

EXPLANATORY MEMORANDUM

THE TRADE MARKS (INTERNATIONAL REGISTRATIONS DESIGNATING THE EUROPEAN COMMUNITY, ETC) REGULATIONS 2004

2004 No. 2332

1. This Explanatory Memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.
2. **Description**
 - 2.1 This instrument will enable the current UK procedures for existing types of trade marks to apply to a new category of international trade marks created by the European Community's accession to the international system of trade marks (the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, known as "the Madrid Protocol"). It will also extend the number of courts in the United Kingdom which are designated as Community trade mark courts.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Background**
 - 4.1 National trade mark laws of the Member States are harmonised by First Council Directive 89/104/EEC. In addition, there is a Community trade mark office which registers Community trade marks under Council Regulation (EC) No. 40/94 ("the CTM Regulation"). The registration of a Community trade mark gives protection against the use of the same or a confusingly similar mark throughout the territory of the EC, and national trade marks enjoy similar protection in the territory of the Member State concerned.
 - 4.2 With effect from 1st October 2004, the Community has become a contracting party to the Madrid Protocol. As a result, there will be a new method by which a trade mark can become protected throughout the territory of the EC, namely by designating the European Community in an application made under that Protocol. The amendments made to the CTM Regulation by Council Regulation (EC) No. 1992/2003 will enable such requests for trade mark protection. The Trade Mark Act 1994 and the supplementary provisions provided in the Community Trade Mark Regulations 1996 require amendment to incorporate this new category of trade mark valid in the UK.
 - 4.3 This instrument also provides the Patents County Court (PCC) and other Chancery County Courts with the jurisdiction to deal with Community trade marks. The Department for Constitutional Affairs intends to lay an Order that will provide the Chancery County Courts with the power to deal with other trade mark matters.

5. Extent

- 5.1 This instrument applies to all of the United Kingdom.
- 5.2 The provisions of the Trade Marks Act 1994 extend also to the Isle of Man (subject to any modification made by Order in Council, of which there have been two). However, the amendments to the Act made by this instrument concern only the conditions for the registration of a trade mark at the UK Patent Office. The Community Trade Mark Regulations 1996 extend only to the United Kingdom.

6. European Convention on Human Rights

The Lord Sainsbury of Turville has made the following statement regarding Human Rights:

In my view the provisions of the Trade Marks (International Registrations Designating the European Community, etc) Regulations 2004 are compatible with the Convention rights.

7. Policy background

- 7.1 The current trade mark system has three different categories of trade marks that are protected in the UK:
- (1) national trade marks that cover the UK: these are registered under the Trade Marks Act 1994 and are administered by the UK Patent Office;
 - (2) Community trade marks that cover the whole of the EC including the UK (administered by the Community trade mark office, called the Office for Harmonization in the Internal Market – OHIM);
 - (3) international trade marks designating the UK as a territory where protection is required (administered by World Intellectual Property Organization - WIPO).

As a result of Community accession to the Madrid Protocol, there will be a new category:

- (4) international trade marks designating the EC as a territory where protection is required (again administered by WIPO).
- 7.2 There will thus be four distinct ways for a trade mark to achieve protection in the UK. Generally, the benefits to trade mark holders of using this international system administered by WIPO is that it gives the possibility of protecting a trade mark in multiple territories by simply filing one application, in one language, with one set of fees. It is therefore an efficient way for trade mark holders to ensure protection for their marks in multiple territories. The accession of the EC to the system will add further flexibility.
- 7.3 The protection given to such an international trade mark designating the EC (like the protection given to a Community trade mark) has effect in the United

Kingdom by virtue of the direct applicability of the CTM Regulation (as amended). The direct application of that Regulation is, however, supplemented by the provisions contained in the Community Trade Mark Regulations 1996. Those supplementary provisions ensure that trade marks having effect under Community law are given the same level of protection as domestic trade marks. There is clearly a Community obligation to ensure that this is the case, since Community rights must be both given an adequate level of protection and protected at least as well as equivalent domestic rights. The present Regulations ensure that such protection is extended to the new kind of international trade marks, and that the system for the registration of such marks can operate successfully.

