

**EXPLANATORY MEMORANDUM TO
THE TRADE MARKS (AMENDMENT) RULES 2007**

2007 No.2076

&

THE TRADE MARKS (FEES) (AMENDMENT) RULES 2007

2007 No. 2077

1. 1.1 This explanatory memorandum has been prepared by the Department for Innovation, Universities and Skills and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The Trade Marks (Relative Grounds) Order (S.I. 2007 No 1976) (“the Order”) implements a new regime for the registration of trade marks in the UK whereby new applications will no longer be automatically blocked if there is an earlier conflicting mark, but instead it will be for the owner of the earlier mark to act to block it. These statutory instruments set out the procedural rules needed to underpin this new regime.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 The Trade Marks (Amendment) Rules 2007 add a new Rule 11A to the Trade Mark Rules 2000. Following the search provided for in Article 4 of the Order, the new rule requires the registrar to notify the applicant and the owners of earlier trade marks if, in the Registrar’s view, the new trade mark appears to conflict with relevant earlier trade marks. Paragraph (7) excludes the possibility of any person asking to be heard before the registrar decides who to notify, or the possibility of an appeal from the exercise of the registrar’s discretion whether to notify the owners of earlier trade marks.

3.2 It is doubtful whether the judgment that the registrar is required to exercise under Rule 11A would normally constitute a "decision" at all. However, section 76 of the Trade Marks Act defines a “decision” very broadly as being “any act of the registrar in exercise of a discretion vested in him by or under this Act”. This seems to be wide enough to cover the exercise of the discretion described above. However, the decision to notify the owner of an earlier trade mark has no substantive effect on the rights or property of the applicant or of the owner of any earlier trade mark. It is simply an information service which may or may not result in subsequent trade mark opposition or invalidation proceedings between the parties. Further, it is not necessary for the owner of an earlier mark to receive such a notification from the registrar in order to be able to oppose or challenge the registration of a later trade mark – he may discover the existence of the new mark through conducting his own searches. And there is, of course, a right to be heard before any decision is taken as a result of opposition and invalidation proceedings, (from which there is also a right of appeal).

3.3 Section 76(1) of the Act provides that the rules may exclude the possibility of

appeal in specified circumstances. The exclusion of an appeal in Rule 11A is a specified exclusion under section 76.

3.4 The reasons for excluding a right of appeal mirror those for excluding requests to be heard before any discretion as to who to notify is exercised. There is, however, a further reason for excluding a right to be heard. The owners of earlier marks have just as much interest in being told about apparently conflicting new trade marks as the applicant for a new trade mark has in whether the owners of earlier trade marks are told about his application. It follows that if a hearing was permitted, both parties would have to be heard. However, the very act of organising such a hearing would bring about the result that it was intended to determine – whether the owners of earlier trade marks should be informed about the existence of the new trade mark application. In the circumstances it appears that such hearings are unnecessary and should be expressly excluded.

3.5 The Trade Mark (Amendment) Rules also introduce new rule 14A. This is modelled on existing rule 35. The rule provides a right for persons who have a commercial interest in the earlier mark to intervene in opposition proceedings. This is subject to the grant of leave and the parties to an opposition have a right to be heard before any other party is permitted to intervene in the proceedings.

3.6 The Amendment rules also revoke the definition of the word “proprietor”, which is currently defined in Rule 2 as being the registered proprietor of a trade mark. The Trade Marks Act contains no definition of the word “proprietor”. Accordingly, references to the proprietor in the Act have their natural meaning and are not restricted to the person registered as being the proprietor, as in the rules. The effect of removing the more limited definition in the rules is therefore to give the word the same meaning in both the Act and the Rules unless the context requires otherwise

4. Legislative Background

4.1 Section 8 of the Trade Marks Act 1994 (as amended) (“the Act”) empowers the Secretary of State to make an Order to provide that a trade mark shall not be refused registration on the basis of an earlier conflicting trade mark unless objection is raised in opposition proceedings by the proprietor of the earlier trade mark. Such an Order has been made and will, when it comes into force on 1 October 2007, establish the new procedure for the raising of relative grounds for refusal of a UK national trade mark application.

