

**Gowers Review of Intellectual Property**

**Call for Evidence**

## **GENERAL QUESTIONS**

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### **1. How IP is awarded**

- (a) Are there barriers to obtaining IP rights due to system complexity? What could be done to improve this situation?
- (b) How easy is it to find out about obtaining IP rights? What could be done to improve awareness for businesses and innovators? Is there sufficient awareness of the need to protect IP internationally?
- (c) Are there barriers to obtaining UK IP rights on grounds of cost? What drives these costs?
- (d) How do these costs compare internationally in your organisation's experience?
- (e) Do you have any comments on the UK Patent Office fees structure for obtaining and renewing IP protection?
- (f) Is lack of trust in the system a barrier? To what extent do you rely on other tools to bring innovation to the marketplace, such as being first to market, maintaining trade secrets, or using an open innovation model to generate value through reputation or network effects?
- (g) Are there specific barriers to obtaining IP rights in your sector?
- (h) Are there specific barriers to obtaining IP rights for small businesses or individuals?
- (i) How well does the national system for awarding IP, administered by the Patent Office perform? How well do the international and European systems work?

### **(a) Are there barriers to obtaining IP rights due to system complexity? What could be done to improve this situation?**

A prospective applicant is faced with some complexity:

- Those applicants who wish to patent in the UK and elsewhere have a choice of four options, and must thus decide on a patenting strategy. The three routes are (i) use of national patent offices entirely (ii) use of the European Patent Office (EPO), to get protection within Europe by a single application (iii) use of a mixture of national offices and the EPO (iv) use of the Patent Cooperation Treaty.
- Applicants who wish to patent in the UK must prepare a specification of the invention, and follow a certain timetable. The process is identical to that operated by the European Patent Office, many other major patenting countries, and also conforms to the Patent Cooperation Treaty. The examination of patent applications is there to ensure that the public interest is not damaged by the exclusive rights that a patent confers.
- ? Applicants wishing to protect their Trade Mark within the UK have three options. Firstly an applicant may decide to file with the UK Patent Office. Secondly an applicant may apply for his Trade Mark through WIPO using the Madrid Protocol and finally the applicant may file his application at the European Trade Mark office (OHIM) in Alicante. Through an application to Madrid or OHIM the applicant can also designate a number of other countries in which he may wish to register the Trade Mark, as well as the UK.

- ? A UK trade mark owner may of course wish to register rights in another country and can do so by filing an application separately with the Registry of that country. Such a step would only grant rights in that particular country.

In view of this the Patent Office advises applicants to consider employing professional advisers, such as members of the Chartered Institute of Patent Attorneys or the Institute of Trade Mark Attorneys to help them get the best protection for their inventions and to avoid any procedural pitfalls. Nonetheless, in 2005 almost a quarter of patent applications came from applicants who were not professionally represented, though this figure falls to 5% for patents granted during 2005. As noted at (h) below, the Office has a dedicated Patent Private Applicants Unit to deal with applicants who are not professionally represented.

In 2005 37% of all Trade Mark applications were filed by unrepresented applicants. Approximately 85% of all applications are successful, however, we are unable to provide specific registration figures for unrepresented cases.

As to improvements, the Patent Office is always seeking ways of improving procedures in applicants' interests. Many of these improvements arise out of international negotiation, but this can also result in certain constraints because of the UK's adherence to international conventions on IP such as the Paris Convention, the Patent Cooperation Treaty, the European Patent Convention, and the Patent Law Treaty. Recently there have been two opportunities to improve its primary legislation. Firstly, the UK Patent Office used a Regulatory Reform Order to become one of the first of the major patenting countries to implement the applicant-friendly regime of the Patent Law Treaty, which harmonises the so-called formal requirements for applications and provides certain safeguards for applicants. Secondly, the Patents Act 2004 introduced reforms of the threats provisions and a new service for non-binding opinions on granted patents. At the level of secondary legislation and guidance, the Office reviews burdens and red-tape on a continuous basis in consultation with users, and will be bringing forward improvements on hours of business, address for service requirements, delays in communications, and forms. Substantial safeguards are already present to deal with procedural irregularities and to give extensions of time.

Design applicants at OHIM may file multiple designs on one application form. The UK Design Registry will allow this from October 1 2006.

**(b) How easy is it to find out about obtaining IP rights? What could be done to improve awareness for businesses and innovators? Is there sufficient awareness of the need to protect IP internationally?**

The patent section of the Patent Office's website at <http://www.patent.gov.uk/patent/index.htm> includes an extensive range of information on how to apply for, obtain and maintain patent rights. Over the 12 months to end February 2006 the "how to apply for a patent" page of the website has received over 140,000 pageviews. There is similar information on how to apply for trade marks at <http://www.patent.gov.uk/tm/howtoapply/index.htm> and on registered designs at <http://www.patent.gov.uk/design/howtoapply/index.htm>. The Office's site also links to <http://www.intellectual-property.gov.uk/>.

The Office's Awareness, Information and Media (AIM) Team take the lead on development and implementation of an appropriate Innovation Support Strategy that increases levels of awareness about IP rights in the UK to ensure that business, researchers and the public in general understand the IP System and how to use it effectively and appropriately.

Their Business Development team represents the office at a range of exhibitions and provides seminars primarily aimed at SMEs. They also organised and delivered the "What is the key?" IP awareness campaign in partnership with the Chartered Institute of Patent Attorneys (CIPA) and the Institute of Trade Mark Attorneys (ITMA). The objective of the campaign was not only to provide SMEs with an overview of IP and its relevance to business but also to gather information and conduct research (a report of the campaign will be available shortly).

The team is also delivering a programme of training for Business Advisors throughout the UK. Most of the delivery is through partnership with Regional Development Agencies (RDAs) such as Invest Northern Ireland, Welsh Development Agency (WDA) and the Business Link teams in England.

The team is also represented on the newly established European Network of National Patent Offices. This is a European Commission initiative to improve IP awareness amongst SMEs throughout Europe.

The "face" of the Patent Office for many enquiring about IP rights is the Central Enquiry Unit which comprises a team of dedicated operators. They are aware of the whole range of services provided by the Patent Office and constantly update this knowledge in line with all new developments to allow them to provide the best service possible to our customers.

To deliver one of the recommendations of the Innovation Report to "target innovators of the future" the Office's Enterprise and Education team has developed a highly successful resource - THINK Kit® - which is now in its third year and is receiving a great deal of acclaim amongst the academic community. The latest version identifies the natural fit of IP within enterprise, a core competence which fits in alongside the enterprise initiative and which is mandatory as from September 2005. Working alongside a number of partners all of whom have developed good regional networks, the Office is achieving success by making the wealth creators and entrepreneurs of the future aware of the benefits to be gained by businesses having robust IP strategies. The Enterprise and Education team work in partnership with Business Dynamics, DfES Enterprise Ambassadors, Small Business Service, DfES Specialist Schools Trust, Personal Finance Education Group and British Music Rights. The resource has been requested by more than 80% of all secondary schools in the UK and we are now developing material for the primary school and FE/HE sector.

AIM's Media team deal with press related enquiries via telephone and e-mail and also check National media on a daily basis to establish whether there are any IP related articles which we may need to take action on. The team responds to requests from editors of various journals and publications for written editorials and articles which cover all aspects of IP, and is also regularly asked to take part in radio and TV interviews.

**(c) Are there barriers to obtaining UK IP rights on grounds of cost? What drives these costs?**

**(d) How do these costs compare internationally in your organisation's experience?**

**(e) Do you have any comments on the UK Patent Office fees structure for obtaining and renewing IP protection?**

In most cases, official costs will be significantly less than those incurred by the organisation or individual in researching and developing their ideas and in meeting legislative requirements such as the preparation of documents and the filing of translations of European patents, and the fees charged by professional representatives and translators.

A separate note covering fees is appended to this document.

**(f) Is lack of trust in the system a barrier? To what extent do you rely on other tools to bring innovation to the marketplace, such as being first to market, maintaining trade secrets, or using an open innovation model to generate value through reputation or network effects?**

The UKPO grants rights which have a high presumption of validity. A very small proportion of cases is appealed. During 2005 there were no successful appeals to the courts against decisions of the comptroller in relation to patents. 181 decisions were issued by Trade Mark Hearing Officer's in 2005. In that year 9 were the subject of appeal to the Court and 31 to the Appointed person. The Court allowed 1 and the Appointed Person allowed 8 (in whole or part).

To ensure that applications are handled consistently, the Office has comprehensive instruction manuals which are also made available to the public. These manuals are complemented by training programmes, and are kept up to date as legislation is amended and in the light of legal precedents. Standard procedures mean that applicants should know what is expected of them, and what they can expect of the IP system.

Some potential applicants for IP rights may be deterred from applying because of the time between application and grant. These delays are typically longest with patents because of the need to search, examine and publish applications. However, our agency targets include turnaround time targets and for 2005 we issued 96% of patent search reports within 5 months of request, and granted nearly 92% of patents within 2 ½ years of request. More detailed information on our agency and customer service targets is available at <http://www.patent.gov.uk/about/relationship/index.htm>

**(g) Are there specific barriers to obtaining IP rights in your sector?**

The Office does not discriminate in any way between sectors, except that it is required by law not to patent certain products and processes. Computer programs as such, and methods of doing business, exemplify such exclusions.

**(h) Are there specific barriers to obtaining IP rights for small businesses or individuals?**

The Patent Office does not hold data on the size of enterprises applying for IP rights. However, the Office does identify those applicants who are not professionally represented and this may be regarded as a proxy for SMEs and private applicants (though caution is called for). As noted at (a) above, complexities in the system leads the Patent Office to recommend that applicants consider seeking professional help. Inevitably this attracts costs and small businesses and individuals are more likely to have limited funds than larger enterprises. SMEs and individuals may also lack the legal or technical expertise which would help them draft their applications to maximise their chances of obtaining a granted patent with maximum protection.

The Patent Office recognises these difficulties and has a dedicated Private Applicants' Unit (PAU) to deal with those patent applicants who are not professionally represented. The PAU's aim is to provide the best possible services for unrepresented patent applicants to further the Government's agenda for supporting innovation, while recognising that pursuing an application through search and examination will not always, be in the applicant's best interests. To achieve this, the PAU performs preliminary examinations and searches on patent applications, provides guidance and information on case specific and general patent matters and seeks to identify and work with appropriate partners to deliver a comprehensive support package. While a high proportion of patent applications come from unrepresented applicants, this proportion falls as applications are searched, examined and granted. While almost a quarter of applications came from unrepresented applicants during 2005, but only 5% of patents granted in 2005 were to PAs. This reduction may in part be attributable to the way in which the IP system works, but there may be other reasons why applicants decide not to proceed.

The Trade Mark Registry has also, in the past, provided dedicated teams offering guidance and support to the unrepresented applicant. Now however, all Trade Mark Examiners and Examination teams are trained to provide the advice and information which we realise is essential in making the correct decision at application stage as to what the applicant actually requires protection for. We provided detailed literature specifically aimed at the SME and unrepresented applicant and our website is designed to recognise the complexity issues and offer user friendly guidance. Through 2005 some 37% of Trade Mark applications and 70% of Design applications were filed by private applicants, but we do not keep records of how many of these applications are granted.

**(i) How well does the national system for awarding IP, administered by the Patent Office perform? How well do the international and European systems work?**

As noted at (a) above, there are different routes to obtaining patent and trademark protection in the UK. The tables below shows the numbers of applications in recent years which may indicate the extent to which applicants regard the routes as meeting their needs.

Patent Applications			
Year	Applications at UK patent Office	Applications to European Patent Office from the UK	Applications under the Patent Cooperation Treaty from the UK
2000	31412	4359	4795
2001	30576	4853	5482
2002	29911	4709	5376
2003	29819	4843	5205
2004	28223	4791	5041
2005	26192		5115

Trade Mark Applications and Additional Classes		
Year	Applications at UK patent Office	Madrid applications
2000	75957	24950
2001	61001	25836
2002	60065	20203
2003	58370	14669
2004	61931	16173
2005	63726	16817

Designs Applications		
Year	Applications at UKPO	Registered Community Designs (OHIM) applications from the UK
2000	9380	0
2001	8703	0
2002	9512	0
2003*	5910	3334
2004	4174	4264
2005	3588	5051

\* The OHIM introduced the Community Design in 2003

For trade marks in 2005, 24,190 applications to OHIM were from UK applicants. Unfortunately OHIM do not keep clear records of the type of applicant and therefore we cannot analyse who is filing, i.e. professional representative or private applicant. The UK office has noted a distinct rise over the last few years in the rate of filings coming from the applicant themselves, rather than through a professional Trade Mark attorney: the level of such filings in 2005 was 37%. UK applicants made up the third biggest group of filers to OHIM last year, accounting for 11.3% of total demand.

