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OPINION

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Dinusha Mendis

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LARS JAESCHKE*

LT Community trade marks; EC law; Registration; Relative grounds for refusal; Trade marks

Introduction

There are three possible routes UK traders might take to register a trade mark¹: national, Community, or international.² This article focuses on the national trade mark³ registration system for the United Kingdom (Optics and Trims system) and on the EU (Community trade mark) system. After a detailed comparative analysis of the registration systems it examines in detail the upcoming question of whether the United Kingdom should adopt a system of registration of trade marks as followed in the continental European Community Trade Mark (CTM) system or not. May a balance be struck between both registration systems or does one of the systems already outclass the other? The article studies the arguments for and against the advisability of the United Kingdom changing from its current system to adopt the European CTM model. Furthermore, it will be examined whether there are improvement opportunities for both current systems. At the end a conclusion will be drawn and a forecast will be ventured.

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1 Trade Marks Act 1994 s.1.

2 L. Bently and B. Sherman, *Intellectual Property Law*, 2nd edn (Oxford: Oxford University Press, 2004), p.766.

3 W. Cornish and D. Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 5th edn (London: Sweet & Maxwell, 2003), p.652; T. Hart and L. Fazzani, *Intellectual Property Law*, 3rd edn (Hampshire: Palgrave, 2004), p.75.

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UK system

The current UK trade mark legislation is the Trade Marks Act 1994 (TMA), which implements the European Trade Marks Directive into national law. This directive leaves scope for development according to the system for the registration of a trade mark. The interpretation of the aforementioned directive in the United Kingdom continues in many areas to reflect inherited British traditions and attitudes.⁴ The registration process in the United Kingdom can be divided into four stages: (1) the filing of the application; (2) search and full examination (for both absolute and relative grounds for refusal); (3) publication, observation and opposition; and (4) registration.⁵ Any person, natural or legal, who has a bona fide intention to use a mark (either himself or by authorising another person to do so) for the goods and services specified in the application may apply to the Trade Mark Registry of the Patent Office to register it.⁶ There is no requirement to have used the mark before applying; all that needs to be declared is an intention to use.⁷ The declaration operates to warn the applicant that the UK Trade Marks Register is only intended to confer rights on persons who genuinely intend to use the particular mark in trade: it is not to be used for bogus applications in order to get in the way of opponents, blocking registrations or ghost registrations. In addition, the UK Registry has used the objection to induce applicants to restrict the specifications to a more limited range of goods and services. Although the Registry makes less use of s.3(6) TMA⁸ to limit specifications than it did when the 1994 Act first came into force, so as to bring the UK approach more closely into line with that at the trade marks office of the European Union (OHIM), it will refuse to accept very broad applications such as those "for all goods or services" in a particular class, for example.⁹ One of the great advantages¹⁰ of registration, unlike the law of passing off, is to be able to secure legal protection before launching products or services under the mark. If it can be shown that there was no such intention to use, then the application will have been in bad faith and can be rejected for that reason, or expunged after registration.¹¹ The UK Trade Marks registry is the only EU trade marks registry to check new trade mark applications to see whether there

4 Cornish and Llewelyn, *Intellectual Property* (2003), p.638.

5 Bently and Sherman, *Intellectual Property Law* (2004), pp.767, 768.

6 See TMA 1994 s.32(2).

7 In the CTM system there is no intention to use requirement, see Cornish and Llewelyn, *Intellectual Property* (2003), p.639, fn.15.

8 According to s.3(6) TMA a trade mark shall not be registered if or to the extent that the application is made in bad faith: see Bently and Sherman, *Intellectual Property Law* (2004), p.774.

9 Bently and Sherman, *Intellectual Property Law* (2004), p.774.

10 For an overview of all the advantages of trade mark registration see Bently and Sherman, *Intellectual Property Law* (2004), p.766.

11 Cornish and Llewelyn, *Intellectual Property* (2003), pp.640, 641.

is any conflict with existing registered trade marks.¹² It searches the UK and EU registers to check for conflict with earlier marks using the "Optics and Trims systems".¹³ According to s.37(1) TMA¹⁴ the registrar shall examine whether an application for registration of a trade mark satisfies the requirements of the Act (including any requirements imposed by rules).¹⁵ For that purpose he shall carry out a search, to such extent as he considers necessary, of earlier trade marks: see s.37(2) TMA. Pursuant to s.6(1) TMA an "earlier trade mark" means (a) a registered trade mark, international trade mark (UK) or Community trade mark which has a date of application for registration earlier than that of the trade mark in question, taking account (where appropriate) of the priorities claimed in respect of the trade marks; (b) a Community trade mark which has a valid claim to seniority from an earlier registered trade mark or international trade mark (UK); or (c) a trade mark which, at the date of application for registration of the trade mark in question or (where appropriate) of the priority claimed in respect of the application, was entitled to protection under the Paris Convention as a well known trade mark. The UK Trade Marks Registry has the power to reject applications if there are any pre-existing trade marks which conflict with the new application. The existence of earlier conflicting marks is known as "relative grounds"¹⁶ for refusing registration¹⁷ as opposed to "absolute grounds" (s.3 TMA), which are based on some inherent problem with the mark itself, for example, the mark is inherently non-distinctive.¹⁸ In detail the registrar according to the Optics and Trims systems attempts to search all classes which contain the same or similar goods or services to those the subject of the application. If any marks are found which have an earlier filing date or an earlier priority date, then they will be considered. If the owner of a later filed mark claims earlier use, then the conflicting rights will usually have to be resolved by opposition. The registrar will determine whether the similarity between the marks and goods or services is such that there is a likelihood of confusion. If it is considered that there is then the objection will be raised and the basis for it given.¹⁹ The historical reason for examining trade mark applications for conflict with earlier trade marks was for the purpose

