

## Question Q239

**National Group:** Sweden

**Title:** **The basic mark requirement under the Madrid System**

**Contributors:** Stojan ARNERSTÅL, Christina BERGGREN, Linn BERGGREN, Rebecka HARDING, Hanna KASPERS, Oskar LJUNGHOLM, Annalena NORDIN, Fredrik PERSSON, Åsa RIGHARD, Maria SANDSTEDT,

**Reporter within Working Committee:** Christina BERGGREN, Co-reporter Stojan ARNERSTÅL

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## Questions

The Groups are invited to answer the following questions under their national laws. If both national and regional laws apply to a set of questions, please answer the question separately for each set of laws.

### I. Current law and practice

- 1) Is your country party to (i) the Madrid Agreement Concerning the International Registration of Marks, (ii) the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and/or (iii) the Trademark Registration Treaty?

Sweden is party to the Madrid Protocol but not to the Madrid Agreement or the Trademark Registration Treaty.

- 2) a) To the extent it can be established, in how many published cases was a central attack used in the past ten years in your country?

During the years 2009-2013 a total number of 103 Swedish applications or registrations constituting basic applications or registrations for an international registration have been declared partially or totally revoked. This number includes supposedly voluntary withdrawals, restrictions and non-renewals, refusal decisions following ex officio examination by the Swedish Patent and Registration Office, as well as third party actions (central attack).

Among the 103 cases, only eight registrations have been subject to central attacks through opposition or cancellation actions. Seven registrations were opposed and one registration was opposed as well as subjected to a cancellation action. Out of these eight opposition actions and one cancellation action, five opposition actions were withdrawn, four of them after a restriction submitted by the registrant and one without any submitted restriction. In one opposition action, the registrant voluntarily removed the registration from the register. The remaining two opposition actions and

one cancellation action were decided upon by the Swedish Patent and Registration Office. In all three cases, the basic registrations were declared totally revoked.

Among the registrations not subject to opposition or cancellation actions in 13 cases the registrant requested a restriction of the list of goods/services in the basic registration post registration. In seven cases, the registrant requested removal of the basic registration from the register. Such restrictions and removal requests may be the result of a contact from a third party threatening to proceed with a central attack.

In 15 cases, the basic application was finally refused following ex officio examination by the Swedish patent office and appeal courts, without any third party action.

- b) If these cases contain important considerations regarding the rationale, effect and effectiveness of a central attack, please summarise such.

Central attack is not mentioned in any of the three decisions obtained. The international registrations based on the three Swedish marks cancelled following a central attack had 11, 3 and 9 designations.

- 3) a) In your experience, is the system of international registrations often used (rather than alternatives, such as the filing of separate national registrations)?

In the experience of the Swedish Group, the Madrid System is often used instead of filing of separate national registrations, or at least considered as an alternative thereto, when more than one Madrid country is relevant for trademark protection. However, the total number of international applications based on Swedish applications or registrations have decreased slowly since 2004 (with the exception of the period 2007-2008).

- b) If the answer is no, is this because it is difficult to obtain the basic application or registration and/or are there other reasons? If so, which are those other reasons?

The decrease in international applications based on Swedish applications/registrations is likely a consequence of a preference by Swedish applicants to protect their marks as Community trademarks instead of national registrations, and also that international applications are based on Community trademarks to a larger degree.

The Community trademark alternative is very cost effective when the applicant is interested in trademark protection in at least a few EU member states. However, a Community trademark involves a higher risk for a central attack compared with a national Swedish application/registration when used as a basis for an international application.

- c) If the answer is yes, is this because it is more efficient in terms of costs or otherwise and/or are there other reasons? If so, which are those other reasons?

Yes, it is more efficient in terms of costs to register and also renew an international trademark, as local attorney fees can be minimized. The more countries you designate, the more cost efficient the international registration will be. It is also

convenient to apply for trademark protection in several jurisdictions via one single application and to obtain a bundle of national rights under one single registration.

- 4) If your country is party to the Protocol: is transformation often used in your jurisdiction? Why, or why not?

Transformation is only used about once a year in Sweden and there have been 12 transformation cases at the Swedish Patent and Registration Office during the last ten years. The reason why transformation is not used on a more regular basis in Sweden is, most likely, that Sweden may be a minor market for many foreign applicants and that the applicant is not prepared to invest further costs for acquiring protection for its trademark in Sweden. In addition, due to the possibility to apply for Community Trademark Registrations, applicants tend to designate the European Union instead of Sweden in an international registration.

## II. Policy considerations and proposals for improvements of the current law

- 5) a) Should the basic mark requirement be abolished? Why, or why not?

The Madrid System provides the trade mark owner with an opportunity to protect the trade mark in several countries by filing one application. The current system with the basic mark requirement is a well-established system and some consider it as an advantage that the basic mark requirement requires the trademark applicant to have the initial contact with the office of origin.