4.2 Section 78 of the Act provides the Secretary of State with a general rule making power to regulate practices and procedures under the Act and section 79 confers a power to prescribe fees payable in respect of matters under the Act. These statutory instruments are being made under these sections of the Act. The Trade Marks (Amendment) Rules regulate a number of procedures associated with the new registration regime. These include a requirement to notify the applicant for a new trade mark of any earlier conflicting marks, and to also notify the proprietors of those earlier marks about the existence of the new application if and when it proceeds to publication in the Trade Mark Journal. Additionally, a rule is being introduced to permit licensees of earlier trade marks to intervene in opposition proceedings.

5. Territorial Extent and Application

5.1 These instruments apply to the United Kingdom and the Isle of Man.

6. European Convention on Human Rights

6.1 These instruments are subject to the negative resolution procedure and do not amend primary legislation, no statement is therefore required.

7. Policy background

7.1 The Order states that the registrar may carry out a search of earlier trade marks for the purpose of notifying the applicant and other persons about the existence of earlier trade marks that might be relevant to the proposed registration. The policy objective is to ensure that applicants for new trade marks fully assess the risks of potential opposition (or later invalidation) and infringement before they proceed with their application. Informing other persons (owners of earlier trade marks) has the advantage of placing them in an equally informed position about the new application and has the added advantage that early notification is more likely to bring any potential dispute to the fore sooner rather than later (by which time significant costs may have been incurred in launching goods onto the market under the new trade mark).

7.2 The Trade Marks (Amendment) rules set out who will be notified. The applicant for the new trade mark will be notified of all earlier trade marks that are identical with the new trade mark or which, because of their similarity with any earlier trade marks, in the registrar's opinion, may lead to a likelihood of confusion. In relation to earlier marks, owners of earlier national marks and owners of earlier international marks that are protected specifically in the UK will be notified automatically about the existence of later filed conflicting applications. However, owners of Community Trade Marks (CTMs) and owners of international marks that are protected in the European Community as a whole (international (EC) trade marks) will have to opt-in to the notification system if they wish to be notified of any later filed conflicting national applications.

7.3 The policy objective of requiring owners of CTMs and international (EC) trade marks to opt-in before they can receive notifications is that, in many cases, these owners have no specific interest in the UK market as such and, thus, the provision of notification has little or no benefit. Furthermore, owners of CTM and international (EC) trade marks do not contribute financially to the UK registration system. Consequently, the cost of sending them notifications automatically would, effectively, have to be subsidised by users of the UK national registration system (who are more likely to be small to medium sized enterprises). In this respect, the amendment rules are a mirror image of the CTM registration system where the Examining Authority sends notifications to owners of earlier CTMs but not to owners of earlier trade marks protected in individual Member States of the EU. Any request to opt-in (which will last for a three year period) must be filed on-line.

7.4 The fees rules are being amended to reflect the form and fee required for the opt-in system described above. The fee of £50 has been set following two rounds of consultation. The first dealt with the policy of opting-in (which received widespread support). The second dealt with the level of the fee. We have significantly adjusted both

the level of the fee and the period covered by the fee in response to points made to us in the second consultation.

7.5 The amendments to the Trade Marks Rules also introduce a new procedure to allow a licensee of an earlier trade mark to intervene in an opposition against a potentially conflicting later trade mark. The policy objective is to provide an opportunity for a licensee to play an active part in an opposition that is based upon an earlier mark which he is licensed to use. The UK licensee of a trade mark is sometimes the party most interested in preventing the registration of a later conflicting trade mark, and may also be the party in the best position to provide the appropriate evidence in the opposition proceedings. The Order itself could not be extended to allow a licensee to oppose (because of the limited scope of the power contained in Section 8 of the Act). Allowing intervention is a practical way of allowing such a licensee to defend his rights.

7.6 There are a number of other changes in the Trade Marks (Amendment) Rules that ensure consistency with the wording of the Order that has already been made and make other minor changes to the Rules. Revoking the definition of “proprietor” in rule 2 as being the registered proprietor removes any possibility that a proprietor of an earlier trade mark may find that he does not have the standing required in the Order for him to oppose the registration of a later conflicting mark simply because of a delay in the registration of his title to the earlier mark.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this memorandum.