of consumer protection. It was thought that registration of the same or similar marks by unconnected businesses would lead to public confusion, which was deemed insidious.²⁰ From the initial adoption of a registration system in 1875,²¹ the British approach has been to treat common law protection and registration cumulatively, the common law giving root protection wherever trading activity justified it and registration providing surer, more straightforward, protection when an official grant had been secured.²²

Community trade mark (CTM) system

In addition to national trade marks there is the Community trade mark (CTM) system. This supranational trade mark system applies in the European Union, whereby registration of a trade mark with OHIM leads to a registration which is effective throughout the European Union as a whole.²³ The CTM system is therefore said to be unitary in character, in that a CTM registration applies indivisibly across all European Union Member States. However, the CTM system did not replace the national trade mark registration systems; the CTM system and the national systems continue to operate in parallel to each other.²⁴ The registration process within the CTM system can like the UK system be divided into four stages: (1) the filing of the application; (2) search of Community trade marks, but mere examination on absolute grounds for refusal; (3) publication, observation and opposition; and (4) registration. So while the procedure at the OHIM differs in important respects (see above and the following comparative analysis below) from the procedure at the UK office, there are similarities between the two regimes. The overall intention of the EU system was to make registration easier.²⁵ Applicants who seek registration of a Community trade mark may claim the seniority of earlier national registrations of the same mark of which they are the proprietor. Seniority can be claimed either before or after registration of the Community trade mark. To apply for seniority, an applicant must be able to show that the earlier national mark is for the same sign, the same goods and services, and has the same proprietor as the Community trade mark. The effect of a seniority claim is that even though the national registration ceases to exist—because of lack of renewal or because it was surrendered—the proprietor of the Community trade mark continues to have the same rights as if the national mark had continued to be registered.²⁶ Effectively, it allows the Community trade mark owner to let

12 Bently and Sherman, *Intellectual Property Law* (2004), p.775; For a recent analysis of the existing system of trade mark registration see The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006 [Online], p.10, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

13 D. Kitchin, D. Llewelyn, J. Mellor, R. Meade, T. Moody-Stuart and D. Keeling, *Kerly's Law of Trade Marks and Trade Names*, 14th edn (London: Sweet & Maxwell, 2005), para.5-027.

14 Trade Marks Act 1994.

15 J. Graham, S. Malynicz, C. Morcom and A. Roughton, *The Modern Law of Trade Marks*, 2nd edn (London: LexisNexis Butterworths, 2005), pp.138, 206 and 418.

16 See TMA 1994 s.5.

17 Graham *et al.*, *The Modern Law of Trade Marks* (2005), p.137.

18 A. Firth, *Trade Marks—The New Law* (Bristol: Jordans, 1995), pp.55–59; P. J. Groves, *Sourcebook on Intellectual Property Law* (London: Cavendish Publishing Ltd, 1997), p.614; Cornish and Llewelyn, *Intellectual Property* (2003), p.645.

19 Kitchin *et al.*, *Kerly's Law of Trade Marks and Trade Names* (2005), para.5-027.

20 N. Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

21 C. Colston and K. Middleton, *Modern Intellectual Property Law*, 2nd edn (London: Cavendish Publishing Ltd, 2005), p.499; Bently and Sherman, *Intellectual Property Law* (2004), p.767.

22 Cornish and Llewelyn, *Intellectual Property* (2003), p.637.

23 Bently and Sherman, *Intellectual Property Law* (2004), p.779.

24 Hart and Fazzani, *Intellectual Property Law* (2004), pp.142–143; J. Davis and N. Padfield, *Intellectual Property Law*, 2nd edn (Oxford: Oxford University Press, 2005), p.250.

25 For further minutiae regarding the registration of Community trade marks see Bently and Sherman, *Intellectual Property Law* (2004), pp.637, 648.