In many situations, however, it is not practical or even desirable for the trademark holder to hold a registration in the home country or jurisdiction. In addition, in some countries with a restrictive examination practice, it is difficult to obtain a registration for a basic mark, which may result in trademark holders being blocked from access to the Madrid System even though the mark might be admitted readily in many other jurisdictions.

For these reasons and for the reasons of simplicity, economy and time efficiency the Swedish Group is in favor of the abolishment of the basic mark requirement.

- Simplicity. With only one application (to WIPO) comes less formality. Today, both the national office and the International Bureau examine the respective application as to form and classification. Dual examinations are unnecessarily unwieldy and bureaucratic.

- Economy. Less formality and bureaucracy should lead to a cheaper process, also saving the applicant an extra application fee and other costs connected with an application that might even be superfluous to the applicant.

- Time efficiency. Focusing on the international application only would save time, which may often be of essence to trademark holders.

However, it should be noted that trade mark applications in Sweden are examined ex-officio in relation to relative grounds for refusal. Since the application is subject to such examination, the trade mark registration is more reliable than registration in countries where such examination is not undertaken. In addition, Swedish users of the Madrid System can base their international application on both a national and a

CTM application/registration. This possibility to choose the base for the mark is an advantage compared with countries where such an alternative is not provided.

b) If the answer to (a) is yes, how should the new system work:

i) should any national registration or application qualify as a basic registration?

or

ii) should there be new central filing at WIPO with WIPO functioning as a mailbox receiving applications and forwarding those to the designated jurisdictions for examination?

or

iii) should WIPO even do more, such as engaging in harmonisation (see below under III)?

In the opinion of the Swedish Group, there should be an initial central filing at WIPO, where WIPO examines the applications as to formal requirements and forwards them to the designated jurisdictions for examination on absolute and – if applicable in the relevant country – relative grounds. The Swedish group therefore prefers alternative ii).

This system would, thus, have similarities with the Hague System which offers, without the need for a basic registration, the possibility of obtaining protection for industrial designs in several Contracting Parties by means of a single international application filed with WIPO.

Should alternative ii) above not be accepted, the Swedish Group supports alternative i) as a second choice. A system where any national registration or application qualify as a basic registration could resolve the issue that certain countries apply stricter requirements for trade mark protection. In addition, it will resolve the problems with translations, transliterations and transcriptions as is mentioned below (8).

c) Do you foresee problems in the implementation of such a new system? If so, which?

Since the initial central filing would only be a simplification of the current system, merely removing the examination as to the formal requirements from the Office of the Contracting Party of the applicant to WIPO, the Swedish Group sees no essential problems with the implementation of a central filing with WIPO.

A minor problem may lie in the potential hurdles with the initial bureaucratic implementation, meaning a requirement of increased resources at WIPO.

6) a) Should the dependency on the basic mark be abolished? Why, or why not?

The central attack was implemented to provide a balance between the benefits made available to international applicants and the interests of third parties with prior rights. The central attack is an effective tool for those with prior rights and the Swedish

Group sees economic benefits for a holder of a prior right, not being forced to lodge numerous oppositions in several countries.

It could however be argued that the central attack is too far-reaching. The dependency on the basic mark leads to uncertainty and vulnerability for the holder of an international registration since, if a central attack leads to cancellation of the basic mark, all foreign applications and registrations that are based thereon will automatically be cancelled unless they are transformed into national applications. In addition, the effect of the central attack may extend to countries in which the party making the central attack has no prior rights. The uncertainty the system of central attack results in may be more detrimental to small businesses than to large ones since a small business often relies heavily on a single trademark.

Other means of a centralised action against international registrations have been discussed, such as implementing a system in which the attack is brought before the authorities of a designated contracting party, which may issue decisions with extraterritorial effect, or opposition boards at WIPO, similar to the Opposition Boards of the OHIM.

The first suggestion may cause problems with forum shopping, whereas the second suggestion would mean new bureaucratic obstacles. One advantage with implementing an opposition board is that it would create predictability for those wanting to oppose new international registrations. In the view of the Swedish Group, however, the negative effect of the bureaucratic obstacles if implementing an opposition board outweigh the positive effects of predictability.

The Swedish Group is in favor of abolishing the basic mark requirement and thus the concept of dependency. An alternative would be to change the basic mark requirement as is described below under 6 b).

b) If not, should the dependency be changed? If so, how (e.g. to a different period, to applying in case of particular cancellation grounds only or to having effect only in jurisdictions where the attacker has prior rights)? Why?

The Swedish Group supports a removal of the dependency, but is in favor of further harmonisation to facilitate easy, consistent and efficient opposition procedures, that are similar and, as a consequence, more foreseeable.