- 7.4 The Community Trade Mark Regulations 1996 also ensure that certain other provisions, such as the right to bring an action for groundless threats under section 21 of the Trade Marks Act 1994, and the offence of falsely representing a mark to be a registered trade mark, apply also to the Community trade mark. It is right as a matter of policy that such abuses should also be prohibited in relation to the Community trade mark. For the same reason, it is appropriate to extend the application of those provisions to the new category of international trade marks designating the EC. These are non-mandatory changes not directly required by our Community obligations.
- 7.5 In addition, certain amendments to the Trade Marks Act 1994 are necessary to ensure that the new category of international trade mark is included in the definition of “earlier trade mark” contained in section 6 of the Act. Without these amendments, it would not be clear on the face of the Act that an earlier international trade mark designating the EC can prevent or invalidate the registration of a domestic trade mark under the Act.
- 7.6 The PCC does not have full jurisdiction to deal with trade mark matters although it can deal fully with other intellectual property rights such as patents and designs. This has resulted in nugatory work as some cases started in the PCC have been subsequently transferred to the High Court as the PCC can not deal fully with trade mark matters. As a result we have agreed with the Department for Constitutional Affairs that they will introduce an Order using the Lord Chancellor’s powers under section 1 of the Courts and Legal Services Act 1990. That Order will extend the jurisdiction of the PCC and other Chancery County Courts to deal with trade mark matters. Part 3 of this instrument will allow the Chancery County Courts to deal with Community trade marks on the same basis.
- 7.7 The proposed accession of the EC to the Madrid Protocol was first proposed in 1996, but stalled due to political problems within the Council of Ministers. The Patent Office, however, did consult with UK trade mark interests at this time, through the Standing Advisory Committee on Industrial Property (SACIP) and direct with other leading users of the trade mark system. In addition, an informal consultation has been conducted in July/August 2004 regarding the two non-mandatory changes.
- 7.8 Business strongly supports the accession of the EC to the Madrid Protocol as it will provide increased choice and flexibility and a cost effective route to obtaining EC trade mark rights.

8. Impact

- 8.1 A partial Regulatory Impact Assessment is attached to this memorandum. This relates to the changes to the threats and false claims provisions. No further assessment has been conducted as the other changes either merely give effect to the new option of obtaining multiple-territory cover for a trade mark, making amendments required by the UK's Community obligations or are changes allowing a number of county courts, as well as the High Court to deal with Community trade mark matters thereby improving access to justice.
- 8.2 The impact on the public sector is that there will be a possible reduction in the number of international registrations designating the UK (examined by the Patent Office) in favour of international registrations designating the EC (examined by the OHIM) with a corresponding small decrease in trade mark examination work for the Patent Office.

9. Contact

Mark Bryant at the Patent Office, Tel: 01633 814792/813650 or e-mail: mark.bryant@patent.gov.uk can answer any queries regarding the instrument.

PARTIAL REGULATORY IMPACT ASSESSMENT

INTRODUCTION

1. This Regulatory Impact Assessment supports the explanatory memorandum relating to the Trade Marks (International Registrations Designating the European Community, etc.) Regulations 2004. It relates to changes to UK legislation made by that instrument as a consequence of recent amendments to the Community Trade Mark Regulation (CTMR) providing for the European Community's accession to the international system of trade marks operated by the World Intellectual Property Organization under the Madrid Protocol of 1989. This Assessment relates only to the non-mandatory changes which are not directly required by the UK's Community obligations.

PURPOSE AND INTENDED EFFECT OF MEASURES

2. The objective of those consequential changes is to ensure that the same benefits and safeguards for trade mark owners and third parties apply to a new category of trade mark valid in the UK, namely international trade mark registrations that designate the European Community (EC), as apply to UK national trade marks, Community trade marks and international trade mark registrations that designate the UK.
3. These measures include criminal sanctions and civil redress to deter abuse of the system. This will not cause new expense or regulatory difficulty for any person since they merely extend, to the new international rights applying to the EC, provisions that already exist in the case of equivalent national or Community rights or international rights applying to the UK. On the other hand, failure to extend the provisions could cause significant difficulties either for users of the system or for third parties who might be subject to abuses which are prohibited in respect of the national or Community rights or international rights applying to the UK.