26 Graham *et al.*, *The Modern Law of Trade Marks* (2005), pp.732, 733.

the national registration lapse without being prejudiced in any way.²⁷ Seniority is a useful way of encouraging proprietors of national marks to use the Community system and thereby consolidate the management of their national marks.²⁸ If an application to the OHIM is rejected or withdrawn, it may be converted back into a series of national applications which retain the filing date used at the OHIM.²⁹ Conversion is not possible, however, in those Member States where the grounds of refusal of the Community trade mark relates to that state.³⁰

Comparative analysis

There are five differences between the UK system and the CTM system worth mentioning. The first important difference between registration in the UK office and at the OHIM relates to the issue of qualification. Unlike the position in the United Kingdom where anyone can apply to register a mark, only a limited class of people is able to apply for a Community trade mark. To apply for a Community trade mark, a person must be a national of or domiciled in an EU state or a country which is a party to Paris or WTO, or be a national of a state which accords reciprocal protection. Secondly, as regards the goods or services for which a mark is registrable, it seems that the OHIM is more generous, permitting applications, for example, relating to "all goods in class x". Thirdly and related, there is no requirement that applicants state that they intend to use the marks. Fourthly, practices as to geographic representation differ slightly.³¹ These four differences cannot be examined here in more depth. The fifth and key difference between the Community regime and the UK national one relates to the approach taken towards the relative grounds of refusal. The OHIM, based in Alicante, Spain, will not refuse to register an application on the grounds of conflict with an earlier registered mark unless there are objections from the holder of the original registration.³² As OHIM of its own motion cannot refuse registration on the grounds that someone else has a prior right to the trade mark, the purpose of the search in the CTM system is very different from that of the United Kingdom.³³ While UK applications are examined for both absolute and relative grounds for refusal, examination at the OHIM is restricted to an inquiry as to whether the application complies with the absolute grounds for refusal. Although

OHIM does not examine applications to see if relative grounds of refusal apply, it does provide third parties and applicants with some assistance. In particular the OHIM searches the Community Register for similar marks and asks Member States to do the same. So one has to recognise the difference between "examination" (only regarding absolute grounds for refusal) and mere "search" (regarding relative grounds for refusal) in the CTM system. National and Community searches are carried out according to Art.39 CTMR.³⁴ According to Art.39(1) CTMR, once the Office has accorded a date of filing to a Community trade mark application and has established that the applicant satisfies the conditions referred to in Art.5, it shall draw up a Community search report citing those earlier discovered Community trade marks or Community trade mark applications which may be invoked under Art.8 against the registration of the Community trade mark applied for. Pursuant to Art.39(2) CTMR³⁵ as soon as a Community trade mark application has been accorded a date of filing, the Office shall transmit a copy thereof to the central industrial property office of each Member State which has informed the Office of its decision to operate a search in its own register of trade marks in respect of Community trade mark applications. Unlike searches carried out in the United Kingdom, which examine on relative grounds, the OHIM *ex officio* searches are for the information of the applicant only.³⁶ As already mentioned, they are intended only to assist applicants to avoid infringement and/or risk of third-party oppositions by drawing attention to the existence of earlier Community and national rights. The searches have been much criticised by practitioners owing to the fact that three important countries (Germany, France and Italy) have never carried out searches,³⁷ while the Irish office had suspended its own searches for over two years, albeit these have restarted. Following the expansion of the European Union on May 1, 2004, several of the new Member States have also confirmed that they will not be carrying out these searches, namely Cyprus, Estonia and Latvia. The International Office (Madrid Agreement and Protocol) is likewise not separately searched as such. Furthermore, the searches are of extremely varying quality and depth.³⁸ The OHIM *ex officio* search therefore is not a clearance search and should not be treated as such.

27 CTMR Art.34(2).

28 Bently and Sherman, *Intellectual Property Law* (2004), p.781; Cornish and Llewelyn, *Intellectual Property* (2003), p.647.

29 CTMR Art.108.

30 CTMR Art.108(2)(b); Bently and Sherman, *Intellectual Property Law* (2004), p.783.

31 Bently and Sherman, *Intellectual Property Law* (2004), pp.780, 781.

32 Graham *et al.*, *The Modern Law of Trade Marks* (2005), p.738; The Patent Office 2006, "The Future of Relative Grounds Examination. A Pre-Consultation" [Online], p.10, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007]; Cornish and Llewelyn, *Intellectual Property* (2003), pp.645, 649.

33 R. Abnett and K. Farwell, *The Community Trade Mark Handbook* (London: Sweet & Maxwell, Release 8, 2005), para.9-007.

34 Council Regulation 40/94 of December 20, 1993 on the Community trade mark; M. Aufenanger, G. Barth and A. Franke, *The German Trademark Act/Das deutsche Markengesetz—Synoptische Darstellung Deutsch-Englisch mit Erläuterungen*, 3rd edn (Munich: Verlag C.H. Beck, 2006), pp.53, 265, 387.

35 Council Regulation 40/94 of December 20, 1993 on the Community trade mark; Aufenanger *et al.*, *The German Trademark Act/Das deutsche Markengesetz* (2006), pp.53, 265, 387.

36 Graham *et al.*, *The Modern Law of Trade Marks* (2005), p.738.

37 A.W. Denberg and E.P. Winner, *International Trademark Treaties with Commentary* (New York: Oceana Publications, 2004), p.32; The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006 [Online], p.10, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007]; Bently and Sherman, *Intellectual Property Law* (2004), fn.121.

38 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-001.