Should the dependency period remain, the Swedish Group recommends an adjustment down to three years at the most. In addition thereto, the Swedish Group suggests a system where a central attack can only have effect on markets where the party taking action has prior rights. By this solution, the central attack will only have effect on the markets where the party taking action has a justified interest. Also other ways of making the possibility of a central attack more efficient and balanced between the parties should be investigated further.

7) Do you support a freeze of the application of the five year dependency clause and what are your considerations in this respect?

In the Swedish Group's view, a freeze of the application of the five year dependency clause is not a feasible alternative to a formal modification of the Madrid System. A freeze would entail a major change in the Madrid System. Regardless of the discussions concerning a change of the basic mark requirement, a freeze does not appear as a suitable solution for assessing the functioning and evolution of the

system, even if the freeze is limited to the restricted notion of dependency under Articles 6 (3) of the Agreement and the Protocol.

Such freeze may be a convenient solution, as an alternative to a formal change of the Agreement and Protocol. However, any change in the Madrid System, even temporarily, should require a full scrutiny and assessment of the impacts. A freeze should not be used as an option for undertaking such assessment beforehand, which is implicit in the proposal of the Working Group.

In addition, a freeze may give rise to uncertainty as to the legal status of trademarks filed during the freeze period, in addition to the uncertainty for trademarks filed shortly before or after the freeze. Since the freeze would be reversible, the users of the system cannot be sure of the consequences that a revoked decision will involve. A freeze may, furthermore, cause difficulties in relation to how the suspension of Article 6 (3) should be practically arranged, for example concerning transitional provisions both before and after the freeze.

In consequence, there is a risk that a freeze of the application of the five year dependency clause would lead to legal uncertainty for the users and this system should therefore not be used as an alternative to a formal modification of the Madrid System. Any change in the basic mark requirement should rather be preceded by a full assessment of the impacts for the users. However, if such full assessment is undertaken and the freezing of the five year dependency clause is used as a final resort to avoid a formal modification, the Swedish Group can support freezing as a solution (provided that the question of transitional provisions due to a revoked decision are clearly outlined).

- 8) a) Do you find that the basic mark requirement does not function well in the context of translations, transliterations and transcriptions in countries with different writing systems/languages? If so, would you support a change to the Madrid System with the purport that, when assessing genuine use, use of a translated, transliterated or transcribed mark is considered use of the mark? Please list any requirements such use should meet in your view (e.g. identical pronunciation and/or meaning).

The letters Å, Ä and Ö in the Swedish alphabet are not included in most other latin alphabets – their pronunciations are not familiar to most other nationalities, the letters are not included in writing tools of other countries, etc. The letters Å, Ä and Ö are often considered equal to A, A and O but the pronunciations are in fact quite different. As regards translations, not all marks can be translated since they have no descriptive meaning. This way, national registrations of trademarks using these letters and other trademarks which may be difficult to understand internationally do, in the view of the Swedish Group, not function well as basic marks for international registrations.

Many applicants, using Swedish trademarks in Sweden, therefore tend to use a more “internationally viable” (often English) trademark internationally, at least when applying via the Madrid Protocol. These applicants need to file a second national trademark to form the basic mark in the international trademark registration.

The Swedish Group has found that the drawbacks in such a case are as follows:

1. The request for a second national registration (or a CTM-application) is more costly for the applicant and more risky (risk for oppositions of the internationally used trademark).

2. The internationally used trademark must be registered in a country where the applicant has a business entity. This is often where the company head quarter is based. If based in Sweden you end up with having a typical “Swedish trademark” and an “international trademark” registered in Sweden. The difficulty is that the international trademark may never be used in Sweden. There is therefore a risk that the trademark is cancelled due to non-use. If it is cancelled during the first five years of the international registration the whole international registration may be cancelled (unless freezing of the dependency rules is implemented).

In these cases the basic mark requirement does not function well.

The requirement to use a trademark is accepted by the Paris Convention and is incorporated in Section 2 of the Swedish Trademark Law (2010:1877), in accordance with the provisions of the Paris Convention.

The object for the use requirement is that no trademark should be exclusive for one proprietor unless it is actually used as identification for goods and/or services on the relevant market.

According to Swedish case law, only insignificant changes that do not affect the overall impression are accepted.

In the view of the Swedish Group it would give the proprietor a too far-reaching right if allowing for the use requirement to be up-held also if the mark is being used in a translated, transliterated or transcribed fashion. Therefore this solution cannot be supported.

- b) Are there any other aspects relating to the basic mark requirement that do not function well and if so, what should be changed?

The Swedish Group has interpreted this question to be within the frame work of paragraph 8 – i.e. in the relation to translations, transliterations and transcriptions. In this context the group sees no other immediate aspects that do not function well.

