REPORTS
WIPO - Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT)

Third Session

Fifth Session

Fourth Session

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General remarks

The SCT dealt with three topics on the agenda of this meeting:

- Draft Provisions on Trademark Licenses
- Draft Provisions on the Protection of Trademarks and other distinctive signs on the Internet
- Preliminary Draft Convention on Jurisdiction and Foreign Judgements in Civil and Commercial Matters of The Hague Conference on Private International Law

The last item was only briefly discussed (see below 1). The item "Use of signs on the Internet" was discussed during approximately two half days (see below 2). The topic, which took most of the time of the SCT meeting, were the Draft Provisions on Trademark Licenses. Actually, the International Bureau aimed at finalizing the discussions on that topic in the meeting and this aim was achieved (see below 3).

For the future work, in particular for the agenda for the next meeting, scheduled for September 11 - 15, 2000, the International Bureau proposed three topics:

- Use of Trademarks and other distinctive signs on the Internet
- Geographical Indications
- Unfair Competition on the Internet

I suggested that unfair competition should not be a separate topic on the next agenda since the use of signs on the Internet can infringe intellectual property rights and also be an act of unfair competition. The International Bureau changed its proposal as follows:

- Protection of Intellectual Property Rights in relation to the use of distinctive signs on the Internet, including unfair competition aspects
- Geographical indications

The meeting agreed with this proposal.

The International Bureau informed the SCT that WIPO had received two official requests for dealing with this topic in the general context of all intellectual property rights. One request came from the United Kingdom, the other from the Secretariat of the Hague Conference.

The SCT therefore agreed that it was appropriate for the issues raised by certain provisions of the Draft Convention to be taken up by the Member States of WIPO in a separate forum which covered all areas of intellectual property. It was also agreed that experts in private international law as well as in all types of intellectual property law should be involved. I had insisted that the latter aspect be considered, since under the intellectual property aspect until now the provisions had mainly been looked at by patent experts. The International Bureau therefore also promised to keep the SCT informed on the work of the new forum and that the SCT should have the possibility to comment on that work.

2. Draft Provisions on the Protection of Trademarks and other distinctive signs on the Internet

On the basis of the discussions of the November 99 meeting, the International Bureau transformed the then proposed principles into proposed Draft Provisions (Document SCT/4/4, available at the WIPO Website www.wipo.int):

Part I, General

The usual section 1 on definitions was reserved until the substance of the provisions would become clearer. Section 2(1) provided that the proposed provisions should apply, in addition to existing laws, in cases involving the use of signs on the Internet. Section 2(2) provided that a Member State should apply existing principles of laws relating to trademarks and other distinctive signs to cases involving the use of trademarks and other distinctive signs on the Internet.

It was proposed to reverse paragraphs 1 and 2 and I remarked that in paragraph 2 the text should, as in paragraph 1, refer to the use of "signs" on the Internet.

The International Bureau will review these provisions.

What means use of a sign on the Internet?

This question is dealt with in Sections 3 and 4.

Section 3 essentially provides that use of a sign on the Internet should, for the purpose of the provisions, be "Use of the sign on the Internet in a Member State" only, where it has produced a commercial effect in that Member State.

The discussion showed that the formulation "has produced" creates a problem and will have to be replaced by some other formulation, such as "has a commercial effect" or "involves a commercial effect".

Section 4 lists factors, which may be taken into account by the competent authority in determining whether use of a sign on the Internet has a commercial effect in a Member State.
Here the discussion revealed that the factors are listed at random without taking into account their importance or their context. The International Bureau will reconsider the list under that aspect. It was also submitted by some delegations that factor (b) (whether the goods or services offered can be lawfully delivered or rendered in the Member State) might create problems and should be deleted.

Part II, Acquisition and Maintenance of rights

Section 5 provides that use of a sign on the Internet in a Member State shall be taken into consideration by the relevant authority, along with, and on the same basis as, other forms of use of the sign in that Member State, if any, in determining whether the applicable criteria under the relevant law of the Member State have been met for acquiring or maintaining rights in trademarks or other distinctive signs.

This provision was not contested.

Part III, Liability

There were no problems with the principles of Sections 6 and 7. Section 6 provides that infringement can take place in a Member State only, if the use of a sign on the Internet has a commercial effect in that Member State. Section 7 provides that protection of trademarks and other distinctive signs must be given against new forms of use on the Internet made possible by technological advances.

The most controversial section of the Draft Provisions was Section 8 on Exceptions to Liability.