Whatever the results show, they do not guarantee the applicant freedom to use the trade mark in the European Community.³⁹ Strictly speaking, it is incorrect to refer to "a search", as the OHIM *ex officio* search is a bundle of national searches, each one generated by computer, accompanied by a computer-generated search of the OHIM Register. And the standard of these searches varies considerably from Member State to Member State, as just addressed before.⁴⁰ As this deficiency is important, this article will elaborate on it. There are a number of aspects of the OHIM search system which are lacking. First of all there is the poor quality of the searches and the lack of coherence of the search, of course, which means that the searches merely increase costs without providing any added value. The national search reports have been widely perceived as being unhelpful.⁴¹ Furthermore the searches are not cost-effective since they provide very little effective data; they are usually ignored by applicants and while the amount paid to individual offices (those who conduct searches)⁴² was felt adequate, the inclusion of up to 12 more candidate countries would significantly increase the cost of the CTM to its users.⁴³ Apart from that the searches are incomplete anyway, because of the mentioned fact that no searches are conducted by the major Member States: France, Germany and Italy. Very important, too, is the delay caused to the registration system. At present only around 4 per cent of applications are withdrawn prior to publication and therefore the impact of the results of the data provided by the OHIM searches is considered to be of very little value. This valuation applies to the UK search, too. The result of the UK approach is a plethora of phonetic and near-phonetic entries, many so off-beam as to be in danger of devaluing the whole endeavour.⁴⁴ So, to sum it up, the national trade mark offices of all those territories who have notified their intention to search their national registers conduct a search that is not cost-effective against their own register and return the correspondingly low-value results to OHIM for onward transmission to the applicant. The search reports may be a first

indication that a trade mark may encounter problems in part, or all, of the Community, but not more.⁴⁵ Therefore it is proposed to abolish the search system completely.⁴⁶ Abolition of the national search reports encountered opposition in some quarters because the reports (which have to be paid for by OHIM) provide a source of income to the national offices who conduct searches. In the end a compromise has been reached. The existing system continues until March 10, 2008.⁴⁷ Thereafter a new text⁴⁸ of Art.39 (Search) will apply and the national search reports will be prepared only if the CTM applicant makes a request for them at the time of filing the application and pays a separate search fee.⁴⁹

The onus is after all still on companies, rather than government agencies, to protect trade marks. Owners of Community trade marks therefore need to "watch" their trade marks and oppose any applications that could result in conflict.

There have been consultations on possibly needed changes in the "strong paternalistic"⁵⁰ UK Trade Marks registry system in 2001, which resulted in a decision to postpone any reform until 2006,⁵¹ although changes were made to streamline and reduce the cost of the opposition system. The UK Patents Office has currently once again undertaken a pre-consultation exercise in order to determine whether the time is now right for change in favour of the "opposition approach"⁵² adopted in the OHIM and other important European States and whether scrapping searches for "relative grounds" would be opportune. The pre-consultation exercise is being undertaken in order to gauge the levels of interest from the legal profession and unrepresented applicants and identify the features of the current system which are causing most difficulty and those features which are most valuable.⁵³ The results of the pre-consultation exercise are now on hand. They are

39 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-032.

40 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-005. The great diversity and shortcomings of the OHIM and the national search reports is accessed as an eye-opener at <http://oami.eu.int/en/office/aspects/communications/05-00.htm>: see Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-033. This document starkly, perhaps even shockingly, underscores the quality issues and the diversity of the approaches to searching and cross-searching, of the EU national offices that do search: see Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-010.

41 Kitchin *et al.*, *Kerly's Law of Trade Marks and Trade Names* (2005), para.6-106.

42 National offices of the Member States that undertake searches are those of Austria, Benelux, Denmark, Finland, Greece, Ireland, Portugal, Spain, Sweden and United Kingdom: see Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9A-001.

43 According to Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.2-023, the *ex officio* search system is "very costly, complex, and ineffective", as well as "time-consuming" and "burdensome" for OHIM: see Kitchin *et al.*, *Kerly's Law of Trade Marks and Trade Names* (2005), para.6-106.

44 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), paras 9-035, 9-022, 9-023.

45 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-027.

46 Kitchin *et al.*, *Kerly's Law of Trade Marks and Trade Names* (2005), para.6-106.

47 Graham *et al.*, *The Modern Law of Trade Marks* (2005), p.738; Aufenanger *et al.*, *The German Trademark Act/Das deutsche Markengesetz* (2006), pp.53, 265, 387.

48 Council Regulation 40/94 of December 20, 1993 on the Community trade mark; Aufenanger *et al.*, *The German Trademark Act/Das deutsche Markengesetz* (2006).

49 Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9-036; Kitchin *et al.*, *Kerly's Law of Trade Marks and Trade Names* (2005), para.6-107.

50 Colston and Middleton, *Modern Intellectual Property Law* (2005), p.510.

51 For further particulars see The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation" [Online], 2006, p.3, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

52 Colston and Middleton, *Modern Intellectual Property Law* (2005), p.510.

53 "The Office is conducting a pre-consultation exercise in order to establish whether its perception of the strengths and shortcomings of the current system is widely shared by users of the system": The Patent Office 2006, "The Future of Relative Grounds Examination. A Pre-Consultation" [Online], 2006, p.4, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007]; Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, particularly 71.

published as so-called "Response Document"⁵⁴ on the internet.