8.2 The impact on the public sector is nil.

9. Contact

9.1 Allan James at the United Kingdom Intellectual Property Office (Tel: 01633 811056 or e-mail: allan.james@ipo.gov.uk) can answer any queries regarding the instrument.

REGULATORY IMPACT ASSESSMENT (“RIA”)

1. Title of Proposal

The Trade Marks (Amendment) Rules 2007
The Trade Marks Fees (Amendment) Rules 2007

2. Purpose and intended effect

- Objective

These amendment rules underpin the Trade Marks (Relative Grounds) Order 2007 (“the Order”) (SI 2007 No. 1976). The regulations set out some of the procedural mechanisms necessary under the revised regime for examining trade mark applications set out in the Order. This RIA will focus on the specific regulations that are being introduced rather than the overriding policy for the new regime, the impact of which has already been assessed in the RIA that accompanied the Order.

The objectives of these regulations are to:

- 1) detail who will and will not be notified about the results of the searches made in relation to new trade marks in order to see if they conflict with earlier trade marks.
- 2) To introduce a fee and a procedure to enable proprietors of Community Trade Marks (“CTMs”) and International Trade Marks that are protected in the Community as a whole (“international-EC”) to opt-in to the system of receiving notifications about later filed conflicting national trade marks.
- 3) To introduce a rule allowing licensees of earlier trade marks to intervene in an opposition brought by the proprietor of those earlier marks against a later filed conflicting trade mark.
- 4) To amend some of the existing trade mark rules so as to ensure consistency with the wording of the Order and make some other minor changes.

- Background

Notification rules

When the Order comes into force on 1st October 2007, trade mark applications will no longer be refused because of an earlier conflicting mark unless the owner of that earlier mark successfully opposes it. However, under this new regime a search will still be conducted by the registrar for the purpose of notifying the applicant and other persons about the existence of earlier trade marks that might be relevant to the proposed registration.

The Trade Mark (Amendment) Rules set out who will be notified about the existence of earlier trade marks. The applicant for the new trade mark will be notified automatically, as will proprietors of earlier national trade marks and proprietors of international registrations that have specifically designated the UK for protection (“International–UK”). Proprietors of earlier CTMs and international-EC trade marks will not be notified automatically but can opt-in to the system of notification subject to the filing of Form TM6 (which will be an on-line form) and the prescribed fee (£50 per trade mark for a period of three years).

Intervention in opposition

The amendment rules will introduce a new procedure that will enable a licensee to apply to intervene in opposition proceedings that are based on the earlier mark that they are

licensed to use. This is being introduced in response to concerns that were raised during the consultation process. The concern was that the Order limits the right to file an opposition to the proprietor of the earlier mark. This was considered by many to be too limiting as it is sometimes the party licensed to use the mark in the UK who would have most interest in challenging the prospective registration of a later filed potentially conflicting trade mark, and would also be the party who would need to produce some of the evidence normally filed in opposition proceedings.

The Order could not be amended to allow a licensee to oppose an application because of the narrow scope of the Order making power (Section 8 of the Trade Marks Act 1994). However, the ability to intervene (which already exists in relation to invalidation provisions) was considered to be a practical way to allow a licensee to take part in the opposition once it has been filed.

- Rationale for government intervention

Notification rules

The policy decision to move to a “search and notify” regime and the impact it will have is dealt with in detail in the RIA accompanying the Order. In relation to the impact of these regulations, the only point of additional interest is the policy of notifying owners of earlier national marks and international-UK registrations automatically whereas owners of CTMs and international-EC registrations will have to take action (by filing a form and a fee) to receive such notifications. This aspect is considered below.

Unlike the proprietors of trade marks registered or protected in the UK as such, the proprietors of CTM and International-EC trade marks do not contribute to the cost of running the UK national registration system. The UK Intellectual Property Office operates as a trading fund and is required to cover its costs from the income it receives from fees. If the proprietors of CTMs and International-EC trade marks do not pay a fee for the notification service then the users of the national registration system will effectively be subsidising the cost of providing that service to proprietors of CTM and International-EC trade marks.