OPTIONS

4. The objective can be achieved only by legislation. This will be done by regulations made under the European Communities Act 1972 and (so far as these measures are concerned) the Trade Marks Act 1994.

BENEFITS

5. The Trade Marks Act 1994 provides a system of rights for owners of trade marks. However it has been recognised in most areas of intellectual property that measures beyond simply the exclusive rights of owners to the use of the protected invention, design or mark are necessary to ensure that the system is fair and avoids abuse. In particular the Community Trade Mark Regulations 1996 (S.I. 1996/1908) provides checks and balances, which as a matter of equity are beneficially extended to both the Community and international systems as they currently apply within the UK. From 1 October 2004 another category of trade mark, namely an international registration designating the EC, will apply in the UK. As a matter of equity, the checks and balances mentioned above should be extended to this new category of trade mark.

(i) Offence of falsely claiming that a trade mark is registered

6. Section 95 of the Trade Marks Act 1994 makes it an offence to falsely claim that a national trade mark is registered and regulation 8 of the Community Trade Mark Regulations 1996 makes it an offence to falsely claim that a Community trade mark is registered. This protects competitors from unfairly being warded off from competition in an area where there is in fact no exclusive right. Prosecutions are extremely rare, but this appears to be testimony to the deterrent effect against abuses which were fairly common prior to the introduction of this type of offence (which is common to all forms of registered intellectual property, including patents and designs). It should not be possible to bypass this protection simply by claiming that a trade mark is protected by an international registration designating the EC rather than a UK or Community registration.

(ii) Redress against groundless threats of infringement of a trade mark

7. Section 21 of the Trade Marks Act 1994 and regulation 4 of the Community Trade Mark Regulations 1996 provide redress for certain people who are threatened with infringement proceedings. This type of provision has been common to all forms of registered intellectual property law since around the start of the twentieth century. It was introduced to combat abuses where a right holder would attempt to disrupt a competitor's business by threatening legal action, knowing that there was no likelihood of success, but relying on the fact that intellectual property litigation is so expensive that many would back off rather than risk it.
8. The problem is now much less common than used to be the case, probably in part because this type of provision provides a method of ending the threat (and of claiming damages in respect of any loss sustained). The particular form of the provisions have attracted some judicial criticism since it can be difficult to distinguish between reasonable negotiations (where an implication that a person appears to be infringing a right is likely to play a part and people should not be encouraged to go to court before negotiation has failed) and threats. A few have also suggested that these provisions no longer have any useful role to play. However this seems a matter for a more general review. (In the case of patents, some relatively minor changes have been made by the Patents Act 2004 which received royal assent on 22nd July.) In the meantime, the courts have found it possible to safeguard the reasonable actions of right-holders and it would seem anomalous for a third party to be denied protection from threats made by the holder of an international registration designating the EC which could be stopped or deterred if the right was an exactly equivalent national or Community one.

COSTS

9. Compliance costs for business will be insignificant. There do not appear to be any significant costs, other than those in preparing the necessary legislation to make the UK trade mark system as equitable as possible. The addition of a fourth category of trade mark valid in the UK, will have minimal cost impact on businesses involved in the protection of trade marks in training their staff or producing revised guidance. This compliance cost assessment also applies to third parties concerned with trade marks, for example an alleged infringer of a registered trade mark.

SMALL FIRMS IMPACT TEST

10. Making the proposed changes would have no obvious adverse effect on small business. There are no disadvantages to any person which are not already a part of the balances in the existing legislation.
11. Not making the changes would cause an inequity regarding the different categories of trade mark valid in the UK. This would hit small businesses as they generally do not have the specialist legal advice on such matters.

