agents (ITMA) in their response suggested that whilst they were not against the abolition of the provision which allows for the merger of pending trade mark applications, they believed that the provision which permits the merger of existing trade mark registrations still has some value.

9. This view was supported by another trade mark attorney, who commented:

> "Further thought should be given to the proposal to do away with mergers. It is true that it is not greatly used, but when it is it is very valuable. It will continue to be useful and may indeed become more so. For example, when a multi-class application is opposed one option is to divide it into opposed and non-opposed parts. When the opposition is concluded they can then be merged. The demand for this is likely to grow in my opinion."

10. There were a number of reasons put forward by those wishing to retain the current facility to merge marks together, despite the low usage. The main reasons put forward for the low take up included:

- Lack of awareness of the facility.
- Not all representatives advise their clients of this facility because it may decrease professional fees when trade marks come up for renewal.
- The loss of priority dates where the registrations being merged have differing dates.

11. The main reason put forward by those who agreed with the IPO proposal to remove the facility generally concurred with the reasons put forward in the consultation document, in particular:

- The number of marks which would be able to take advantage of this facility is constantly diminishing. As the facility has been available for over 15 years, mergers of marks originally registered separately in different classes under the pre-1994 single class system would have been completed.

12. If the facility is to be maintained a number of respondents agreed that there could be a charge made, but that it should be less than the standard renewal fee for a single class registration (i.e. £200).

13. If the facility was to be removed, the vast majority of respondents stated that there should be a transitional period of at least 12 months.

Analysis and next steps

14. The financial appraisal in the Impact Assessment indicated that the fee for merging trade marks would have to be at least £200 over the next 5 years in order to cover the cost of developing the Intellectual Property Office's replacement computer system in order to process mergers. As no one felt that a fee of £200 was acceptable, but that a majority of respondents favoured retaining the facility for mergers at least in some circumstances, we propose to retain the facility for mergers but in a simplified form. In future, we propose that the law will permit a number of registrations of the same trade mark by the same owner to be merged together only where the registrations concerned:

(i) have a common filing date;

(ii) are not subject to a current cancellation application;

(iii) are not the base registration for an international registration (IR) and within the period in which the survival of the IR depends upon the survival of the base registration.

This will mean that applications which are divided during the application process can normally be merged after registration, and so too can trade marks registered at the same time for different classes of goods/services under the pre-1994 single class registration system. Excluding the merger of trade marks filed on different dates, those subject to cancellation, and those used as the base for an IR, will simplify the administrative process and thereby reduce the cost to the Office of developing additional functionality on the replacement trade marks IT system. These changes will come into effect on 1 April 2012.

15. The decision to limit rather than abolish the Rules governing mergers mean that there is less need for a transitional period. Consequently, we do not propose to have a formal transitional period, but the changes will not be made until 1 April 2012 and there will therefore be sufficient time for trade mark owners to merge any trade mark registrations they wish before the restriction of scope and administrative fee are introduced.

Next steps

16. We propose to amend the Trade Mark Rules 2008. We propose that the implementing Statutory Instrument (SI) will come into force on 1 April 2012.