Design applicants at OHIM may file multiple designs on one application form. The UK Design Registry will allow this from October 1 2006. During 2005 the UK received 3588 applications which covered 3588 designs, while OHIM received 16,741 applications covering 63,255 designs. OHIM applications were split almost exactly between single design applications and multiple design applications. UK design applicants were the fourth largest group of filers to OHIM last year filing 5051 applications, accounting for 8% of the total demand.

## **2. How IP is used**

- (a) What types of IP does your organisation use and why?
- (b) To what extent do you seek multiple overlapping forms of IP protection?
- (c) To what extent are these decisions influenced by sector-specific considerations?
- (d) How does your company value its IP? Are there problems with raising finance against intangible assets based on IP? What improvements could be made in this area?
- (e) To what extent does the term of IP rights at the margin affect investment decisions?
- (f) How well does the UK IP system promote innovation?
- (g) To what extent does your organisation make use of other methods used by Government to encourage innovation, such as public funding?
- (h) Are data on the use of patents and other forms of IP useful as a means of measuring innovation?
- (i) Do you have any evidence as to the static or dynamic costs that IP rights (as statutory monopolies) impose on the economy?
- (j) Have you encountered patents or other IP rights being used defensively, i.e. obtained not to develop products, but only to prevent others from doing so? Under what circumstances do you consider this acceptable?

**Questions (a) to (e) and (g) are directed at business and so we are not in a position to comment.**

### **(f) How well does the UK system promote innovation?**

The UK IP system promotes innovation by facilitating the generation, ownership, protection, transfer, and exploitation of ideas and creativity while at the same time encouraging the flow of information. The rights granted under the system are important for innovation in both traditional and new industries, such as biotechnology. However, patents, trade marks, copyright and designs are also fundamental to the functioning of the knowledge economy, notably the Knowledge Intensive Service Sector (KISS). Many of the businesses in this sector are central to the continued economic success of the UK. Having an effective and robust IP system also contributes to the attraction of the UK as a place to innovate and exploit ideas.

### Protection

The exclusive rights granted under the system provide an incentive to innovate by legally protecting the fruits of intellectual activity and so allowing individuals and companies to use and exploit the results of their creativity. It enables them to profit from and to recoup the considerable investment in time, money and effort in developing new ideas and turning them into business assets with real market value. This in turn encourages and helps fund further innovation. Without this protection third parties can copy without the investment required by the innovator leaving little incentive for business to commit to innovation knowing that others could benefit from their endeavours but not share their effort.

## Information

In addition to the protection afforded to the creators of new works and inventions the IP system, is a practical means of disseminating and bringing new information and technical ideas to the public. The publicly disclosed collection of patent literature enriches the body of technical knowledge and provides a valuable source of information and inspiration for future innovators. By accessing this accumulation of knowledge researchers and inventors can start research from a higher or new level of knowledge, find solutions to technical problems, learn about recent technological breakthroughs, and avoid wasting valuable time and resources reinventing the wheel. This allows them to focus on follow up or new innovation and creativity around new and better products. Moreover, once out of protection the information can be used by all. Equally Trade Marks give consumers information on the reliability and authenticity of the products they try.

## Technology transfer

The IP system creates legal items of property which can be bought and sold. This is an invaluable aid to technology transfer which is a further stimulus to innovation. Without IP those technological advances which are easily copied for commercial gain would tend to be kept secret rather than disseminated.

## Raising capital

IP rights can also play an important role in improving access to finance, acquire venture capital, attract business partners and raising a company's market value which is crucial in funding innovative activity.

### **(h) Are data on the use of patents and other forms of IP useful as a means of measuring innovation?**

Patents are seen by many as attractive because they represent the possibility of measuring an output of innovation while most other measures look at input, e.g. R&D. The number of patent applications filed and patents granted may reflect the level of technical innovation at any given time and so is a measure of innovative activity, e.g. the number of patents granted per head of population may give an indication of the level of innovation in the UK compared with other countries. However the economic value of any individual patent is not easily measured and this means that mere numbers of patents do not give a reliable indicator of the amount of innovation and the propensity to patent appears to vary from technology to technology and further undermines the interpretation of patent data. Moreover filing patterns and duplication of applications need to be taken into account: as patents are only vital to firms where competition exists, taking out or not taking out patent protection in a particular territory may be an indication of market situation rather than a reflection of the innovation in question. Filing patterns year on year also appears to have some correlation with the economic cycle.

The value of innovation can also be measured to some extent using patent data. For example, a patent “family”, which is the same patent granted in different countries, implies that the invention covered by that patent is valuable. The OECD Patent Project is looking at how patent data can be used as an indicator of innovation. This work is still at the stage where the methodology is being developed to allow useful comparison between countries based on factors such as area of technology, country of origin, citation level, industrial field, activity at firm level. The OECD has looked in particular at patent families in the Biotechnology and Information & Computer Technology (ICT) sectors to study. For further details on the OECD patent project see the OECD website at [http://www.oecd.org/document/10/0,2340,en\\_2649\\_34451\\_1901066\\_1\\_1\\_1\\_1,00.htm](http://www.oecd.org/document/10/0,2340,en_2649_34451_1901066_1_1_1_1,00.htm)

If a patent is regularly cited in searches conducted on later patent applications, that too can be an indication of the value of that patent and its contribution to innovation. Moreover, if a patent is regularly renewed through the payment of annual renewal fees it is an indication of its economic worth to the owner.

Analysing collections of classified patent data can help in technological forecasting and as an indicator of activity in specific fields of technology. This can be invaluable to industry and research institutions in their strategic planning and resource allocation. The fact that information about new inventions is published well before a patent is actually granted means that patent data can be used to ascertain general and specific trends in technological development long before an idea hits the market. This can also be of benefit to policy analysts within Government in addressing industrial development and science and technology policy issues.

Trade marks can also be used as an indicator (ref to: <http://www.oiprc.ox.ac.uk/EJINDEX.html> . As with patents, they can provide an indication of new product development, and they also have the benefit of being directly applicable to services, which may not be apparent from patent data. Trade mark applications are generally made at a stage where the new product or service is closer to market but should also be used cautiously as an absolute measure: companies may seek to apply for a range of marks before finally deciding which one to use; new trade marks applications or registrations might simply indicate re-launches of existing products. The value of Trade Marks is recognised by business as shown by the high profile trading in marks and brands.

**(i) Do you have evidence as to the static or dynamic costs that IP rights (as statutory monopolies) impose on the economy?**

We do not have evidence on these costs.

**(j) Have you encountered patents or other IP rights being used defensively, i.e. obtained not to develop products, but only to prevent others from doing so? Under what circumstances do you consider this acceptable?**

Most patents have their origin in real development, as opposed to “paper” concept that is conceived solely to confine competitors’ freedom. When starting from a real development, a patentee is permitted a degree of generalisation in formulating the inventive concept that forms the area of monopoly, and it is to be expected that most patentees will seek to maximise this area in order to secure an advantage over their competitors. However, it is the duty of the Patent Office examiner to ensure that the monopoly area is fair, in light of what has actually been invented (the “support” requirement). This limited amount of defensive activity seems to us allowable because it is confined, and derived from a real invention.

The idea of a “paper” invention used defensively seems unlikely to be prevalent, and we would regard it as an abuse of the patent system. However, we have no evidence of such usage although the creation of patent “thickets” around real innovation has a defensive impact.

It is conceivable that a patentee might attempt to restrict competition not only by refusing to licence a patent but by anti-competitive pricing restrictions on licensees or by forming patent pools or establishing cross-licence agreements. This aspect is dealt with in detail in the Office’s response to questions 3(a) to (l).

Note: Another sources of information on the use of IP and its contribution to innovation is the DTI Economic Paper N0.7 - <http://www.dti.gov.uk/economics/papers.html>

### **3. How IP is licensed and exchanged**

- (a) How easy is it to negotiate licences to use others' IP for commercial or non-profit purposes?
- (b) What mechanisms do you use for finding potential licensing partners?
- (c) How easy is it to use others' IP for research purposes? Have you experienced difficulty around research exemptions?
- (d) Are there specific barriers to licensing in the main forms of IP currently used: patents, copyright, trade marks, and designs?
- (e) Are there barriers to licensing IP on grounds of cost? What drives these costs?
- (f) Are there specific barriers to licensing IP in your sector?
- (g) Does your organisation use methods to facilitate exchange of IP - such as crosslicensing or pooling IP rights with other firms or organisations?
- (h) Are there specific barriers to licensing IP rights for small businesses or individuals - for example barriers to entry to patent pools?
- (i) Are there barriers to trade and exchange of IP internationally?
- (j) Does your organisation consider renewing patents using "licence of right" provisions in patent law (which entitle any person to a licence under your patent and reduce your renewal fees by half)?
- (k) What could be done to improve "licence of right" provisions and business awareness of them?
- (l) Do you have any experience of the compulsory licence provisions within current patent law? Are they effective? How could they be improved?

The importance of licensing in the patent (IP) system cannot be overstated. The licensing provisions serve multiple purposes making this a complex area to legislate and understand. Note this only covers patent (and design) licensing.

In one respect, licensing of technology provides a vital tool to allow the full benefits of an invention to be achieved. In its simplest form, an innovator without the required manufacturing capacity or market presence licenses a piece of technology to a partner to their mutual benefit. Variations on this sort of use include cross licensing (where access to one party's technology is granted in return for access to the other's) and, on a larger scale, patent pools where groups of companies will grant other members of the pool mutual access to patented technology. Cross licensing is becoming increasingly important as consumer products get ever more complex – the latest mobile phone will incorporate countless pieces of patented technology licensed from other companies.

In general, patent licensing encourages innovation by ensuring faster and wider take-up of new ideas. The patentee gets his reward via licence fees rather than by maintaining a monopoly. Patent pooling can raise competition issues. They can favour established players (who have existing patent portfolios to use as bargaining chips) thus making it hard for new entrants to get a foothold in a marketplace.

The interaction between the patent and standards systems raises some of the most difficult patent related licensing issues. Both systems aim to promote innovation and the supply of new technologies to the market place. But they do that in widely different (if not opposite) ways – patents providing limited monopolies as a reward for innovation and a way to recoup R&D investment where as standards seek to get

technology adopted across the piece thus assisting interoperability. Standards often incorporate patented technology – indeed patents that are essential to an adopted standard are highly coveted – but the owner must provide licenses on Reasonable And Non-Discriminatory (RAND) terms. Difficulties arise where a standard encompasses multiple patents each attracting a royalty and where patentees are overly liberal in the patents they claim to be essential to the standard. However, the biggest difficulty is probably where a standard relies upon a piece of technology covered by a patent owned by a company outside the standards body (and thus not subject to RAND conditions). That can have serious implications for the successful adoption of the standard.

Licensing provisions can help address competition issues and especially the use of a patent to block any exploitation of an invention. The Patents Act contains compulsory licensing provisions to address the situation where market demand for a product covered by a patent in the UK is not met within a reasonable time after grant of the patent. Whilst compulsory licences are very rare, the compulsory licensing provisions are argued to be useful as a lever in licensing negotiations. Compulsory licensing has also been floated as providing a potential solution to the technical standard blocking issue although such a route would be controversial among users of the patent system.

Compulsory licensing provisions are also present in the WTO Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement which establishes minimum levels of protection that each WTO Member has to give to intellectual property rights. A recent TRIPs amendment (December 2005) enables the manufacture, under compulsory licence, of generic copies of patented medicines for exported to appropriate developing countries with public health problems. An EU Regulation comes into force mid 2006 which will enable European generic producers to export under this system, though it is expected that use may be limited due to commercial considerations.