COMPETITION ASSESSMENT

12. The proposed changes would have little effect on competition as they relate to the extension, to international rights applying to the EC, of provisions which already exist in the case of equivalent national or Community rights or international rights applying to the UK. The changes will benefit competition in so far as they ensure that the exclusive rights given by a trade mark are not abused or fabricated.

ENFORCEMENT AND SANCTIONS

13. Of the proposed changes, one gives a right to claim civil remedies (including damages) in the courts, and the other creates a summary offence punishable by a fine. These sanctions are proportionate, and consistent with existing sanctions for comparable matters.

MONITORING AND REVIEW

14. The Patent Office is monitoring the EC's accession to the international system of trade marks to ensure that the system works effectively. We meet regularly with users of the system to collect their experiences of the various trade mark systems.

CONSULTATION

15. A consultation with UK trade mark interests was conducted at the time the EC/Madrid link was first proposed in 1996. This was conducted with the Standing Advisory Committee on Industrial Property (SACIP) and direct with other leading users of the trade mark system. In addition, an informal consultation has been conducted in July/August 2004 regarding these two non-mandatory changes. This latter is published on the Patent Office website.

SUMMARY AND RECOMMENDATIONS

16. In summary, bearing in mind the costs and benefits referred to above, legislation should be made which includes:
 - making it an offence to claim falsely in the UK that a trade mark is protected as an international registration designating the EC;
 - providing redress against groundless threats of infringement in the UK of an international trade mark registration designating the EC.
17. There do not appear to be any significant disadvantages to these proposals, but advantages in ensuring equity of treatment for all types of trade mark valid in the UK.

I have read this Regulatory Impact Assessment and I am satisfied that the balance between cost and benefit is the right one in the circumstances.

7th September 2004

Sainsbury of Turville,
Parliamentary Under-Secretary of State
for Science and Innovation
Department of Trade and Industry

THE TRADE MARKS (INTERNATIONAL REGISTRATIONS DESIGNATING THE EUROPEAN COMMUNITY, ETC.) REGULATIONS 2004

Transposition Note

References below to individual regulations of these Regulations are in italics, and—

“1996 Regulations” means the Community Trade Mark Regulations 1996 (S.I. 1996/1908);

“Community trade mark” means a trade mark registered under Article 45 of Council Regulation (EC) No 40/94;

“EC” means the European Community;

“OHIM” means the Office for Harmonization in the Internal Market (trade marks and designs) established under Article 2 of Council Regulation (EC) No 40/94;

“Protocol” means the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, adopted at Madrid on 27 June 1989.

1. Provisions relating to international registrations designating the European Community (Part 2 of these Regulations)

1. First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks		
Harmonises the main features of the national trade mark laws of the Member States, in particular the conditions for registering a trade mark, and the rights given by such registration to prevent the use of identical or similar trade marks in the Member State concerned.		
Article	Objectives	Implementation
4	Sets out grounds which preclude the registration of a national trade mark, or upon which such a trade mark, if registered, is liable to be declared invalid. The grounds are based in particular on the identity or similarity of earlier trade marks.	Currently implemented by sections 5 and 6 of the Trade Marks Act 1994. <i>Regulations 3 and 4</i> amend sections 5 and 6 to take into account the creation of a new category of trade mark (“international trade mark (EC)”). Such trade marks are protected against later registrations in the same way as a Community trade mark. (See further below, under Regulation (EC) No 1992/2003.) <i>Regulations 5 and 6</i> amend sections 53 and 104 of the Act to insert a definition of the new category of trade mark.

2. Council Regulation (EC) No 1992/2003 of 27 October 2003 amending Regulation (EC) No 40/94 on the Community trade mark to give effect to the accession of the EC to the Protocol relating to the Madrid Agreement concerning the international registration of marks adopted at Madrid on 27 June 1989

Amends Regulation (EC) No 40/94, in particular by inserting a new Title XIII in that Regulation, to enable the EC to participate in the system for the international registration of trade marks set up under the Protocol. A trade mark registered under the Protocol at the International Bureau of the World Intellectual Property Organisation can achieve a protection in the EC equivalent to that accorded to a Community trade mark, unless the designation of the EC as a territory for protection is refused by OHIM.