Other aspects, with no relation to translations, transliterations and transcriptions that may be problematic and may need to be looked into are as follows:

- different interpretations of the Nice classification system in different countries,
- different interpretations of the requirement for distinctiveness in different countries,
- different understanding in different countries of certain words included in the trademark, and
- different possibilities of amending a registered trademark.

### **III. Proposals for harmonisation**

Is harmonisation desired? If yes, please respond to the following questions *without regard* to your national laws.

- 9) Should absolute and relative grounds be harmonised, enabling the examination of international registrations to be handled by WIPO, as well as possibly also oppositions and cancellation actions (in a manner similar to Community Trademark registrations handled by OHIM), or should such not be harmonised (because it may

not be feasible or for other reasons)? Note that this question only aims to ask whether such harmonisation is desired as a result of a change to the basic mark requirement; the question as to how such a new system should look exceeds the scope of this working question.

In the view of the Swedish Group, harmonisation is in general and as a starting point desirable. However, one must carefully assess the aim and scope of the harmonisation to ensure that the desired result is achieved. Naturally, the desired result must also be achievable. Regardless of a possible change of the basic mark requirement, the question is if the Madrid system shall be designed to allow a smooth application procedure (as present) or registration procedure (through a “global” registration office). In light of the considerations to question 10 below, we see several potential problems with the latter, why the focus rather should be to enhance the present application system where possible. Therefore, we do not consider the establishment of a central international registration office for the examination of absolute and relative grounds at WIPO to be the best way forward.

- 10) Please briefly list your considerations for the answer given under 9) (which may e.g. relate to feasibility, efficiency, costs, the potential need for new judicial authorities, etc.).

The idea of enabling examination of international registrations, as well as oppositions and cancellations, to be handled by WIPO has a greater impact than a possible change of, or even an abolishment of, the basic mark requirement. Such transformation of the Madrid system would, simply put, mean that we go from an international application process to a centralized “global” registration process. Besides the possible difficulties on how this practically should be arranged, the question arises on how WIPO as an international registration office should interact with present registration offices (OHIM and national offices), if at all? Will there be offices with parallel competence, or will OHIM and national offices be phased out in regard to registration, opposition and cancellation of trademarks?

Further, one should not underestimate the dignity of information needed as basis in order to handle registrations, oppositions and cancellations on a “global” level, as well as the amount of filings. Taking the above into account, any efficiency arguments that can be said to follow from a one-stop-shop solution at WIPO might in practice be rather limited.

Finally, and as a side note, an investigation of the basic mark requirement does not paint the full picture of the question above. The degree of independence for an international application in regard to a basic mark is a question that must be assessed in light of the present Madrid system. Consequently, in what way would a change or abandonment of the basic mark requirement improve the current (application) system? In this regard, Question Q239 raises several important and interesting issues on the link between national registrations (or applications if under the Protocol) and the international application procedure. However, in order to fully evaluate the idea of harmonisation and a direct filing at a central international office (neighbouring the previous Trademark Registration Treaty (TRT)), a broader view with several other aspects needs to be taken in the view of the Swedish Group. To approach the issue solely on the basis of investigating the basic mark requirement could therefore risk generating a too narrow scope of evaluation.



## Summary

The Madrid system is often used in Sweden as an alternative to filing separate national applications. Nonetheless, the concepts of central attack and transformation have been used to a limited extent in Sweden during the last few years.

Since it, in many situations, is not practical or even desirable for the trademark holder to hold a registration in the home country or jurisdiction (e.g. considering that some countries employ a restrictive examination practice) – and for reasons of simplicity, economy and time efficiency – the Swedish Group is in favor of the abolishment of the basic mark requirement. A restrictive examination practice may result in trademark holders being blocked from access to the Madrid System even though the mark might be admitted readily in many other jurisdictions. In addition, the Swedish Group is in favor of abolishing the concept of dependency. Should the dependency period remain, the Swedish Group recommends an adjustment down to three years at the most. However, such change of the Madrid System should not be implemented through a freeze of the application of the five year dependency clause. This is not a feasible alternative to a formal modification of the Madrid System. Any change in the basic mark requirement should rather be preceded by a full assessment of the impacts for the users.

In the opinion of the Swedish Group, there should be an initial central filing at WIPO, where WIPO examines the applications as to formal requirements and forwards them to the designated jurisdictions for examination on absolute and – if applicable in the relevant country – relative grounds. This system would, thus, have similarities with the Hague System. Focus should be to enhance the present application system where possible. Therefore, the Swedish group does not consider the establishment of a central international registration office for the examination of absolute and relative grounds at WIPO to be the best way forward. The idea of enabling examination of international registrations, as well as oppositions and cancellations, to be handled by WIPO has a greater impact than a possible change of, or even an abolishment of, the basic mark requirement.