Perhaps the most controversial aspect of licensing at present is so-called “trolling” where patents are bought up by companies with no research or manufacturing interest who then use them to generate licensing income by threatening enforcement action against other companies. This can attract most criticism where the owner seeks to exploit a patent of dubious validity or excessive breadth and when he uses submarine tactics by delaying bringing an action until the other party has invested heavily in developing a product. Patent Office examiners seek to ensure that patentees are only granted the breadth of protection their innovation deserves but given the costs involved in attacking the validity of the patent in court or of defending an infringement action, the other party may feel obliged to agree to the licence as a cheaper if undesirable option. The core issue here is the cost and speed of litigation. No one could get away with unjustified assertions of infringement if the alleged infringer could challenge the assertion quickly and cheaply in court.

When the patent is valid and the infringement allegation sound, trolling can still look like exploitation of the patent system with no obvious benefit for innovation. However, the original inventor will have been rewarded through sale of the patent to the troll, so arguably the stimulus for innovation is preserved.

The voluntary Licence of Right provisions of the Patents Act also serve as a mechanism to encourage people to find ways to exploit their inventions. Patentees make licenses available as of right (the terms still need to be negotiated) in return for a 50% reduction in the renewal fee required to keep their patent in force. In the last few years the number of new endorsements sought each year has averaged 1200, though with significant fluctuations.

Question 3(b) specifically addresses research exceptions. In October 2005 the UK implemented two EU Directives which ensured that conducting the necessary studies, test and trials, on generics of patented medicinal and veterinary products, for Regulatory approval, would not constitute patent infringement. The lack of much case law in this area both in the UK and across Europe means the scope of the exception is not particularly clear but likewise suggests that it is not causing much of a problem for researchers in industry or academia.

Information on the value of licensing to the UK economy is extremely hard to come by. Companies and legal advisors are extremely reluctant to divulge details of deals struck for obvious commercial reasons. Despite the benefits that registration brings, parties are not diligent in informing the Office when they acquire an interest in a patent and the register is not as comprehensive a database of interests as it might be. It does not contain financial details of licenses.

#### **4. How IP is challenged and enforced**

- (a) Are there specific problems with enforcing the main different forms of IP: patents, copyright, trade marks, and designs?
- (b) Are there barriers to challenging infringement and enforcing your IP rights on grounds of cost? What drives these costs?
- (c) To what extent does your organisation make use of other methods than litigation to resolve IP infringement cases, for example the Patent Office opinion service, mediation services, Alternative Dispute Resolution, or the Copyright Tribunal?
- (d) To what extent do you use IP litigation insurance? How effective is it?
- (e) Are there barriers to using such methods to settle IP disputes without recourse to litigation? How might they be removed?
- (f) Are there specific barriers to challenging and enforcement of IP rights for small businesses or individuals?
- (g) To what extent is the risk of litigation a factor in your organisation's investment in innovation?
- (h) What are the principal barriers to efficient and successful challenge and enforcement internationally?

Litigation over intellectual property rights can be prohibitively expensive to business in general and to SMEs in particular – and it can take years to resolve. This point was strongly made during a public consultation in 2003 on patents legislation. What users wanted was something different - and in particular something that would make things easier for small business.

In response - and after further extensive consultation with business and with patent attorneys - the Patent Office introduced legislation to provide a brand new service for helping businesses to resolve patent disputes. The service is quick (3 months from start to finish), cheap and authoritative. It is aimed at enabling innovative businesses to have an early sight of the value of their own patent rights and those of their competitors and to be in a position to make timely and informed business decisions accordingly.

The service focuses on the two most important areas of dispute – whether a product infringes a patent and whether a patent is valid. In the case of validity, the process is designed to enable requesters to introduce prior art which was not on the table when the patent was granted. An opinion is not simply another step in the litigation process: it is an alternative to full litigation. Equally opinions do not limit options for litigation: they complement them.

Whilst not aimed at big business, the new service is expected to be attractive to some – not least because most can ill afford the loss of management time that extended litigation proceedings demand.

The service was introduced on 1 October 2005 and the first opinions issued in January 2006. Interest – from press and practitioners – has been strong, and feedback very positive.

**Gowers Review of Intellectual Property**

**Call for Evidence**

## **SPECIFIC ISSUES**

**Current term of protection on sound recordings and performers' rights**

Background: The Review will fulfil the Government's commitment to examine whether the current 50 year term of protection on sound recordings and performers' rights in sound recordings is appropriate, in the light of its extension to 95 years in a number of other jurisdictions.

- (a) What are your views on this issue?
- (b) Is there evidence to show the impact that a change in term would have on investment, creativity, and consumer interests?
- (c) Are you aware of the impact that different lengths of term have had on investment, creativity, and consumer interests in other countries?
- (d) Are there alternative arrangements that could accompany an extension of term (e.g. licence of right for any extended term)?
- (e) If term were to be extended, should it be extended retrospectively (for existing works) or solely for new creations?

We have received a number of representations from the music industry, both from those requesting an extension and those asking for the term to stay the same, or even be reduced. Any decision to change term of protection would need to take place at a European level. We had previously concluded that this area needs thorough research, including economic analysis, into the effect of term on markets, creativity and the consumer.

### **Copyright exceptions - fair use / fair dealing**

Background: There are a number of exceptions to copyright that allow limited use of copyright works without the permission of the copyright holder.

- (a) What are your views on the current exceptions in copyright law?
- (b) Could more be done to clarify the various exceptions?
- (c) Are there other areas where copyright exceptions should apply?
- (d) Are the current exceptions adequate or in need of updating to reflect technological change? For example copyright law in the UK does not currently have a private "fair use" exception. Such an exception might allow individuals to copy music CDs onto their PC and MP3 player for their personal use. Should UK law include a statutory exception for "fair use"?
- (e) How would you see content owners being compensated for such use?
- (f) To what extent has technological change presented difficulties in use of copyrighted material in the field of education?
- (g) Are there issues concerning the archiving of material covered by copyright?

Due to the many amendments which have been made to this area of the law there are numerous inconsistencies within the exceptions. This is as a result of the need to use the European Communities Act to implement European Law, we are unable to amend other areas of the law to be consistent if it is not necessary to comply with our obligations. This has meant that certain exceptions have been changed whilst others have had to remain unamended.

Many of the exceptions only apply to certain categories of work, or to certain acts for example the visually impaired persons exception does not apply to film which means this exception cannot be used for the purpose of providing audio-description. Many of the exceptions do not work well with the digital age, the education exceptions allow for limited 'copying' but do not allow for 'communication to the public'; this means that online learning and electronic teaching tools do not benefit from the same exceptions as traditional teaching methods.

The review should consider whether any amendments should be made to update the exceptions for the digital age and to improve the clarity of the law. Any changes to the exceptions would need to take account of the requirement of 'fair compensation' being provided to rightsholders for use of their works.

We have received submissions on the issue of providing exceptions for the benefit of disabled people. This is an area the Patent Office is keen to explore.

**Copyright – digital rights management**

Background: Increasingly digital media content is distributed with digital rights management (DRM) technologies that can enable rights-holders to track usage and prevent unlicensed copying by technological means. However concerns have been raised about interoperability and that such technologies may impair the content consumer's legal rights. For example they may be unable to take into account exceptions to copyright, the ultimate expiry of copyright term, or the future evolution of technology. They may therefore undermine legitimate rights to access digital content, now and in the future. (NB: We are aware of all formal submissions that have been made to the All Party Parliamentary Internet Group on this issue.)

(a) Do you have a view on how the use of digital rights management technologies should be regulated?

The Patent Office does not lead on this issue but we have, in the course of meetings with interests, been informed that these restrict the availability of exceptions to the general public by preventing access to the material they protect. The remedy in copyright law is provided in Section 296ZE but this requires an application to the Secretary of State which may prove too cumbersome to allow effective access.

**Copyright – orphan works**

- (a) Have you experienced any difficulties in identifying the owners of copyright content when seeking permission to use that content?
- (b) Do you have any suggestions on how this problem could be overcome?

This was an issue the Patent Office has been considering looking into in more detail. We have not yet undertaken any consultation but are aware of the potential problems of orphan works.

**Copyright - licensing of public performances**

- (a) Have you encountered problems with the system of licensing and paying royalties to collecting societies for public performance of music and/or sound recordings?
- (b) Could the system be clarified or simplified, and if so how do you see this working?

The Patent Office is working with collecting societies in a number of areas, particularly following the recommendation from the European Commission on licensing of online music.

A frequent cause of confusion amongst copyright users is the need for two licenses for public performance of a copyright work. Those wanting to play music in, for example a business establishment (pub owners, hairdressers etc) have to purchase one license from Phonographic Performance Limited (PPL) for the rights in the sound recording and a second licence from the Performing Right Society (PRS) for the rights in the music and the lyrics.

We have received numerous letters on this issue from business owners who are confused by the need to purchase a second licence. Encouraging a cross-licensing agreement between collecting societies would be highly beneficial to users.

We are aware that PRS have already set up one joint licensing scheme to with the Mechanical Copyright Protection Society (MCPS) to cover podcasting.

### **Patents – utility models**

Background: Some countries, notably Germany, have a “utility model” system offering protection for simple inventions, usually subject to less examination and shorter terms than standard patents.

(a) Do you have a view on some sort of second tier patent system?

(b) Has your organisation encountered problems in protecting its IP internationally where such systems exist?

A utility model is registered right which confers on its proprietor exclusive protection for an invention for a shorter term than a patent. As with patents, to obtain protection by a utility model, an invention must be new, involve an inventive step and be capable of industrial application, but the level of inventive step required for a utility model may be lower than that required for a patent. Furthermore, as a utility model is granted without examination for novelty and inventive step, protection can be obtained quickly at lower costs than with a patent, but with less legal certainty. Utility model protection may be sufficient in areas of technology where a product life is of short duration, avoiding the necessity to obtain a patent for the invention.

To date there has been little demand for a second tier of protection in the patent system. This view was reflected by UK interest groups when consulted following the proposal of the European Commission for a Directive approximating the legal arrangements for the protection of inventions by utility model launched in 1997, and amended in 1999<sup>1</sup>. Adoption of this proposal would have harmonised legal arrangements relating to national utility models, requiring a utility model system to be introduced into UK law. Little activity on this proposal has taken place for several years, and it has now been withdrawn<sup>2</sup>. The Commission also launched a consultation in 2001 on the possible creation of a unitary Community-wide utility model. The majority of respondents were opposed to this idea<sup>3</sup>, and more effort has since been focused on trying to reach an agreement on the proposed Regulation for a Community patent. However, most respondents have been legal representatives or larger industry groupings. In addition the very nature of second tier protection implies a national rather than international context.

Examination of applications for patent rights ensures that rights that are granted have a good presumption of validity and create a level of certainty and confidence that can assist in the development of markets. Absence of such scrutiny means this presumption is lost and this could lead to uncertainties. Our consultation showed that UK interests could only accept a lower level of protection if: (i) the scope of rights afforded was narrower than for a patent, for instance covering only a product as marketed rather than encompassing equivalents including the more general technical innovation on which the product is based; (ii) the rights had a shorter term (say 6 to 8

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<sup>1</sup> COM(1999) 309 final /2, see

[http://www.europa.eu.int/comm/internal\\_market/indprop/docs/model/utility\\_en.pdf](http://www.europa.eu.int/comm/internal_market/indprop/docs/model/utility_en.pdf)

<sup>2</sup> Official Journal of the European Union (2006) C 64/03, see [http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/c\\_064/c\\_06420060317en00030010.pdf](http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/c_064/c_06420060317en00030010.pdf)

<sup>3</sup> SEC(2001) 1307, see consultation at

[http://www.europa.eu.int/comm/internal\\_market/indprop/docs/model/consultation\\_en.pdf](http://www.europa.eu.int/comm/internal_market/indprop/docs/model/consultation_en.pdf) and summary of replies at

[http://www.europa.eu.int/comm/internal\\_market/indprop/docs/model/utilreport\\_en.pdf](http://www.europa.eu.int/comm/internal_market/indprop/docs/model/utilreport_en.pdf)

years); and (iii) the criteria for obtaining the rights were identical to those for patents, in other words that the inventions protected by the utility model should be new and not obvious to one skilled in the art.