References to Articles are to Regulation (EC) No 40/94 as so amended.

Article	Objectives	Implementation
146	Provides that the registration of an international trade mark designating the EC has the same effect as an application for a Community trade mark, and (if protection in the Community has not been refused by OHIM) has the same effect as the registration of a Community trade mark.	<p><i>Regulations 11 and 12</i> (in addition to <i>regulations 3 to 6</i> mentioned above) ensure that the level of protection given to such an international trade mark is equivalent to the protection given to a trade mark registered under the Trade Marks Act 1994 or to a Community trade mark. Thus the provisions of sections 89 to 93, 97 and 98 of the Act are now extended to an international trade mark protected in the EC, in the same way that they are extended to a Community trade mark. Those provisions in particular enable the proprietor of the trade mark to give notice to the Commissioners of Customs and Excise that certain infringing goods are to be treated as prohibited goods, and make it an offence to infringe a trade mark in certain circumstances.</p> <p><i>Regulations 10 and 13</i> ensure that, in certain other respects also, such an international trade mark is treated in the same way as those other trade marks. Thus a claim may be made in respect of groundless threats to bring proceedings for infringement of the international trade mark; and an offence is created of falsely representing that a mark is entitled to protection in the EC as an international trade mark.</p>

148	Allows a claim of “seniority” to be made in respect of an international trade mark designating the EC. This enables the rights attaching to an identical trade mark protected solely in the United Kingdom to be preserved, even where the latter trade mark is surrendered or allowed to lapse.	Recognised by the amendment made to section 6(1)(b) of the Trade Marks Act 1994 made by <i>regulation 4(b)</i> . In addition, <i>regulation 9</i> allows seniority to be contested where it is claimed on the basis of a mark which would have been liable to be revoked or declared invalid.
108(3) and 154(2)	Allows seniority to be preserved on the conversion of a Community trade mark (or trade mark application), or an international trade mark designating the EC, into a national trade mark application or into an international trade mark designating the relevant Member State. (On conversion, see the next entry).	Recognised by the new section 6(1)(ba) of the Trade Marks Act 1994 inserted by <i>regulation 4(b)</i> .
154 (1)(a)	Makes provision for the conversion of an international trade mark designating the EC into a national trade mark application. (Article 154(1)(b) also allows the conversion of a designation of the EC into the designation of a Member State.) In the case of a Community trade mark, such provision is already made by Article 108.	<i>Regulation 14</i> substitutes a new regulation 10 in the 1996 Regulations, making provision for a conversion request to be treated as an application to register a national trade mark under the Trade Marks Act 1994.

3. Council Regulation (EC) No 422/2004 of 19 February 2004 amending Regulation (EC) No 40/94 on the Community trade mark

Makes a number of improvements to the unitary system of protection of trade marks set up by Regulation No 40/94 (see below).

Article	Objectives	Implementation
1.(29) and (30)	Amends Article 109(3) and 110(1) to give OHIM sole competence to decide whether the conditions for conversion are satisfied. (On conversion, see above.)	The amended regulation 10(2) of the 1996 Regulations, as substituted by <i>regulation 14</i> , removes the reference to the role of the registrar in deciding admissibility of a conversion request.

2. Provisions relating to the designation of Community trade mark courts (Part 3 of these Regulations)

Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark		
Provides for the registration of a Community trade mark which has effect throughout the territory of the EC. Community trade marks are granted by OHIM. Although the marks are accordingly registered at a central Community trade mark office, enforcement of the rights given by the mark takes place in the national courts of the Member States.		
Article	Objectives	Implementation
91 and 92	Requires Member States to designate a limited number of national courts or tribunals to perform functions under the Regulation, and in particular to hear infringement actions, and counterclaims for revocation or a declaration of invalidity.	<i>Regulation 15</i> substitutes a new regulation 9 in the 1996 Regulations. It thereby adds, to the existing designation of the High Court and the Court of Session, the designation of a number of county courts in England and Wales.