Advantages of the existing system in the United Kingdom

(1) One of the factors previously identified by the Patents Office for maintaining the current system of searching for relative grounds was the potentially prohibitive cost of the alternative means of enforcing earlier trade marks, i.e. by investigating formal opposition proceedings.⁵⁵ It was of concern that the cost of opposition proceedings was prohibitive, especially for small and medium-sized companies (SMEs), meaning that some businesses might not have the means to prevent the registration of later conflicting marks. Changes were subsequently made to the opposition system. In particular, the right to oppose a trade mark (for marks over five years old) was made conditional on the opponent being able to show use of the earlier trade mark. These changes have helped to reduce the numbers of oppositions from 1,321 in 2001 to 801 in 2004. Also, many cases based on allegedly conflicting earlier trade marks are now settled by a quick preliminary indication from the register as to the likely outcome of the matter, meaning that formal opposition proceedings and their related costs can be avoided. Other potential conflict is settled by negotiations between the parties. In fact only about 150 to 200 cases per year proceed to the point where the registrar has to make a substantive decision regarding opposition and one in three of those cases is decided without the need for an oral hearing.

(2) An advantage of maintaining the current system could be therefore also that owners of earlier trade marks do not have to take action themselves in order to identify and prevent the registration of later conflicting marks.⁵⁶

(3) Another alleged advantage of the existing system is that the search for relative grounds removes the need for trade mark applicants to engage a commercial search service in order to ensure that the mark they intend to register does not conflict with an earlier mark.⁵⁷ Scrapping the current system of searches

would therefore be likely to inflate registration costs as applicants would then have the added cost of undertaking a commercial pre-filing search.⁵⁸

(4) A further purported advantage of the existing system over any proposed changes to scrap searches for relative grounds is that the existing system reduces the likelihood of post-registration invalidity actions.⁵⁹ Despite the fact that both national and Community trade marks are deemed to be have a prima facie legal presumption of validity, searches for relative grounds of refusal should add significantly to the perceived validity of a national registration, the implication being that there are no previously registered conflicting marks.⁶⁰

(5) A final alleged advantage the examination on relative grounds appears to have according to the UK Patents Office is the one of making it easier to identify valid marks because it prevents the registration of the same mark by different undertakings for the same products, except by consent. The UK register is, as the Patents Office predicates, therefore relatively "pure". This should make it easier to understand who has valid rights in which marks than would be the case under a system which depended solely on oppositions to resolve relative grounds conflicts, such as the Community trade mark.⁶¹

Advantages of change: relative grounds

(1) On the other hand, owners of UK marks actually need to monitor applications to register Community trade marks because OHIM will only reject an application on the grounds of earlier conflicting marks if formal opposition is made.⁶² In practice, this requires owners of registered trade marks who wish to exercise

trade mark": The Patent Office 2006, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.5, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

58 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

59 The Patent Office stated as "The Strengths of the Current System: 3. A higher presumption of validity: Both national and Community trade marks enjoy a prima facie legal presumption of validity. However, pre-registration examination on absolute and relative grounds should reduce the likelihood of post registration invalidation actions. 4. Avoiding Oppositions: Both the UK national registration procedure and the procedure for registering Community trade marks include an opposition process whereby third parties can object to a proposed registration. Partly because the system of registering Community trade mark system does not include official examination on relative grounds, the proportion of Community marks opposed (18-20%) by third parties is higher than the proportion of national marks (3%).", The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], pp.5, 6, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

60 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

61 "5. Making sense of search reports": The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.6, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

62 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.5, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed

54 The Patent Office, "Relative Grounds for refusal—The way forward—Response document" [Online], 2006, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

55 The Patent Office stated as "The Strengths of the Current System: 1. Safeguarding the rights of existing trade mark owners, particularly SMEs, who may not have the financial means to prevent the registration of later conflicting marks": The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.5, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

56 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.5, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007]; Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

57 The Patent Office stated as "The Strengths of the Current System: 2. Removing the need for trade mark applicants to engage a commercial search service in order to ensure that the trade mark they propose to register is not in conflict with an earlier

their right to prevent the registration of later conflicting marks to engage a commercial watching service in order to identify potential conflicts anyway. In order to prevent another party securing a later conflicting trade mark it is necessary to monitor applications for national trade marks, Community trade marks, and international trade marks (in so far as they are designated for protection in the same territory as the earlier national mark).⁶³ This means that theoretically owners of UK trade marks should already be employing a "watching service" in order to monitor applications to register conflicting Community trade marks. Hence adding the United Kingdom to their "watch list" should not increase watching costs significantly.⁶⁴

(2) An over-arching argument for change is the fact that scrapping searches for relative grounds would bring the United Kingdom into line with the Community Trade Marks Office and the "rest of Europe".⁶⁵ The difference between the United Kingdom and the rest of Europe must inevitably lead to confusion for owners of trade marks. When Community trade marks must anyway be "watched", as Isaacs points out, it might be sensible for the United Kingdom to harmonise its procedures.⁶⁶