A utility model could be used as temporary protection while a patent application is pending, but this would not necessarily make it easier for companies needing to attract investment or secure licence agreements in order to manufacture their inventions given the lack of certainty of their validity. Regimes which allow protection of the same invention by a patent and utility model can lead to undesirable practices where the utility model is used as the basis for infringement action, shielding the patent from a counterclaim for validity.

The benefit that a utility model system offers by the lower costs to obtain protection may also be outweighed by risks of increased litigation arising from the lack of legal certainty in these rights. These risks would particularly affect small and medium-sized enterprises put off by high costs of court actions. With any unexamined right, the assessment of the scope and validity of the right would fall to individual parties and the courts. The burden of monitoring newly published utility models for possible infringement, searching and evaluating any relevant utility model for validity and the cost of revocation would fall to competing companies. The presence of utility models would therefore create further barriers to market entry for those who have legitimate innovations who do not want to risk litigation. It has been alleged that companies would adopt strategies of making large numbers of utility model registrations, increasing the number of rights relevant to exploit a particular invention and adding to existing problems that have been associated with “patent thickets”.

On the other hand, it is a fact that many other countries operate such systems and there is no evidence of these problems arising. Australia recently revamped its utility model system to create an “innovation patent” offering simpler protection. The operation of this has been reviewed. Outcome is not yet public. More information available at [http://www.ipaustralia.gov.au/patents/what\\_innovation.shtml](http://www.ipaustralia.gov.au/patents/what_innovation.shtml)

In Ireland, the Patents Act 1992, made provision for short-term patents. The period of protection is a maximum of 10 years and it can be granted without prior examination relating to novelty and obviousness. Applications are usually accepted within a number of months of completing all formal requirements.

If applications are made for both a short-term patent and a full term patent in respect of the same invention the short-term patent will become void when the full-term patent is granted.

The provisions relating to full-term patent applications and patents also apply to short-term patent applications and short-term patents. The main exceptions are:

- the specification of a short-term patent application must not include more than five (5) claims. The requirements of novelty and industrial applicability also apply but instead of non-obviousness, it is sufficient that the invention be "not clearly lacking an inventive step". Neither a 'Search Report' or 'Evidence of Novelty' is required in order that a short-term patent be granted.

- the filing fee, grant fee and renewal fees are only 50% of those for a full-term patent; and generally the procedures are simpler.
- infringement proceedings can be brought in the Circuit Court (or in the High Court, as is required for full-term patents) irrespective of the amount of a claim.
- before taking an action for infringement the owner of the short-term patent must either (a) request a Search and send a copy of the Search Report to the alleged infringer or (b) if a foreign Search Report or patent specification is available, file a copy at the Office as well as furnish a copy to the alleged infringer.
- a person other than the owner of the short-term patent whose legitimate business interests require a novelty search and who can show that the invention lacks novelty or is clearly lacking in inventive step may also request a Search.

Further details can be found at [http://www.frkelly.com/html/irish\\_patent\\_system.html](http://www.frkelly.com/html/irish_patent_system.html)

### **Pharmaceutical Supplementary Protection Certificates (SPCs)**

Background: SPCs are a “sui generis” IP right available in EU Member States for pharmaceutical products (as well as plant protection products). The standard patent term is 20 years. SPCs aim to compensate rights holders for the time required to obtain regulatory approval for their products. Where regulatory approval is issued more than five years after a patent is granted, SPCs may be granted to extend the term of protection on the active ingredient in the patented product. SPCs last for a term corresponding to the period elapsed between the five-year point and the point at which the product reaches market, up to a maximum term of 5 years.

- (a) Does your organisation use SPCs?
- (b) How fair and effective are they in delivering an incentive for investment?
- (c) How could they be improved?
- (d) Should the term of SPCs be more flexible - perhaps relating straightforwardly to the period between patent award and regulatory approval?

### **Background**

Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products (the SPC Regulation) entered into force on 18 December 1992. The purpose of the Regulation is to compensate for the reduced period of effective patent life enjoyed by pharmaceutical products as a result of the sometimes lengthy mandatory approval procedures required. It achieves this by the creation of the supplementary protection certificate (SPC), a distinct title of IPR having as its effect the extension of the period of patent protection available for an eligible product, but not the extension of the patent itself. The Regulation stipulates the conditions which have to be fulfilled for grant of an SPC, as well as the effects and term of such certificates.

SPCs have to be applied for separately in each Member State of the EEA in which protection is required and their effects are limited to the territories of the Member States in which they are granted. This is necessary because SPCs cannot exist independently of the patents on which they are based, and all such patents have an intrinsically territorial nature. The Regulation has been subject to a number of amendments especially as new member states have joined the EC. Regulation (EC) No 1610/96 of 23 July 1996 entered into force on 8 February 1997 created a similar SPC right for plant protection products which also are required to undergo similar approval.

The SPC system seeks to strike a balance between all parties concerned which as the Regulation in Recital 9 for example makes clear includes not only the pharmaceutical industry but also public health

*“Whereas all the interests at stake, including those of public health, in a sector as complex and sensitive as the pharmaceutical sector must nevertheless be taken into account; whereas, for this purpose, the certificate cannot be granted for a period exceeding five years; whereas the protection granted should furthermore be strictly confined to the product which obtained authorization to be placed on the market as a medicinal product;”*

Article 13 of the Regulation defines a formula to establish the term of any certificate that an applicant may be entitled to. Effectively, an SPC is available when the marketing approval is granted five or more years after the filing date of the patent, and its duration is for a period of time corresponding to how long after that five-year point the approval was granted, up to a maximum of five years. This mirrors the way in which the term of the basic patent is determined. It should be noted that the key trigger point for the patent is its filing date and not its date of grant (as implied in the call for evidence).

### **The questions**

The following comments address issues which would arise in considering any possible amendments which might be made to the system.

The SPC Regulation was originally proposed by the Commission in response to moves in some member states unilaterally to introduce patent term extensions for pharmaceutical products. It aims to harmonize the law in this area across the Community for the benefit of the pharmaceutical sector, public health and also the efficient functioning of the internal market. Despite some problems (some of which have resulted in references to the European Court of Justice) it seems that across Europe it is generally perceived as working effectively.

Most issues have arisen from two distinct factors. First, whilst the Regulation seeks to provide a common legal framework across the EC, it is dependent upon national intellectual property offices administering it. Since the Regulation cannot cover all eventualities it has to rely upon the procedural provisions of national law corresponding to the basic patent. This can lead to differences in its interpretation between different countries. Secondly, when the Regulation was first enacted, the legislators had in mind a relatively simple ‘linear’ model of the pharmaceutical industry with the patent holder also being the manufacturer and seller of the pharmaceutical product and thus also the holder of the SPC. However, the real situation has proved much more complex. For example, licensing agreements can exist between different companies for the same product, and these can differ in different countries. Moreover multiple patents belonging to a number of separate patent holders may relate to the same active ingredient. Patent pendency periods and delays in issuing marketing approvals have in some cases proved to be far longer than the original legislators anticipated.

Some of these issues were resolved through subsequent legislation when the Plant Protection regulation was enacted, but for others, the interpretation of the Regulation is dependent upon case law. Given the transnational extent of the Regulation and its economic importance, a further amendment of the Regulation to reflect the decisions of the ECJ and the current state of the pharmaceutical sector might be of benefit, however this would require a new proposal from the Commission.

Adopting a trigger based on the time elapsed between the basic patent application date and the first marketing approval in the EEA guarantees that all SPCs granted in the EEA will expire at the same time. Any alternative formula for calculating the term should desirably retain this feature in order to avoid adverse effects on the internal market.

Changing the trigger to refer to the date of grant of the patent could lead to possible abuse. Since the applicant can exert considerable influence over the pendency period, the high value of patents covering “blockbuster” drugs would create a strong incentive for applicants to delay patent grant if this would result in an increase in the term of any SPC eventually issued. Moreover, although under UK patent law there is a time limit of four and a half years from the date of a patent application for it to be either granted or rejected, such provisions do not exist in all European countries nor for patents examined by the European Patent Office under the European Patent Convention. The scope for stringing out the application procedure is thus very large in certain other jurisdictions.

The recent introduction of the “Bolar” exemption into UK law, according to which generic competition may conduct certain trials to gain marketing approval while the respective patent or SPC is still in force, could affect the perceived value to industry of SPCs. Until the introduction of this exemption, a generic pharmaceutical producer had to wait until the expiry of the SPC before being able to conduct clinical trials on a generic version of a previously patented product. The resulting delay in bringing generic competition to market amounted to an extra period of effective protection for the patentee which is no longer available.

SPCs are being given a role in promoting public health policy objectives through the proposal to extend SPC term in return for the increased and improved testing and authorizing of medicines for paediatric use. The provisions (which are being enacted as part of a wider revision of the European system for regulating the medicinal approval system) would grant a six month extension of the SPC in return for necessary paediatric tests to be done.

It should also be noted that the IP rights granted under the patent and SPC system are not the only means by which incentives for investment in this sector can be achieved. For example, a period of market exclusivity may be available for pharmaceutical compositions that do not qualify for patent protection. This protection (which finds its basis in obligations under the TRIPS Agreement) ensures that no competitor can enter the market during a given period following marketing approval. Incentives through the marketing approval process are also available for pharmaceuticals classed as “orphan drugs” by the EMEA in Europe.

**Trade Marks – international issues**

(a) To what extent does your organisation register its trade marks at the European rather than national level?

(b) Could the UK trade mark system be improved to work better alongside the European system?

**To what extent does your organisation register its trade marks at the European rather than national level?**

Over the 10 years since the Community Trade Mark was introduced national filing levels have been fairly stable, perhaps surprisingly so, albeit with a peak experienced in the ‘dot com boom’ of 2000-01. However, there is some evidence that beneath this surface stability significant shifts in behaviour have been taking place: some larger companies filing only at OHIM, others filing – at least for important marks – at both national and Community level, and a striking growth in the proportion of UK filings coming from applicants, often SMEs, who do not use a trade marks professional to represent them. This percentage was in single figures a decade ago: in 2005 it was 37%.

**Trade Marks filings in 2005**

	<u>UK</u>	<u>OHIM</u>
<b><u>Applications</u></b>	28,694	58,651
(total classes)	63,726	162,195
<b><u>Registrations</u></b>	22,546	59,756
<b><u>Top Five Filing nations</u></b>	UK US JAPAN AUSTRALIA SWITZERLAND	US GERMANY UK SPAIN ITALY

Among UK filings 24,190 applications were from UK applicants and 4,504 were filed by foreign applicants. The top five filing nations (see above) filed a total of 26,476 applicants, comprising 92% of the total demand in 2005.

Within OHIM, the top five filing nations accounted for 63% of the total demand at the European office in 2005.

OHIM’s records do not enable us to distinguish how their applicants break down into the represented and unrepresented. Anecdotal evidence suggests they have a very much lower proportion of unrepresented applicants than we do. The split between EU filings and non-EU filings is 69%:31%.

UK applicants made up the third biggest group of filers to OHIM last year with 6,665 Trade Mark applications, accounting for 11.3% of total demand.

## **Could the UK trade mark system be improved to work better alongside the European system?**

The Directive\* and Regulation\*\* have harmonised the substantive law surrounding the registration of trade marks in the Member States and at the Community Trade Mark Office - e.g. what may or may not be registered as a trade mark and the grounds for cancelling a registration. These instruments have not, however, harmonised the processes. For example, in some jurisdictions there is provision for oppositions to applications for registration by holders of earlier rights who consider their trade marks (and the goods/services for which they are registered) confusingly similar to the later application, whilst in others if the application is ex officio acceptable the trade mark is registered but is immediately open to action for cancellation..

In the United Kingdom, the Trade Marks Registry conducts a search for any earlier conflicting rights – national, international and community – and will refuse to accept the later filed application if an earlier conflicting right is found.

At the Community Trade Mark Office there is a search for earlier community trade marks and (optionally) national offices may search for earlier national rights. The results are sent to the applicant, but there is no refusal to accept unless the owner of an earlier right successfully opposes registration.

The Trade Marks Registry believes that the process currently in place in the United Kingdom is prejudicing the interests of businesses because it makes securing a national registration more difficult, by comparison with the process for securing a Community Trade Mark. For that reason the Patent Office is currently consulting on proposals to change the process in the United Kingdom to more nearly match that of the Community Trade Mark Office. We are recommending that applications for registration should still be the subject of a search for any earlier rights which we consider conflict with the application. Like the Community Trade Mark system, the applicant would be informed of the results and they would then have the choice of proceeding or not. There would, as in the Community system, then be an onus on the earlier rights holder to oppose the application.