Further, requiring proprietors of marks protected throughout the Community to opt-in to the notification service will mean that we will be targeting notifications to those proprietors that can be assumed to require the service – many CTM and International-EC trade mark owners have no specific interest in the UK market and will not appreciate notifications being sent to them automatically.

Intervention in opposition

Government intervention is required on this point in order to meet the concerns of users of the national registration system who felt that the proposed regime would be too restrictive if the proprietor of the earlier mark was the only party able to play a part in the opposition. Allowing a licensee to intervene means that they are able to play an active part in the opposition and to consequently give them a voice in the question of whether or not a later filed potentially conflicting mark should be placed on the register.

3. Consultation

- Within government

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

Small Business Service
DTI (now BERR] Better Regulation Team

- Public consultation

All these issues have been consulted on widely and users' views taken into account in the formulation of the policy and the manner in which it is to be implemented.

In relation to the opt-in fee, the consultation generated a total number of 8 responses. Three of these responses came from bodies representing the legal profession (including the two main bodies representing trade mark practitioners), two came from individual trade mark attorneys, one from a firm of trade mark attorneys, one from a large multi-national company and one from an individual businessman. The information contained in the "options" section below details how the initial proposal was adapted to meet the views of users. We are content that the amendment rules fairly reflect these views and create a workable and balanced notification system.

4. Options

Notification rules

There were a number of options. First, we could have notified owners of earlier CTMs and international-EC registrations automatically without a requirement to opt-in or to pay a fee. Whilst this would be useful to those that wanted to receive notifications, we considered this option to represent a waste of resources. Many CTM owners have no interest in the position in the UK market and consequently would have no interest in receiving notifications about later filed national UK trade marks. We consider it right, and to be a better use of resources, to target notifications to those that want them, and, consequently, some form of system of opting in is required.

Secondly, we could have required CTM/international-EC owners to opt-in, but set the opt-in fee at nil. This would encourage those who need the service to use it but would effectively transfer the cost of providing it to users of the national system, a higher proportion of whom are small or medium size businesses. We do not consider that this would be fair and we have therefore rejected the option of not charging.

We also considered permitting proprietors of CTMs and International-EC trade marks to opt-in for notifications in respect of all their trade marks rather than in relation to particular trade marks. We rejected this because 1) it is likely that such proprietors will have an interest in being alerted to potential conflicts with some of their marks but not others, 2) if we charged per proprietor rather than per trade mark, those proprietors with many trade marks would pay no more than those with just one. However, the cost of providing the service will be proportionate to the number of marks being watched. This approach would not therefore match fees to costs.

Our initial proposal was to set the opt-in fee at £200 per trade mark and to provide the service for a period of 10 years. We considered this to be a reasonable fee for a period of time that is standard as representing the registration period of a trade mark before it requires renewal. However, following consultation, we were persuaded that a shorter period was required as the commercial life span of an average trade mark may be much shorter and, furthermore, the up front cost of paying for a 10 year notification service was not attractive to users.

We have therefore decided to proceed with a fee of £50 per trade mark for a three year service. This has the advantage of reducing the initial cost of accessing the service. The fee also

represents a reduction in the annual cost from that proposed. This is because some responded to the consultation by saying that this cost was too high and may discourage some businesses who have an interest in the UK market from properly protecting their intellectual property. The chosen option does increase the overall cost to the Intellectual Property Office because it reduces the annual fee for receiving the service, and also because it will require the handling of more frequent renewal requests. However, the additional cost to the Intellectual Property Office will be off-set by requiring that the form is filed electronically via an on-line function. We therefore consider that this option is a fair and balanced one.

Intervention in opposition

We either had to introduce the rule allowing interventions or not. Not introducing the rule would have resulted in a more rigid opposition system with licensees being prevented from having a voice in what could be, to them, a very important set of proceedings. This rule was introduced to meet user's concerns and we see no negative consequences in proceeding with it.

5. Costs and benefits

- Sectors and groups affected

Potentially all business sectors are affected as trade mark registration covers the full range of goods and services that are traded in. All groups are also likewise affected as trade mark registration may be sought from sole traders to large multi-nationals, both with and without legal representation. However, the fee applies (and then this is optional) only to CTM and International-EC trade mark proprietors. These are, more commonly, larger corporations rather than small businesses.