(3) Another argument for change is that such a change would run dry the dubious "market for consent": as already set forth, the historical reason for examining trade mark applications for conflict with earlier trade marks was for the purpose of consumer protection. It was thought that registration of the same or similar marks by unconnected businesses would lead to public confusion, which was deemed insidious. The Trade Marks Act 1994, however, allowed the registration of the same or a similar mark by an unconnected business if the owner of the earlier mark consented.⁶⁷ This provision has led to the creation of a "market for consent", with companies charging, sometimes very significant sums, for a letter of consent to the registration of a later

conflicting mark. Many businesses that have charged for such "consent" might never have opposed registration of the later mark in the first place. Scrapping searches for relative grounds would diminish the risk of later applicants being exploited in such a way.⁶⁸ As well as the risk of exploitation, it is also argued that the requirement of gaining consent from the owner of any earlier conflicting mark is too onerous a burden for any prospective applicant.⁶⁹ The Patent Office has raised the possibility of a change in the law so that the requirement of consent is dropped in favour simply of notifying the owner of the earlier trade mark. Such a change in the law may be of limited use as any later registration might still be liable to infringement proceedings if consent is not obtained, although it is submitted that in many cases infringement proceedings would never be brought.⁷⁰

(4) Another anomaly in the present system is that currently the trade marks registry searches for relative grounds for refusing registration but it does not determine whether any pre-existing conflicting marks that it finds are actually being used. It is therefore possible for the registry to reject an application despite the fact that the earlier mark is liable to revocation for non-use.⁷¹ The anomaly arises in the fact that, should a person wish to oppose registration or seek the invalidation of a trade mark because of an alleged conflict with an earlier trade mark, they must show that the earlier mark is not itself subject to revocation of non-use. This anomaly could be overcome by insisting that refusal of registration by the registry based on a pre-existing mark which is over five years old must be accompanied by a statement of use by the owner of the earlier trade mark. Such a solution would, however, just add another layer of complexity to the UK system when what is arguably needed is simplification.⁷²

(5) Another disadvantage of the current UK system is that it seems to place a higher burden on applicants for registered trade marks, relative to other regimes. In the Community trade mark system, for example, where owners of earlier conflicting trade marks are left to raise opposition to applications themselves, only 18 to 20 per cent of applications are ever opposed. The proportion of UK applications which face official objections on relative grounds is much higher, at 26 to 27 per cent, testifying that registration of a trade mark is potentially much more onerous in the United Kingdom than in the rest of Europe. All this means that a typical UK

November 12, 2007]: "It does not, however, remove the need for the owners of national marks to monitor applications to register Community trade marks because the Community trade mark office will not refuse to register a new Community trade mark because of the existence of an earlier conflicting trade mark unless the owner of the earlier mark opposes the registration of the later mark." Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72 is inaccurate when she states: "OHIM does not undertake searches for earlier conflicting marks . . .".

63 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.10, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

64 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

65 As Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72 expresses it vividly, albeit not quite correctly as some European countries carry out searches as expounded above: see Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9A-001.

66 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

67 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.7, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

68 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 72.

69 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.8, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

70 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 73.

71 The Patent Office, "The Future of Relative Grounds Examination. A Pre-Consultation", 2006, [Online], p.7, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

72 Isaacs, "Should the United Kingdom Adopt a European System for the Registration of Trade Marks?" [2006] E.I.P.R. 71, 73.

national applicant is “over 50% more likely”⁷³ to face an objection on relative grounds compared to a typical applicant for a Community trade mark. Further, the proportion of national applications finally refused on relative grounds is also higher (7.5 per cent) than the proportion of Community marks (2 per cent) finally refused on such grounds.⁷⁴ Given that it is therefore easier to register a Community trade mark than a UK trade mark, this would be an incentive for potential applicants to favour the Community rather than national route.⁷⁵

(6) An important argument against official searches for relative grounds is the poor quality of the searches, as described above.

(7) By far the most powerful argument for changing the existing system to that of the Community system is that, as things stand, it is possible to have overlapping trade mark rights in different ownerships.⁷⁶ UK applicants, for example, can be told by the UK registry that their application conflicts with earlier national registrations and Community trade marks, all of which appear to conflict with each other and all of which are registered in different ownerships. Applicants sometimes find it hard to understand why, in these circumstances, the registrar should initiate the refusal of the latest trade mark when it does not appear to conflict with the earlier marks to any greater extent than they do with each other.⁷⁷ This is illogical and hugely confusing for applicants. As more Community trade marks are registered the problem will inevitably become more acute, leading to even greater incompatibility and confusion.⁷⁸