In the proposed and the Community systems opposition is an informed choice by the holder of earlier rights based upon use of their trade marks in the market place.

A copy of the consultation document which contains the detailed arguments is attached for information.

\* First Council Directive 89/104 of December 21 1988 – To approximate the laws of the Member States relating to trade marks.

\*\* Council Regulation 40/94 of December 20, 1993 – On the Community trade mark.

### **Designs – registered designs and unregistered design rights**

- (a) To what extent does your organisation rely on registered designs? And on unregistered design rights?
- (b) To what extent does your organisation register its design at the European rather than national level?
- (c) To what extent does your organisation rely on the European unregistered design right rather than the national UK unregistered design right?
- (d) Could the UK registered design be improved to work better alongside the European system?
- (e) Could the UK unregistered design right be simplified to work better alongside the European unregistered design right?
- (f) Do you see a useful role for the UK unregistered design right alongside the European design right?

### **To what extent does your organisation rely on registered designs? And on unregistered design rights?**

The UK does not have a strong culture of protecting designs through registration. The input of new applications for design registration at the German and French national offices, for example, is a good deal higher than UK levels of input. In these countries there is a much stronger tradition of protecting new designs by means of registration, and they have also been members of the international system of design registration under the Hague Agreement for many years whereas the UK has never been a member. Figures for numbers of filings are given below.

UK businesses do not seem to rely on unregistered design rights as the number of litigations is very low. There has however been a high profile case – *Dyson Ltd v Qualtex (UK) Ltd [2005] RPC 19* – whereby UK unregistered design right enabled Dyson Ltd to win their case on the copying of vacuum cleaner parts against a rival competitor.

### **To what extent does your organisation register its designs at the European rather than national level?**

Before the registered Community design system was introduced in April 2003, the UK Patent Office consistently registered about 8,000 to 9,000 new designs a year.

Since the introduction of the registered Community design system, the level of new design applications in the UK has reduced by more than half. In the financial year ending March 2003, the UK Patent Office received 9,568 new design applications. Two years later, in the financial year ending March 2005, the number dropped to 3,984. Over two thirds of these applications are from unrepresented applicants, predominantly SMEs.

In 2005, out of a total of 63,500 designs received by the Community Office, the UK was the fifth largest filer with about 4.5 thousand designs. It is thought therefore that just about the same number of applicants that used to file for registration in the UK are now making applications to the Community Office in Alicante.

### Designs filings in 2005

	<u>UK</u>	<u>OHIM</u>
<u>Applications</u>	3,588	16,741
(total designs)	3,588	63,255
<u>Registrations</u>	3,432	67,880
<u>Top five filing nations</u>	UK US SWITZERLAND JAPAN FRANCE	GERMANY ITALY US UK FRANCE

NB At OHIM, unlike the UKPO, an application may include more than one design (though see below).

UK Design applicants were the fourth largest group of filers to OHIM last year filing 5051 applications, accounting for 8% of the total demand.

#### **To what extent does your organisation rely on the European unregistered design right rather than the national UK unregistered design right?**

We do not really know as yet. Certainly we are not aware of any Community unregistered design right cases that might help with our understanding of this issue.

#### **Could the UK registered design be improved to work better alongside the European system?**

We have already identified a number of improvements that we could make to the UK registration system to achieve greater alignment with the European system.

We launched a public consultation last summer to propose changes to the Registered Designs Act 1949 by means of a Regulatory Reform Order, and that process is currently at the Parliamentary scrutiny stage. As long as there are no significant issues raised, the UK Patent Office will launch an improved registration system on 1 October 2006 which, like the Community system, will provide for multiple applications, deferment of publication and registration for up to 12 months, and the cessation of selective examination on novelty grounds. In addition, a new set of rules will be introduced to underpin the primary legislation and make the registration process less bureaucratic and therefore easier to use.

The Patent Office's informal consultation on fees, which closed early in 2006, proposed several adjustments to Designs fees which would achieve greater coherence in the relationship between certain OHIM and national fees, so that (for example) the cost of renewing the national right would be lower than the cost of the European one.

## **Could the UK unregistered design right be simplified to work better alongside the European unregistered design right?**

### **Do you see a useful role for the UK unregistered design right alongside the European design right?**

The UK unregistered design right is an automatic right against copying of industrial designs. Similar to copyright, it protects designs that are original (that is, not copied), so long as they are not of a type which is commonplace in the field.

It has a number of differences in scope from the Community unregistered design, and also from the UK and Community registered designs. The main difference in scope is that the other types of design protection protect only aesthetic aspects of design<sup>4</sup>, such as lines, contours and colours, whereas the design right protects all aspects of three-dimensional design, including those which result solely from a functional purpose. The UK unregistered design right does not, unlike the other design rights, protect two-dimensional surface decoration.<sup>5</sup>

A further difference between the UK unregistered design right and the other design rights is that it exists not only in an article, but also in its parts. Therefore, an article can be broken up into many parts, which may each individually be protected, adding to its potential protection for designers, but also to its complexity.

It lasts for ten years from when the design was first marketed<sup>6</sup> but during the last five years of this period licences must be granted as of right. If licence terms cannot be agreed, the Patent Office decides these terms in a hearing. Only a small number of such hearings<sup>7</sup> have occurred since creation of the right, each requiring considerable resources from the Patent Office, which are difficult to justify. The Community unregistered design, by comparison, lasts for only three years, with no licence of right.

It includes two types of exception for spare parts. The first, a “must fit” exception,<sup>8</sup> relates to the functional aspects of design, ensuring that producers of spares are able to make parts that fit with original parts by excluding from protection those design features which allow one part to fit with another. The second, a “must match” exception,<sup>9</sup> relates to aesthetic aspects of design, allowing copying of parts such as car body panels which are dependent on, and form an integral part of, another article. These provisions are differently worded to spare parts provisions in the Community unregistered design and add to the complexity in design protection encountered by businesses operating in the repairs market.

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<sup>4</sup> Article 8(1) of the Community designs regulation ((EC) No 6/2002) excludes from protection any design features “which are solely dictated by ... technical function”.

<sup>5</sup> Copyright, Designs and Patents Act 1988 (CDPA) Section 213(3)(c)

<sup>6</sup> Subject to a qualification that it will expire within 15 years of the design first coming into existence.

<sup>7</sup> Settling disputes between nine sets of parties.

<sup>8</sup> CDPA Section 213(3)(b)(i)

<sup>9</sup> CDPA Section 213(3)(b)(ii)

The above differences between similar rights in a crowded area of intellectual property would appear to provide a case for simplification. The UK unregistered design right could be simplified to work alongside the Community unregistered design right, and obvious simplifications to make would be in relation to the definition of a “design”, the licence of right provisions, spare parts provisions, and the standard of originality. Considering that UK unregistered design law is not subject to Community competence, and can be amended by primary legislation, the most straightforward way to simplify the right would be to bring the above definitions into line with the Community definitions. If this were done, there would be few reasons to keep a UK unregistered design right at all, in view of the existence of the Community right. The main reason for retaining the UK unregistered design if its definitions were harmonised with the Community design would be to keep an extended term of protection for UK unregistered designs.<sup>10</sup>

However, there is a role for the UK unregistered design right in view of the lack of a UK utility model. Often businesses rely on the unregistered design right to protect original but non-inventive products, which don't meet the requirements to be granted a patent. This could provide a case against harmonisation and simplification.

Were the future of the UK unregistered design right to be reviewed, it would have to be considered whether an intellectual property right is required to protect non-inventive functional designs. When making this decision, it would have to be clear whether the benefits of unregistered design protection – that is, providing an incentive to create new designs and protecting investment in those designs – are greater than the burden placed on businesses having to navigate the profusion of intellectual property rights in this area. It would also have to be clear that the exclusive protection provided by unregistered designs is justified in the broader context of competition in the designs market.

While the presence of the Community unregistered design would appear to suggest that many aspects of the UK unregistered design are now redundant, and certainly gives a clear case for review of the right and possible simplification, there is currently insufficient evidence available to indicate whether the benefits of the UK unregistered design outweigh its burdens. The Patent Office therefore welcomes the opportunity provided by the Gowers review to study and assess this evidence.

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<sup>10</sup> It should be noted that, were the unregistered design provisions of the CDPA to be amended, provisions for the protection of semiconductor designs would have to be retained due to international obligations (TRIPS Article 3(1)).

**Legal sanctions on IP infringement**

- (a) Are you aware of any inconsistencies or inadequacies in the way the law applies legal sanctions to infringement of different forms of IP or to different circumstances?
- (b) For example, should criminal sanctions on online infringement be the same as those relating to physical infringement?

a) Some variation between the legal sanctions for infringement of different intellectual property rights is to be expected; the various rights are different in nature resulting in different penalties. For example, the often highly technical nature of patent infringement, and the lack of a requirement for copying, means that criminal sanctions are considered rarely appropriate.

Within these constraints, Directive 2004/48/EC, currently being implemented across Europe, harmonises civil enforcement provisions in the EU across the IP rights to the extent that this is possible. A further Directive and framework decision are currently under consideration by the EU for harmonising criminal sanctions.

One area in which the UK law can be strengthened would be through the bringing into force Section 107A of the Copyright Designs and Patents Act, which would place the same duty on trading standards officers to enforce copyright protection as currently exists for trademarks, and we are working with other government departments on this. However, it is important to ensure that this is done in the context of sufficient resourcing and organising of such activities to enable it to make a difference on the ground.

b) The penalties for some of the new offences under copyright law, relating to online infringement, are lower than for other offences. This was due to the need to use the European Communities Act when these offences were introduced which limits the maximum penalties that apply. We have considered amending this so that the penalty for online infringement would be the same as that for physical infringement. This would be welcomed by rights holders.

**Coherence between competition policy and IP policy**

- (a) Has your organisation experienced any activity linked to IP rights that you regarded as unfair competition?
- (b) How did you deal with this problem?
- (c) Was competition law effective at controlling this behaviour?
- (d) Should competition law have a greater role to play in regulating IP?
- (e) How would you see the system working?

Competition law needs to be able to deal with all forms of anti-competitive activity, including those involving use of intellectual property rights, and we are not currently aware of evidence that it is failing to do so. There are also additional safeguards within the intellectual property system, such as the availability of compulsory licences or licences of right in appropriate circumstances.

It is also important to ensure that competition law does not interfere with the legitimate exploitation of IP rights. One area of recent concern to some UK interests was the revision of the European Commission's Technology Transfer Block exemption regulation, where some companies were concerned that there was not enough of a "safe-harbour" for making legitimate contracts without running the risk of a competition challenge.

### Parallel Imports / International Exhaustion

Background: European law does not allow firms to use trade mark or copyright law to prevent their goods sold in one EEA Member State from being imported and resold in another Member State – i.e. they are not able to segment the EU market. However European law does allow the use of trade mark and copyright law to restrict the imports to EU Member States of goods sold outside the EEA. It also specifically inhibits EU Member States from legislating to remove such import restrictions at the national level – so called “international exhaustion” of trade marks or copyright. There has been a good deal of debate, both here in the UK and at EU level, about the costs and benefits of removing restrictions on parallel imports. There is a further issue of firms taking advantage of variations in prices on pharmaceutical products across the EU and repackaging drugs bought cheaply elsewhere within the EEA to resell within the UK.

(a) Has your company been affected by parallel trade?

(b) What would be the impact on your organisation of a change in the current rules?

(c) What evidence is there of the costs and benefits, both for consumers and firms of the current rules?

In 1999 the Trade and Industry Select Committee considered parallel imports in their report on Trade Marks, Fakes and Consumers, and the government's view was set out in their response, available from <http://www.parliament.the-stationery-office.co.uk/pa/cm199899/cmselect/cmtrdind/797/79702.htm>. On 26<sup>th</sup> April 2001 the UK and Swedish governments published a survey of international price comparisons. This showed that consumers across the EU would benefit from reform of trade mark laws.

The European Parliament adopted a report on a Commission working paper on trade mark exhaustion in October 2001. The report called on the Commission to undertake further work and to submit detailed proposals by end 2002. The Commission published this paper May 2003, concluding that no legislative changes were necessary.