Section 8(1) deals with certain types of use, such as use protected by free speech or use necessary to describe the goods or services offered. Several delegations submitted that there was no need for such provision since these exceptions are of general nature and anyhow regulated by national law. The International Bureau was not happy with that proposal. As a compromise, I proposed to emphasize that such provisions, as contained in national law, should in particular be applied to the use of signs on the Internet.

Section 8(2) deals with the principle of coexistence of rights, which in the discussion paper of last November was still proposed to exclude infringement. As the provision reads now, there shall be no liability for the use of the sign on the Internet in a member State, despite its commercial effect in that State according to section 3, where the supposed infringer has a protected right in another Member State and where certain conditions are fulfilled such as:

- The user of the sign has taken reasonable steps to avoid a commercial effect in the Member State which is determining liability
- He used the indication ® or a equivalent and
- He indicated one or more countries where the sign is protected.

This exemption should, however, not take place, where the user acts in bad faith (dealt with in section 9).

Several Delegations still believed that this exemption goes too far and such considerations should rather be discussed in the framework of Part IV on remedies.
The SCT recognized the aim of the International Bureau, to prevent a user of a sign on the Internet, which he has protected in a Member State, from being liable to legal proceedings (which might be introduced simultaneously in several countries), without having a chance to avoid such proceedings by taking certain precautions. However, it was believed that the proposed coexistence of rights was not the right solution for that problem. The representative of Germany, whom I supported, believed that the holder of a right in a Member State should be obliged to inform the user of a sign on the Internet that he considers that use as infringing his right and that the user should thereafter have an opportunity to submit his position, including the reference to his right on the sign in another Member State, and to take appropriate measures in order to solve the conflict, before the right holder could take legal action. Such measures would probably better be provided in the context of remedies than as an exemption from liability.

The International Bureau will consider possible solutions for assuring that the conflict parties in such cases may avoid going to court.

Section 9 deals with bad faith and actually lists two factors to be considered which both were taken from the factors listed in the Guidelines on well-known marks. The second factor, whether the use of the sign would take unfair advantage of the distinctive character or the reputation of the sign, is clearly a relevant factor, which in itself may be sufficient for establishing bad faith. The first factor is, however, much too general when applied in the context of all rights, independently of whether they are particularly known or perhaps simply registered: It is stated as relevant factor that the person, who wants to use a sign, had knowledge or reason to know of the other right. In searching more clarity on possible other factors to be considered, reference was made to the recent US-Anti Cybersquatting legislation and to the WIPO Dispute Resolution policy.

Part IV, Remedies

There was no problem with section 10, providing that each Member State shall adapt remedies available under its law in order to provide appropriate protection of rights on the Internet.

Section 11 provides that remedies should be proportionate to the commercial effect of the use in the respective Member State and, instead of prohibiting the use, alternative restrictions of use, such as disclaimers, should be considered. Section 12 provides that under certain conditions so-called global injunctions should not be imposed. In that context the fact that the user has a demonstrable right in another Member State and that he is not doing business in the Member State which is determining liability should be considered. On the other hand, it is expressly stated, that in case of bad use global injunctions should be possible.

The International Bureau recognized that these provisions might have to be seen in the context of the principle of coexistence of rights, now provided as exception to liability. It has indeed to be studied how it can be avoided that an injunction given by a court in one single State has global effect (since prohibition to use in that State leads automatically to general prohibition of use on the Internet).

The International Bureau raised the question what should be the contents of an injunction to be effective without having a global effect. I referred to the possibility of imposing a disclaimer and prohibiting at the same time the sale of goods or the rendering of services in that Member State. Since an injunction needs to be enforced, some possibilities of how to control whether the injunction was implemented, were also
discussed. Several delegations also underlined that in real cases of bad faith the possibility of a global injunction was very important.

Finally the international Bureau revealed that, in case one dealt with coexistence of rights in the future in the framework of Section 12 on remedies, that section would probably have to be divided in two separate sections dealing with three categories of cases (both parties have a protected right on the one hand, and only one party has a protected right or there is even a case of bad faith, on the other).

3. Draft Provisions on Trademark Licenses

The Secretariat had submitted a new document containing draft provisions on trademark licenses (SCT/3/5), dealing essentially with the simplification and harmonization of formalities concerning the recordal of licenses for the use of trademarks. This document was extensively discussed and a revised document, in its final form submitted as annex to the Draft Summary of the Chair (Document SCT/4/5 Prov.), was adopted. It is intended to submit this document as a draft Joint Resolution to the Assembly of the Union of the Paris Convention and to the General Assembly of WIPO to be adopted as Recommendation concerning Trademark Licenses, similar to the adoption of Recommendations on the protection of well-known marks, in September 1999.