- Benefits

Notification rules

There are a number of benefits. Firstly, it should be noted that many trade mark registration systems that operate on a notification basis will only notify proprietors of earlier trade marks secured through that particular system. For example, whilst the Community Trade Mark Office (OHIM) notifies proprietors of earlier CTMs, they are not required to notify the proprietors of national marks despite the fact that CTMs are valid in all member states. Therefore, the option to opt-in at all is a benefit to proprietors of CTMs and International-EC marks who are interested in the notification service.

Secondly, there is also the benefit that CTM and International-EC proprietors will be contributing to the cost of the notification service and, therefore, they are not being subsidised in the service they receive by fee paying proprietors of UK national marks.

Intervention in opposition

The benefit is that a licensee can play an active part in opposition proceedings that are relevant to them. The prospective registration of a later filed conflicting trade mark may be of great concern to the licensee of an earlier mark, therefore, allowing intervention gives them a voice in deciding whether the later mark should or should not be registered.

- Costs

Notification rules

Clearly, any proposed fee equates to a cost. However, this is an optional cost that no one is obliged to pay. Nevertheless, for CTM and International-EC trade mark proprietors (many of whom will not be UK businesses) who wish to receive notifications, the proposed fee equates to less than £17 per annum for, effectively, a watch of the UK register. This, we believe, compares extremely favourably with commercial watching services who may charge up to £100 for a similar level of service.

Intervention in opposition

A licensee who intervenes will, of course, have costs associated with the legal proceedings that they wish to take part in. Furthermore, a licensee may be liable to pay the costs of the other side if the opposition is unsuccessful. However, the decision to intervene is optional. If licensees take up this opportunity then there will be costs issues involved in the same way as if they were the opponent. This, in our view, is quite fair and reasonable.

6. Consultation with small businesses - Small Firms Impact Test

Our previous consultations have been widely circulated within the small business world and have been the subject of a stage 1 impact test with small firms. The responses led us to conclude that none of the changes would have a significant or disproportionate impact on small business. In view of this, we do not plan to conduct a separate impact test on the specific detail of the regulations here, particularly as any new fees are optional. The consultation document relating to the opt-in fee (and also our previous consultations) was placed on the web-site of the Small Business Service and sent to those groups who have expressed an interest in seeing consultations in this field.

7. Competition assessment

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

8. Enforcement, sanctions and monitoring

The fee is an optional one and, as such, there are no enforcement procedures. As there are no specific enforcement procedures then no specific sanctions against non-adherence (or mechanisms to monitor non-adherence) apply. In terms of the other rules on notification and in relation to the rule on intervention, again, these rules simply apply to all parties who wish to make use of the national system. They are not specifically enforced on anyone.

9. Implementation and delivery plan

All these rules will be introduced in October 2007. Guidance on the new regime, including the availability of opting in, will be produced and will be available prior to the change.

10. Post-implementation review

One of our objectives was to aim for the new regime to be sustainable for at least the next 15 years without the need for further review. We believe that the degree of public consultation and the degree of support for the proposed change mean that formal review is unnecessary in the short to medium term. However, as with any change, we will monitor how the new regime is

working. The UK Intellectual Property Office has formal feedback and complaints mechanisms and also has standing meetings with various user representative groups. It is through these fora, and our own observations, that review will take place.

In relation to the opt-in fee, this is a new service which we intend to monitor both in terms of take-up and also in terms of ensuring that our estimate of cost recovery is correct. Review will take place well before the end of the 3 year period from the filing of the initial opt-in requests. Indeed, setting the initial period at 3 years has the added advantage that an early review can take place.

11. Summary and recommendation

Taking into account the information provided above, the UK Intellectual Property Office strongly recommends that the changes embodied in the legislation be adopted.

Declaration and publication

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

Signed Lord Triesman

Date 18th July 2007

Contact point for enquiries and comments:

**Allan James
The UK Intellectual Property Office
Room 2Y10 Concept House
Cardiff Road
Newport
NP10 8QQ**

**Tel: 01633 811056
e-mail: allan.james@ipo.gov.uk**