Intermediate result

Although it is difficult to assess the importance of the analysed advantages of the existing system in the United Kingdom and the advantages of change, one can say that the advantages of rejecting the current system are obvious. At first there is no proof of the consideration that the costs of opposition proceedings are potentially prohibitive. In fact they are not in the countries which never have carried out searches (Germany, France, Italy and others)—at least the opposite was not purported by

any person involved in the pre-consultation exercise—so why should they be so in the United Kingdom? That owners of earlier trade marks do not have to take action themselves under the current UK system may be convenient for them, but surely this cannot be an end in itself. Moreover it is not quite correct anyway that owners of earlier trade marks do not have to take action themselves under the current UK system, as becomes apparent in a consideration of the third purported advantage of the existing UK system regarding the identification of later conflicting marks; because of the poor quality of the official national searches there is in fact the need to engage a commercial search service to play it safe. Hence the first two alleged advantages of the existing system are on second thoughts in fact disadvantages. The third purported advantage that the official search for relative grounds removes the need for trade mark applicants to engage in a commercial search service is on closer inspection simply erroneous, as mentioned in conjunction with the second alleged advantage of the existing UK system. Furthermore, as shown, owners of UK marks need to monitor applications to register Community trade marks anyway, because Community trade marks are valid throughout the entire European Union including the United Kingdom, and OHIM will only reject an application on the grounds of earlier conflicting marks if formal opposition is made.⁷⁹ The fourth affirmed advantage which the Patent Office put up for discussion, namely that the official pre-registration examination on relative grounds “should” reduce the likelihood of post-registration invalidation actions, is not verified by the Patents Office. Furthermore the word “should”⁸⁰ demonstrates the Patents Office’s precariousness with regard to this alleged advantage. The final purported advantage of the UK registration system should be, according to the Patents Office, to make it easier to identify valid marks because of the purity of the UK register. Given that this is true, because it cannot be confuted—albeit the assertion is not proven on the other hand—there is still the problem of the market of consent. A change to the registration system in the United Kingdom would run dry the dubious market for consent, as analysed before. As well as the risk of exploitation, the requirement of gaining consent from the owner of any earlier conflicting mark is too onerous a burden for any prospective applicant. An argument for change which should not be dismissed is the fact that scrapping searches for relative grounds would bring the United Kingdom into line with the Community trade marks office and the “rest of Europe”, as Isaacs expressed it vividly.⁸¹ That would be a big step forward to legal certainty in Europe regarding trade mark registrations.

73 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.8, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

74 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.8, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

75 Isaacs, “Should the United Kingdom Adopt a European System for the Registration of Trade Marks?” [2006] E.I.P.R. 71, 73.

76 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.8, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

77 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.8, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

78 Isaacs, “Should the United Kingdom Adopt a European System for the Registration of Trade Marks?” [2006] E.I.P.R. 71, 73.

79 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.5, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

80 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], pp.5, 6, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

81 As Isaacs, “Should the United Kingdom Adopt a European System for the Registration of Trade Marks?” [2006] E.I.P.R. 71, 72 expresses it vividly, albeit not quite correctly as some European countries carry out searches as expounded above:

One clear advantage of self-regulation among those so far examined therefore would be compatibility with the Community trade mark system, thereby making registration in the United Kingdom easier and clearer for the applicant. Furthermore, if the existing searches for relative grounds were scrapped, this should lead to a reduction in the cost of registering a UK trade mark. Another anomaly in the present system is, as analysed, that currently the trade marks registry searches for relative grounds for refusing registration but it does not determine whether any pre-existing conflicting marks that it finds are actually being used. The current UK system places a higher burden on applicants for registered trade marks, relative to other regimes. Last but not least, the most powerful argument by far for changing the existing system to that of the Community system is—apart from the poor quality of the official searches—that, as things stand, it is possible to have overlapping trade mark rights in different ownerships, with all the analysed negative concomitant circumstances.

Improvement opportunities for both current systems

For these various understandable reasons approximately 70 per cent of respondents who have taken part in the initially described pre-consultation exercise favoured a move to some form of search and notify system as in the European Union, and the UK Patents Office rightly agrees with them.⁸² Even in the United Kingdom, according to the above-mentioned “Response Document”,⁸³ the status quo was favoured by only 17 per cent of the respondents. So the UK Patents Office is correctly of the opinion that the status quo is not viable any more.⁸⁴ The Patents Office considered five options on a way forward. Option 1 was to maintain the status quo. This was favoured by only 17 per cent of respondents, as mentioned before. The Patents Office stated that in relation to burden it considered the change it intended to make to be necessary to overcome the increasing tensions between the United Kingdom and CTM regimes and the practical difficulties this creates.⁸⁵ Options 2 and 3, it is fair to say, received only minority support,