The Draft Provisions now contain 6 articles, since following my proposal paragraph 6 of Article 2 was for clarity purposes eliminated and its contents was included in a new Article 3 (see below). Otherwise, the sequence and main contents of the articles, as described in my report from the third session in November 99, has been retained. In order not to have to repeat every detail, I refer to this report (to be found at the www.aippi.org Website under "Publications and Services; reports of representatives at WIPO"). May I also add that the Draft Summary together with the adopted Draft Provisions will be made available at the WIPO Website.

General Remark:
All references to a "Contracting Party" have been changed into: Member State".

Draft Article 1 (Abbreviated expressions)

Since it has now been decided to adopt the Provisions as Joint Recommendation, all abbreviations will remain in Article 1. Consequently, the brackets have been eliminated for those definitions, which are also contained in the Trademark Law Treaty.

Furthermore, the definitions of the different forms of licenses (exclusive, non-exclusive and sole license) have been clarified, without changing them in substance.

Draft Article 2, Request for Recordal of a License

Draft Article 2 has been redrafted in order to make its contents clearer. Paragraph 1 still contains the permissible requirements, however the provision of paragraph 2 on the prohibition of other requirements has (without change in substance) been transferred into paragraph 7. The following new paragraphs have been inserted: Paragraph 2 on
signature, paragraph 4 on languages, and paragraph 5 on fees (all these topics were dealt with before, but not in separate paragraphs).

The new paragraph on signatures now makes it clear that, if the holder or his representative signs the request for recordal, no further documents can be required (this is also true, where the licensee signs together with the holder). Where the licensee signs alone, one of the following documents can, at his option, be required in addition to the request for recordal:

- An extract of the license contract, which may be required to be certified by a notary public or any other competent authority, or
- An uncertified statement of license, drawn up in the form and with the content as prescribed in the statement of license Form provided in the Annex to the provisions, and signed by both the holder (or his representative) and the licensee (or his representative)

This formulation makes it clear that no Office can ever request the original license contract to be submitted (I had insisted on this change) and leaves it open what means of communication (writing, fax, other electronic communication) may be allowed or required by the Office. Thus it is clear that an Office may allow electronic filing. This it not yet provided in the Trademark Law Treaty, which will probably have to be revised in the not too far future (this may be an occasion to include the provisions on trademark licenses and the provisions on well-known marks in the TLT).

Also paragraph 3 on presentation of the request has been reworded accordingly to leave the means of communication open, by simply providing that the request must be accepted where the presentation and arrangement of the indications and elements in the request correspond to the request Form provided in the Annex.

Both Forms will be reworded by the International Bureau to bring them in line with the changes of the Provisions as agreed upon in the meeting.

Paragraph 4 on languages (in the earlier draft dealt with in paragraph 3) makes it clear that an Office may require that the request be in a language of the Office. The accompanying document must be accepted in its original language, however the Office may require a certified translation.

Paragraph 4, allowing a single request for recordal of a license relating to several registrations, has become paragraph 6. Paragraph 5, making the provisions of Article 2 applicable, mutatis mutandis, to requests for recordal of a license for an application, has become paragraph 8.

A new Article 3 provides that Article 2 shall apply, mutatis mutandis, where the request concerns the amendment or the cancellation of a recordal (in the previous draft, paragraph 6 of article 2 only dealt with cancellations).

Draft Article 4, Effects of the Non-Recordal of a License

Paragraph 2 had been put in square brackets, since a number of delegations had raised a reservation against the provision that a Contracting Party may not require recordal as a condition for the licensee to join infringement proceedings and to obtain damages. This reservation could not be overcome and the following compromise was agreed upon: Paragraph 2 will be retained as paragraph 2a without brackets, but a
subparagraph 2b will be added, according to which subparagraph a) does not apply in a Member State, where it is not compatible with its national law.

Draft Article 5, Use of a Mark on Behalf of the Holder

The important principle that use of a mark by a third person with the consent of the holder shall be deemed to constitute use by the holder himself, was again agreed upon. However, some Delegations had misgivings with the wording of Paragraph 2 and it was agreed, to transfer its contents in the notes to the Article (I had no problem with this change, since the provision repeated only obligations under the TRIPS Agreement).

Draft Article 6, Indication of the License

The principle that the lack of any mention of the license shall not invalidate the trademark registration and not affect its protection or the application of Article 5, was accepted, as redrafted by the International Bureau.