The situation in Europe regarding proprietary pharmaceuticals is unusual in two important respects. First, the market is highly regulated and products are subject to strict safety and efficacy requirements. Secondly, the market for prescription medicinal products is far from free, prices being effectively controlled through the state health care systems in most, if not all, European countries.

The second of these factors creates a strong incentive to parallel importers to buy up drugs in a member state where they are artificially cheap and resell them in markets where the prices are not so tightly controlled. Current thinking is that exhaustion of rights **does** apply to patents in these circumstances, although there have been a number of references to the ECJ on the question of whether it is fair to apply the doctrine in its purest sense to this sector given the special circumstances. Most of these referrals have concerned trade marks, because national marketing approval rules and language requirements mean that the products in question need to be repackaged before they can legally be re-sold. Trade mark law can also obviously be applied irrespective of whether a product is protected by a patent.

## **Comparison of Fees for Patents, Trademarks and Designs**

### **1. UK Fees**

#### *Patents*

The cost of obtaining and maintaining Patents in the UK is inexpensive compared with many other countries. At current exchange rates UK Fees are comparable with the Irish, Spanish, Swedish and Australian offices.

In Europe the Polish, Russian and Swiss offices are cheaper, whereas internationally only Canada of the G8 has a lower cost. However, Switzerland and Canada are only cheaper if a patent remains in force for the full 20 years. (At 15 years Switzerland is some £500 more expensive whereas the Canadians are only £11 cheaper.)

The EPO cost quoted is for a patent designating a single country. Designation Fees are due per state at a rate of €75 per state up to 7 states at which point all contracting states are covered. This reduces the average cost per state but does not take account of translation costs.

#### *Trademarks*

The picture on Trademarks is less clear. An initial view of the figures suggests that the UK is expensive compared to other European offices. The headline figure for the UK covers only one class whereas several European countries, Germany, Austria and Finland, for example, allow for an initial application in three classes.

#### *Designs*

As with Trademarks it is difficult to draw any firm conclusions with regard to Designs. Internationally, there does not appear to be much consistency as to what constitutes a design or how long any protection should last. For example, the US has a single 14 year period for an Industrial Design with all fees paid in advance. The Far East by contrast has a registration period of between 10 to 15 Years.

In Europe the UK Fee regime looks similar to that of the German office and OHIM. Switzerland front loads the cost to the application stage but once renewals are taken into account then the total costs are comparable to the UK, Germany and OHIM

### **2. Renewal Fees**

#### *Patents*

Renewal fees for patents with the exception of the US have an annual basis. This fee may be steadily rising as in the UK but in some countries such as Switzerland the fee remains constant.

The US has only three renewal fees paid at 3½, 7½ and 11½ years.

The attached chart shows a general trend of renewal costs rising with time. It shows that our renewal fees are in line with those other offices. The graph also shows that renewal fees in Sweden and Denmark are substantially the same as most other countries until after the 12<sup>th</sup> year when the rate increases. Japan shows similar behaviour until the 10<sup>th</sup> year.

### *Designs*

The renewal fees of OHIM, Germany and the UK all appear to be similar showing only a small deviations. Of note is the approach adopted by the Australian, Swiss and Spanish Offices where the renewal fee is not stepped but a fixed fee for all periods.

It is difficult to draw conclusions with the remaining offices since it is unclear if the Design legislation is the same. The Far Eastern offices all appear to charge an annual fee which rises over time. As an alternative the USA has no renewal fee, as a design has a single 14 year life span.

### *Trademarks*

Trademark renewal fees are difficult to compare given that as with applications the number of applicable classes varies with the National Office. However, one feature that does appear to be observable is the number of countries where the renewal fee is in line with the total fee for granting the initial trademark. This appears to be the case in the UK, Ireland, Denmark and Switzerland.

## **3. Online Discounting**

Many offices allow discounts for online filing. This is particularly prevalent in Trademarks where nearly all offices have discounted fees for applications and renewals. In the case of the United States two online schemes are offered, TEAS and TEAS Plus. As we understand it, TEAS Plus is a very structured application system where little allowance is made for error. Whilst TEAS is a standard online application system. An incorrect TEAS Plus application reverts to a TEAS application with the applicant becoming liable for a \$50 fee.

A slightly different approach can be seen in South Korea where a Patent application made on paper attracts a per page fee.

## **4. Grant or Issue Fees**

A number of offices have a grant or issue fee. This appears to be charged once all pre grant formalities have been dealt with. It is unclear why this is done but one consideration is that it would appear to allow the offices to maintain a standard search/examination fee for all applications whilst ensuring some costs are met for those applications that require the most work i.e. those that get through the process to grant.

## **5. Publication Fees**

Publication fees are charged by several countries. These normally relate to the publication of the application or granted application. It is difficult to see a pattern in these charges as they range from Finland who charge after 4 pages to the US where charging starts at 100 pages.

## **6. Excess Claims Fees**

A number of countries charge a fee for claims. In the case of Japan the application fee is a basic amount plus an amount per claim. In general the remaining countries who charge an excess claim fee appear to charge on application for claims in excess of 10. There are exceptions to this such as Russia which starts at 25 and South Korea where charges are levied on a per claim basis at examination.

## **7. Small Entity Fees**

A number of countries reduce fees for small entities. The US and Canada both offer 50% discounts for these whereas Brazil and India offer 75% discounts. Current HMT Rules preclude varying fees on the basis of size,

## **8. Clarity of Fee Structures**

As will be apparent fee charging structures are complex. Whilst every effort had been made to ensure the data recorded in the attached pages is accurate, we cannot be certain as to what fees are due and at what stage. In this respect, the UK comes out well as having a clear and easily understandable fee structure.

### ***Attachments***

1. Comparison of Patent Fees
  - a. Chart showing Cumulative Patent Renewal Fees
  - b. Chart showing Comparison of Grant and Renewal Fees by Country
  - c. Comparison of Total Patent Fees with UK.
  - d. Cost Profiles of Patents at 5, 10, 15 & 20 Years with UK.
2. Comparison of Trademark Fees
3. Comparison of Design Fees.

### **Source of Information.**

The main source of information for each country or organisation has been their respective website. In some cases where the office has conducted exchange trips, particularly on Patents, colleagues in those offices have been approached and asked to provide information. Where information was unclear, the respective office was contacted by E-Mail or by telephone.

In the case of Russia information was obtained from Agents websites. It would appear that although a rouble price is quoted all fees are payable in US\$.

### **Currency**

All values in the attached table are in sterling. The exchange rate used was obtained from [www.oanda.com](http://www.oanda.com) which is the site recommended on the overseas travel pages of the Intranet.

### **Choice of Countries**

The countries/organisations selected are considered to present a wide picture of fees across the world. The G8 countries have been shown with the exception of Italy given the recent discussions that renewal fees would be discontinued. Too have included them would have presented a meaningless comparison with the other countries.

Brazil, China and India have been included as examples of a major developing economy.



For Innovation

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# RELATIVE GROUNDS FOR REFUSAL

## THE WAY FORWARD



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## RELATIVE GROUNDS FOR REFUSAL – THE WAY FORWARD

### INTRODUCTION

#### Summary and purpose of consultation

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

#### Responding to the consultation

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

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

E-mail: [relative@patent.gov.uk](mailto:relative@patent.gov.uk)

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

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

#### Impact assessment

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

## **Openness/Confidentiality**

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

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

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

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

## RELATIVE GROUNDS FOR REFUSAL – THE WAY FORWARD

### BACKGROUND

#### Pre-consultation exercise

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

#### Objective

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

#### Overview of the existing system

11. At the moment, applications made to us for a national registration are examined to ensure that the mark is distinctive, not offensive, and does not misdescribe the goods or services for which registration is sought. These are known as the ‘absolute’ grounds for refusing registration. In addition, applications for national marks are searched against records that contain the details of all the trade marks that are protected in the UK. The records therefore contain details of UK national marks, International Trade Marks<sup>1</sup> that have designated the UK or the European Community for protection, and also European Community Trade Marks (“CTMs”) that are registered at OHIM<sup>2</sup> in Alicante, Spain. The size and make-up of our search files (together with other facts and figures) can be seen in Annex E.

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

#### Why is change being considered?

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

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

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

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

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

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

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

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

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

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

### **The non-use issue**

20. There is a further problem with the current system of examination on relative grounds. Many trade marks are registered but unused. More still (probably the majority) are registered in respect of more goods and services than they are used for. A trade mark registration is liable to be revoked<sup>3</sup> if the mark has not been used for five years in respect of the goods or services for which it is registered, and there are no proper reasons for such non-use.

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

3 A legal procedure for cancelling a registered trade mark.

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

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

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

## OPTION 1

### THE STATUS QUO

#### Advantages

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

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

#### Disadvantages

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

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

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

30. Fourthly, article 11(2) of the Directive<sup>4</sup> requires that an earlier mark cannot be used as a basis of refusal under relative grounds unless it has been put into genuine use (basically in the five year period from registration or an uninterrupted period of five years at any time following that). In practical terms, this is currently dealt with by the applicant of the new application making a claim for the formal revocation of the earlier mark and, if successful, so allowing the new application to proceed. This has worked reasonably well when dealing with UK national marks because the revocation procedure is dealt with by us, the UK Trade Marks Registry, in a well established and easy to use mechanism.

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

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

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

### Summary

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

## OPTION 2

### SEARCH AND CITE WITH NOTICE

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

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

#### Advantages

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

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

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

#### Disadvantages

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

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

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

### Summary

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

## OPTION 3

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

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

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

#### Advantages

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

#### Disadvantages

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

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

#### Summary

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

## OPTION 4

### SEARCH AND NOTIFY (THE APPLICANT ONLY)

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

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

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

#### Advantages

50. The pre-consultation exercise highlighted that commercial watching services<sup>5</sup> are not greatly utilised despite being quite affordable. This is unsurprising in relation to the UK system as we currently refuse later conflicting marks. However, against the CTM system operated by OHIM this is surprising given that a new application will only be refused on relative grounds if it is opposed successfully by the owner of the earlier mark. This suggests to us that most owners of national trade marks are more likely to employ a “wait and see” strategy and take action only in the event of actual conflict in the marketplace, rather than to embark upon a strategy of pre-emptive oppositions.

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

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

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

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

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

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

#### Disadvantages

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

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

#### Summary

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

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

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

## OPTION 5

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

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

#### Advantages

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

#### Disadvantages

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

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

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

#### Summary

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

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

## RECOMMENDATION

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

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

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

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



**ANNEX A**

**RESPONSE FORM**

Name: .....

Firm / organisation: .....

Address: .....

.....

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

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

.....

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

.....

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

.....

.....

.....

.....

.....

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

.....

.....

.....

.....

**4) Do you have any other comments?**


.....

.....

.....

## ANNEX B

### General Principles of Consultation

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

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

### Comments about the consultation process

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

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

Tel: +44 (0)1633 813741  
Fax: +44 (0)1633 814509  
E-mail: [Maria.Ciavatta@patent.gov.uk](mailto:Maria.Ciavatta@patent.gov.uk)

## ANNEX C

### List of consultees

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

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

## ANNEX D

### Pre-consultation exercise – summary of findings

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

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

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

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

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

Additional points raised:

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

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

#### **Watching the Register**

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

#### **Value of the official search**

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

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

### **Whether/Where to file**

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

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

### **Proof of use**

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

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

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

### **Consent**

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

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

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

## **Notice**

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

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

It was generally agreed that notification could help where:

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

## **Enforcement of Private Property Rights – who should be responsible?**

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

## ANNEX E - Facts and Figures

### Volumes

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

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

\*includes designations under the Madrid Protocol

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

The search records currently contain details of 950k earlier trade marks. Just over 60% of these are national marks or international marks protected in the UK. Nearly 40% are made up of Community trade marks. These trade marks are together registered for (or applied for protection for) goods and services covering a total of 1.9m classes. Over half (50.5%) of these classes are accounted for by Community marks.