representing just 7 per cent of respondents between them. These options were aimed at “tweaking” the existing system so as to eliminate some of the most glaring difficulties caused by the tension between the UK and CTM registration procedures. Although the Patents Office still feels that these options are better than the status quo, and a few respondents agreed, it does not feel able to proceed with either of them owing, first, to the more administratively complicated and burdensome systems they will create (particularly Option 3); secondly, because they do not solve the fundamental tensions and difficulties; and, thirdly, there is a lack of support for them.⁸⁶ The two options to be considered in depth (Options 4 and 5) both represent a change to the current regime whereby the official search for conflicting earlier marks will be used solely for information purposes. The decision to oppose the registration would be placed solely in the hands of the owners of earlier intellectual property. The only difference between the two options resides in whether the Patents Office should inform the owners of any earlier trade marks (if their mark is identified in an official search of a new application) in addition to the applicant (Option 5), or whether it should inform the applicant only (Option 4).⁸⁷ The UK Patents Office has decided to follow the option in which it will have to inform the owners of any earlier trade marks (if their mark is identified in an official search of a new application) in addition to the applicant (Option 5).⁸⁸ In the consultation document the Patents Office recommended Option 4 as its preferred option. This recommendation was made on the basis that the majority of its users (primarily small and medium enterprises), whether represented or not, were unlikely to take action, even if they were notified of a potentially conflicting trade mark, unless there was actual conflict in the marketplace. In view of this, the Patents Office felt that there was little benefit in notifying the owners of earlier marks. Some of the respondents in favour of Option 4 agreed with this assessment. The other primary argument put forward in favour of Option 4 was that the responsibility for both monitoring and enforcing intellectual property rights was the clear responsibility of their owners, and, therefore, once registered, their owners should ensure adequate watching of their marks through commercial watching services rather than relying on the Trade Marks Registry to do this for them. In relation to Option 5, the primary argument centred on the inherent benefit of ensuring that the owners of earlier trade marks are exposed in some way to the

see Abnett and Farwell, *The Community Trade Mark Handbook* (2005), para.9A-001.

82 The Patent Office, “The Future of Relative Grounds Examination. A Pre-Consultation”, 2006, [Online], p.2, available at <http://www.patent.gov.uk/consult-prerelative.pdf> [Accessed November 12, 2007].

83 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, pp.1, 5, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

84 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, p.1, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

85 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, pp.1, 5, 6, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

86 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, pp.2, 6 7, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

87 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, pp.2, 7, 8, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

88 The Patent Office 2006, “Relative Grounds for refusal—The way forward—Response document” [Online], 2006, p.3, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].

prospective registration of a potentially conflicting mark. This would have the result that potential objections to the registration and use of new marks would more likely to surface at an early stage rather than later (by which time significant investment may have been made in the new mark by its owner). The Registry notifying the owners of earlier marks would ensure this third party exposure to proposed new registrations which otherwise may not take place owing to the lack of take-up of commercial watching services. The other primary argument centred on minimising the burden on the owners of earlier marks who, without the Registry notifying them as per Option 5, would move straight from a position of official policing and enforcement of their trade marks (at least against later national applications if not Community applicants) to a position where they would have to pay for a commercial watch in order to monitor for later conflicting applications, as the Patents Office states. The choice between Option 4 and 5 has been not an easy one, as the Patents Office admitted. The respective arguments are finely balanced, as are their pros and cons. However, on balance, there does seem to be merit in ensuring that potential disputes are settled as early as possible in order to avoid wasted investment in new marks. Option 5 is clearly most likely to support this objective and based on this, together with the other arguments in its favour, and taking into account that Option 5 received far more support than option 4, the Patents Office feels that this option represents the way forward. The next steps will be to flesh out Option 5 in more detail and to introduce the legislative and administrative changes to bring it to fruition. This will involve further consultation with the users on the procedural rules the Patents Office intends to introduce, which will cover the procedures for notifying the applicant of any relevant marks identified in the official search, how long the applicant will have to withdraw or restrict his application before it is published, and the circumstances in which owners of earlier trade marks will be notified of later conflicting marks. The Patents Office anticipates that this process and the necessary changes to the internal systems of the Trade

Mark Registry of the Patent Office will take some time to complete and, therefore, it expects the new regime to come into force in October 2007.⁸⁹

This appears to be the second-best solution. In the author's opinion, the *modus operandi* of official searches for relative grounds have exceedingly given proof of its inefficacy. The official search for conflicting earlier marks used solely for information purposes will not be a means to enlarge legal certainty in Europe and therefore in the United Kingdom at all. That would be different if the searches could be improved Europe-wide to a sufficiently high standard, but under the prevailing circumstances the opt-in solution, which will come into force in the CTM system in 2008 with its analysed improvements, appears to be the best one.

Conclusion

The agreed fundamental change in the Trade Mark Registry in the United Kingdom will be supported here, because the official search for conflicting earlier marks solely for information purposes is an incontestable advancement in this country. Notwithstanding, the ongoing change in the system still offers a great chance to accelerate the progress in the United Kingdom and to associate itself with the forthcoming European CTM solution.

To sum up, this article advocates the adoption of an opt-in solution in the United Kingdom, meaning that the UK Patents Office would conduct an official search only if the trade mark applicant makes a request for it at the time of filing the application and pays a separate search fee, which he is able to avoid when he decides to engage a professional commercial watching service only or decides to take the risk to conduct no search at all. This approach would notably reflect inherited British traditions and attitudes regarding the Trade Mark registry and would be at the same time a bolder move to the entirely abrogation of official searches like in France, Germany or Italy, which should be the broader aim for the future.

89 The Patent Office 2006, "Relative Grounds for refusal—The way forward—Response document" [Online], 2006, pp.2, 3, available at <http://www.patent.gov.uk/about/consultations/responses/relative/relative.pdf> [Accessed October 13, 2006].