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

### Proportion of Applications Refused on Relative Grounds

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

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

\*\* information provided by OHIM

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Fax: 01633 813600

[www.patent.gov.uk](http://www.patent.gov.uk)  
[www.intellectual-property.gov.uk](http://www.intellectual-property.gov.uk)

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Revised: February 06



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## Country Notes - Designs

Australia	Discount for online application.
USA	Small Entity Fees are 50% of shown fee Application Fee for applications > 100 sheets \$250 per 50 sheets No renewal Fees as application covers one 14 year period.
Germany	Online application attracts a €10 discount
Poland	Issue fee includes fee for first five years Zl 400 + Zl 60 Publication fee
Switzerland	Publication fee is in Black and White For Colour SFr 50 is charged
Canada	Can\$10 excess fee for each page of drawings in excess of 10
Japan	Renewal Fees are paid annually.
South Korea	Online Filing attracts a 10000 won discount Renewal Fees are paid annually.
Russia	Design renewal fees are for 3-4, 5-6, 7-8 and 9-10 years.
China	Renewal Fees are charged annually. Years 1-3 Yuan 600 Years 4-5 Yuan 900 Years 6-8 Yuan 1200 Years 9-10 Yuan 2000

## Notes

**Community Registered Design Applications :** OHIM (see glossary) began accepting and examining applications in April 2003. The effect of this in the UK is that UK domestic design applications have fallen by approximately 60%.

**Community Trade Marks Applications :** OHIM (see glossary : OHIM) began accepting and examining applications in April 1996. Community Trade Marks applications have not adversely affected the demand for domestic UK trade marks application

**International Applications :** (see glossary) These can in effect be seen as applications that otherwise would have been made “domestically” in the UK. This means that each international application takes the place of a domestic application. Note : We anticipate a downturn in international applications as a result of OHIM (see glossary) joining the Madrid Protocol (see glossary) in October 2004, although so far this has not worked through.

**Multiclass application:** A Trade Marks application for more than one class of goods or services (before 1994 Trade Marks applications were not multiclass).

**Service Marks:** (see glossary) Service Marks were introduced in the UK in late 1986. In the first year 13198 Service marks applications were received which represented 34% of total applications received that year.

**Trade Marks Act 1994** (see glossary) : One of the significant changes in legislation was that an applicant can make a Multiclass application.(see multiclass application)

**Trade Marks Fees :** TM fees were amended in October 1998 . The cost of an application reduced from £225 to £200. The cost of each additional class over and above the original lead application reduced from £125 to £50.

### **Additional Note**

The number of live marks /designs on the Register are :

Domestic Trade Marks	490,000
International Trade Marks	65,000
Designs	62,000

### **Glossary of terms**

**Community Registered Design Application :** An application for Community wide Design rights ( an application may be for multiple Design rights whereas a domestic application to the UK Office is for a single design )

**Domestic application :** Application requesting registration of Trade Marks or Designs rights in the United Kingdom.

**International Application** : An existing Trade Mark right in a signatory state of the Madrid Protocol where the Trade Marks' rights owner designates another country ( in this case the UK ) for protection ( registration ) of his Trade Mark rights.

**Madrid Protocol** : The agreement by which an existing Trade Mark right in one country may be designated for protection in another by filing an application at the World Intellectual Property Organisation ( WIPO ) who conduct a formalities check before forwarding the application to the designated country who then performs an examination for registrability.

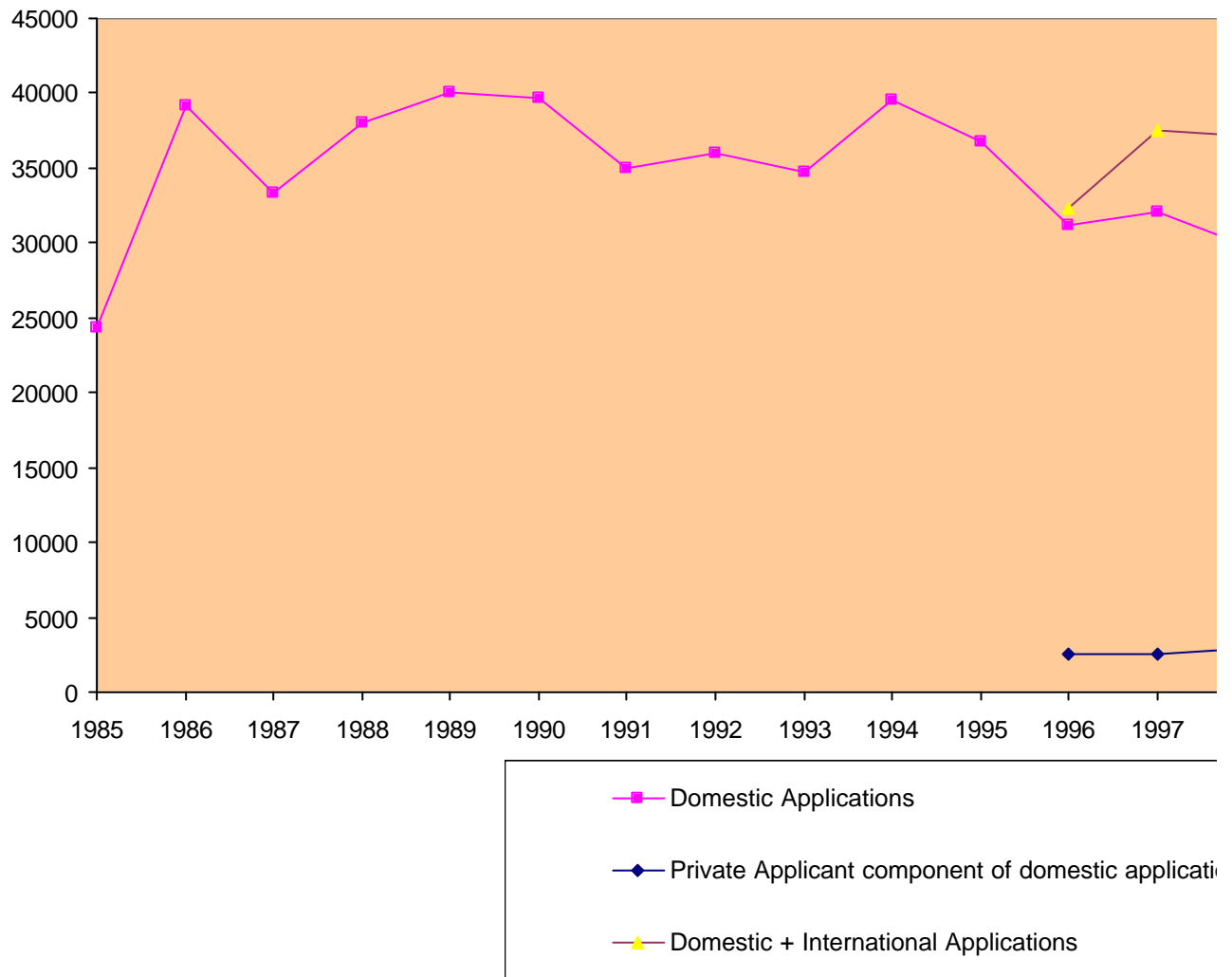
**Private Applicant** : An applicant for a Trade Mark or Design who is not represented by a Trade Marks/Designs Agent. Private Applicants are typically small businesses / SMEs.

**OHIM** ( Office for Harmonisation in the Internal Market ). The receiving and examining Office for applications for community wide Trade Marks and Designs rights.

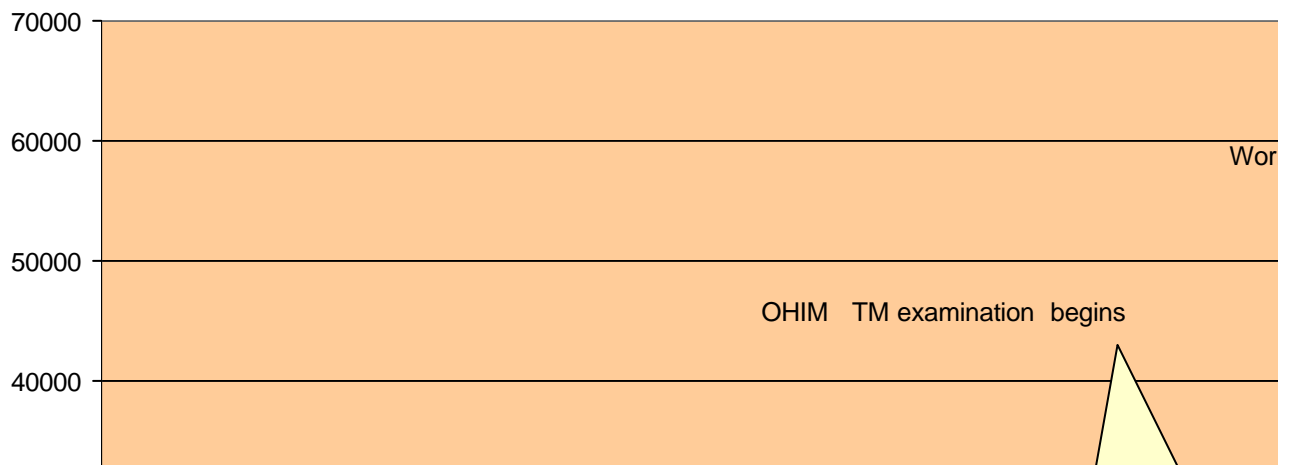
**Service Mark** : Since 1986 a Trade Mark application for registration may be applied for services alone or in addition to an application for goods eg trade marked goods may be a garage selling motor vehicles and the trade marked services may be repair services performed by that garage.

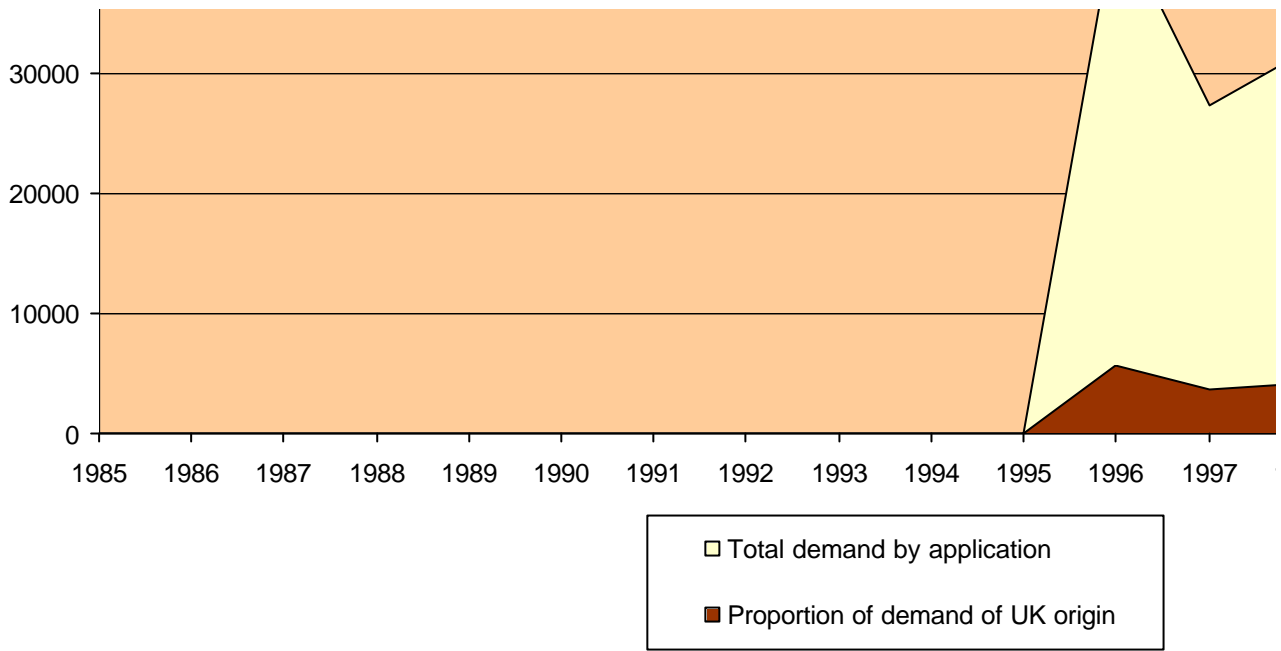
**Trade Marks Act 1994** : The existing Trade Marks law introduced on 31 October 1994.

### UK Registry Trade Marks Demand (Applications) 19

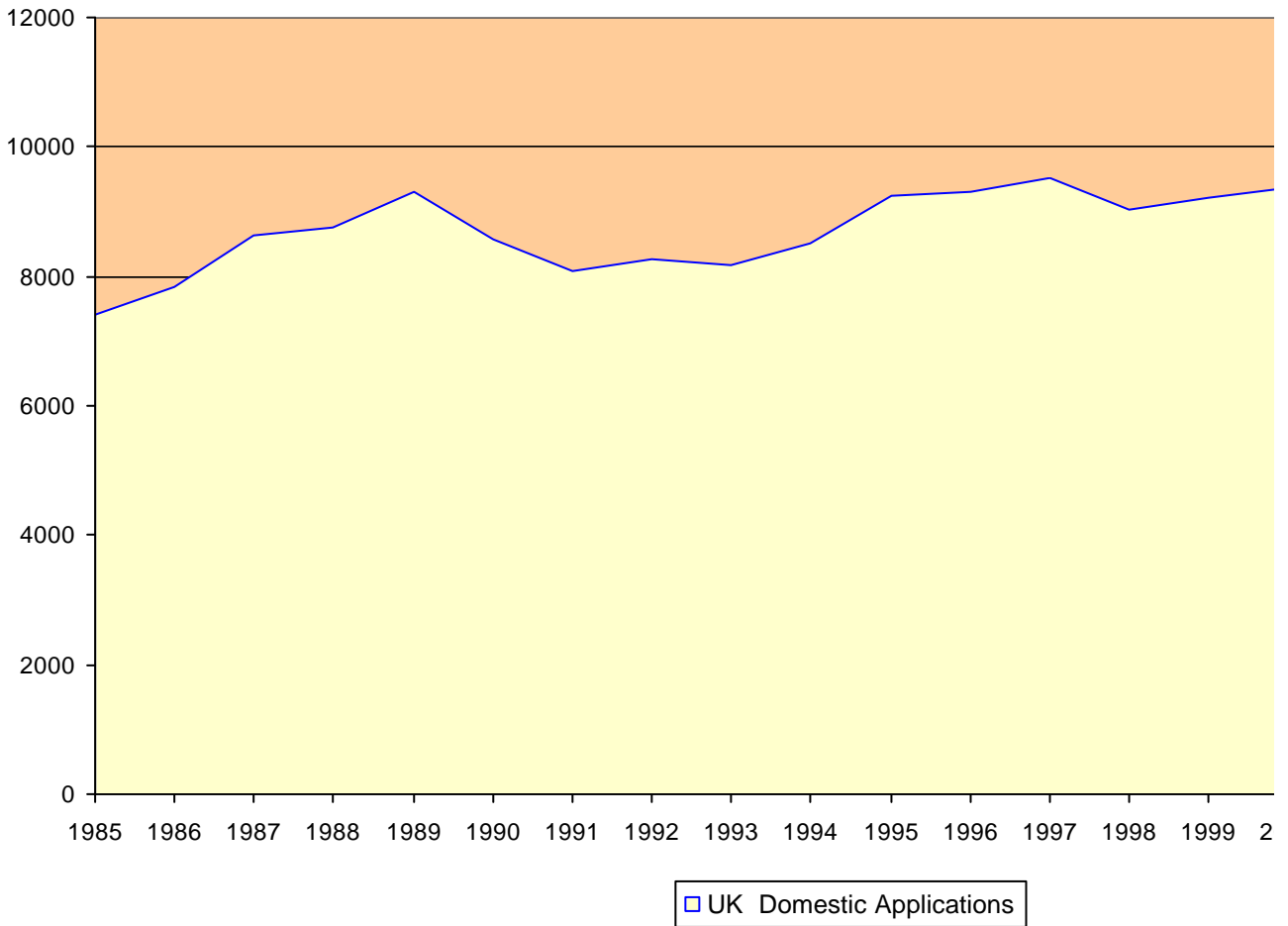


### OHIM Trade Mark Demand ( Applications ) 1985 -

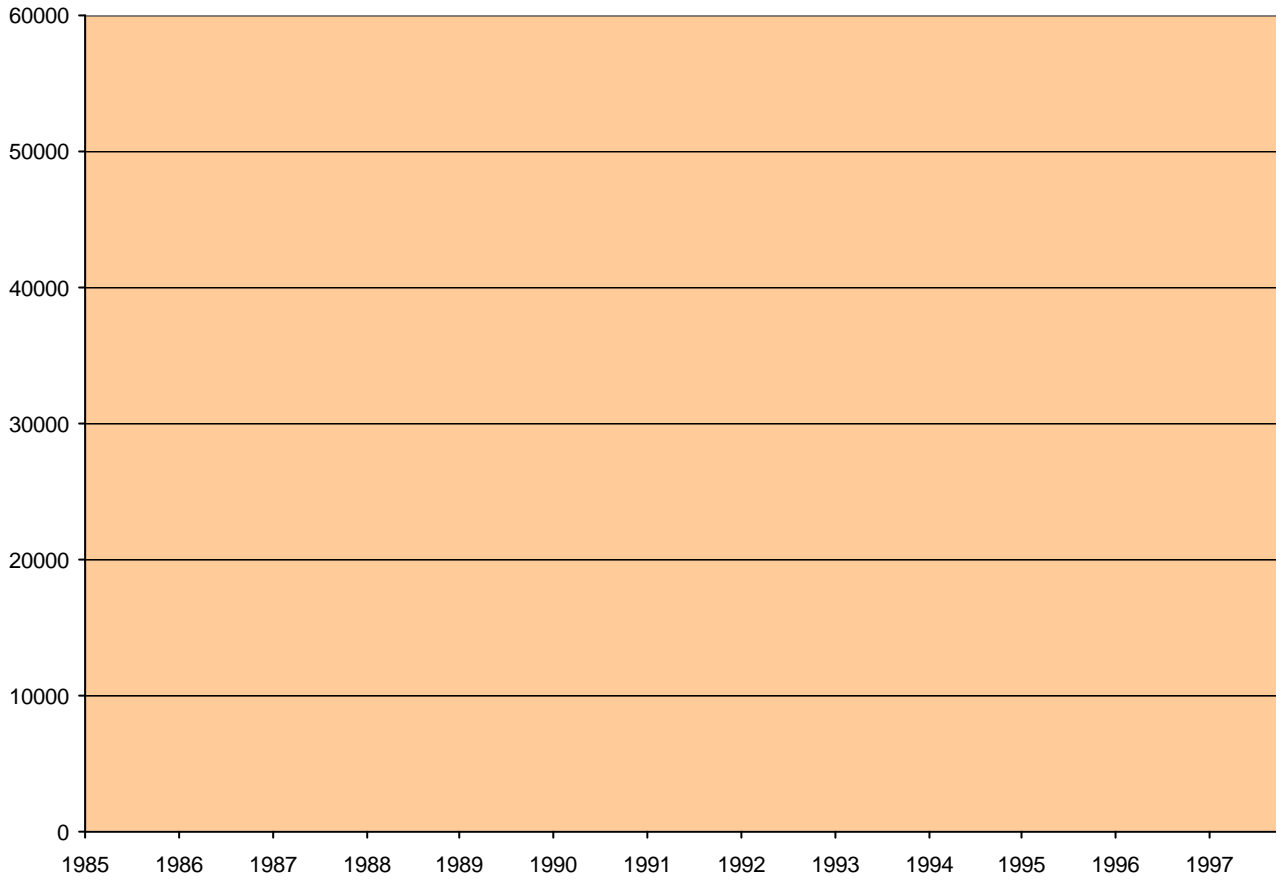




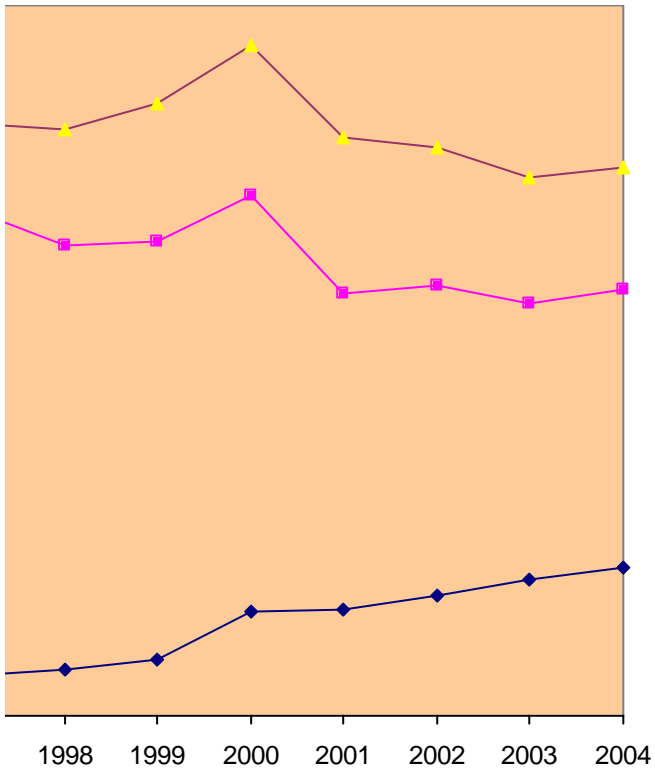
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### Community Registered Design Demand (Applications)

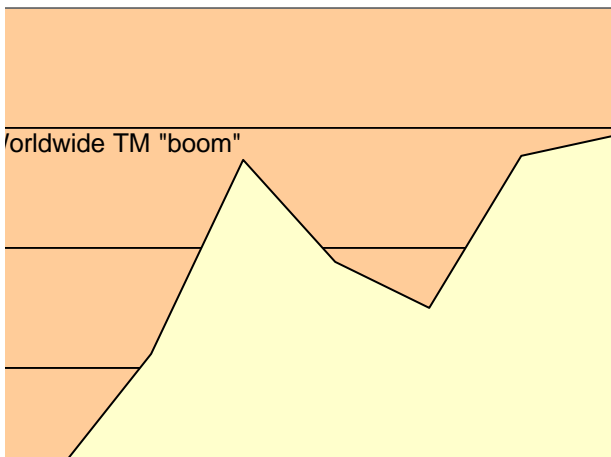


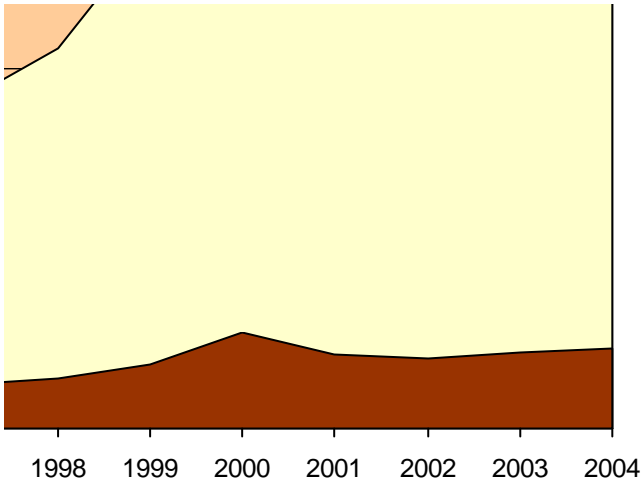
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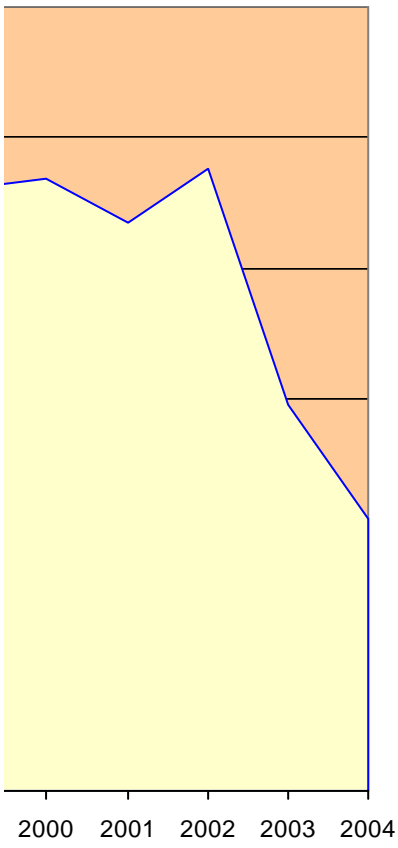
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