

**OFFICE OF THE ASSOCIATE
MINISTER OF COMMERCE**

The Chair
CABINET ECONOMIC DEVELOPMENT COMMITTEE

**INTERNATIONAL TRADE MARK TREATIES PAPER B: ACCESSION TO THE
MADRID PROTOCOL AND THE NICE AGREEMENT**

PROPOSAL

- 1 It is proposed that Cabinet authorise New Zealand's accession to two international trade mark law instruments, the Madrid Protocol and the Nice Agreement, following the completion of the parliamentary treaty examination process and implementation of the necessary legislation.

EXECUTIVE SUMMARY

- 2 This is the second of two papers reporting back on submissions received in response to the government's discussion paper *International Trade Mark Treaties*. The first paper *International Trade Mark Treaties Paper A: Accession to the Singapore Treaty* recommends signature and ratification of the Singapore Treaty on Law of Trademarks (the "Singapore Treaty"). This paper recommends New Zealand accede to both the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks 1989* ("the Madrid Protocol") and the *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* ("the Nice Agreement").
- 3 The Madrid Protocol provides a simplified system for the protection of trade marks overseas called the "Madrid system". The Madrid system enables a business to have a trade mark protected in multiple countries party to the Madrid Protocol through one application (an "international application") that designates one or more overseas countries where the Madrid system is available and where protection is sought.
- 4 The Nice Agreement provides a classification system for goods and services for the purposes of registering trade marks ("the Nice Classification"). Those countries that are party to the Nice Agreement must apply the Nice Classification to registered trade marks, although those countries not party may apply still the Nice Classification. New Zealand is not party to the Nice Agreement, but use of the Nice Classification has been mandated by our trade marks law for many years. No significant changes to New Zealand's trade mark law are required.
- 5 These treaties do not seek to harmonise substantive trade mark law. Accession would not, therefore, impact on the Government's ability to achieve specific policy objectives in the trade marks area, such as responding to Treaty of Waitangi claims.

- 6 Accession to the Madrid Protocol will require amendment to the Trade Marks Act 2002 (“the Trade Marks Act”) and the Trade Mark Regulations 2003 (“the Trade Mark Regulations”) to provide for the Madrid system to have effect in New Zealand. The changes would, however, only relate to the procedures for filing trade mark applications and maintaining the trade mark registrations under the Madrid system. Approximately 1,600 Third Schedule trade marks registrations are not classified under the Nice Classification. They were registered before use of the Nice Classification was mandated in 1953 and some date back to the beginning of the 20th century. To facilitate their conversion, an amendment to the Regulations is needed to allow the Commissioner of Trade Marks to effect their conversion in a timely manner.

BACKGROUND

- 7 In March 2006 Cabinet agreed that the Ministry of Economic Development release a discussion paper, *International Trade Mark Treaties*, considering whether New Zealand should become party to three treaties administered by the World Intellectual Property Organisation (“WIPO”) [CAB Min (06) 7/7 refers]. These were the Madrid Protocol, the Nice Agreement and the then proposed Trademark Law Treaty 2006 (adopted in March 2006 and now referred to as the Singapore Treaty on the Law of Trade Marks). The discussion paper also sought views on the key amendments to the Trade Marks Act and Regulations that would be required if New Zealand was to accede to the treaties.
- 8 I undertook to report back on submissions in response to the discussion paper with recommendations on becoming party to these three treaties by the middle of July. This is the second of two papers reporting back on submissions received with recommendations on New Zealand’s accession thereto.

Madrid Protocol

- 9 The *Madrid Agreement Concerning the International Registration of Marks 1891* (the “Madrid Agreement”) provides the Madrid system for the protection of trade marks overseas. The Madrid system is administered by WIPO and enables a trade mark owner to have a trade mark protected in one or more countries by filing one application directly with the local trade mark office and designating one or more overseas countries where the Madrid system is available and where protection is sought. An international application is equivalent to an application for registration of the same trade mark made directly in each of the countries designated by the applicant.
- 10 The Madrid system also simplifies the subsequent management of trade marks. For example, a change in name or ownership of the registered trade mark may be recorded and have effect in each country designated by the trade mark owner by means of a single application and the payment of one fee. Furthermore, the Madrid system is designed to reduce, and in some case may eliminate, the need for a trade mark owner to employ the services of a trade mark agent in each country where protection is sought.

- 11 The main advantages for trade mark owners, therefore, consists in the simplicity of international registration provided by the Madrid system and the financial savings made when obtaining and maintaining protection of their trade marks overseas.
- 12 The Madrid Protocol (see Appendix E for the text of the treaty) introduces a number of improvements to the Madrid system, such as enabling international applications to be filed in English, French or Spanish, rather than only French as prescribed in the Madrid Agreement. A country must become party to the Madrid Agreement, the Madrid Protocol or both, to enable local businesses to use the Madrid system to seek trade mark protection overseas and for overseas business to use the Madrid system to seek local trade mark protection. I have only considered New Zealand's accession to the Madrid Protocol because of the improvements made to the Madrid system under the Madrid Protocol.
- 13 Sixty-seven countries are parties to the Madrid Protocol, and most of our leading trading partners have taken steps to become party to the Protocol in recent years, including as China (1995), Singapore (2000), Japan (2000), Australia (2001), Republic of Korea (2003), the United States of America (2003) and the European Community (2004). Of the developed countries, only New Zealand and Canada are not yet members of the Madrid Protocol and Canada is currently considering whether it should become a party to the Madrid Protocol.

Nice Agreement

- 14 The Nice Agreement (see Appendix F for the text of the treaty) provides a classification system for goods and services for the purposes of registering trade marks. The 79 countries that are party to the Nice Agreement must apply the Nice Classification to registered trade marks. Other countries not party to the Nice Agreement are, however, able to use the Nice Classification. WIPO notes that over 100 trade marks offices use the Nice Classification. New Zealand is not party to the Nice Agreement, but the Intellectual Property Office of New Zealand ("IPONZ") has been required to use the Nice Classification since 1953. Its use of the Nice Classification was originally prescribed under the Trade Mark Regulations 1953 and this requirement for use was carried over into the Trade Marks Regulations 2003.
- 15 The main advantage to New Zealand from becoming a party to the Nice Agreement would be to allow New Zealand (in practice, officials from IPONZ) to participate in and influence the future development of the Nice Classification so that it best meets the needs of IPONZ and New Zealand businesses.

COMMENT

Submissions on the Discussion Paper

- 16 Nine submissions were received from eight submitters. Five submissions were from New Zealand patent attorneys and law practitioners; three were from Australia (one being from an Australian trade mark attorney and the other from

an Australian business) and one from the International Trademarks Association based in New York. Of these nine submissions, eight submissions commented on the Madrid Protocol and six on the Nice Agreement. There was general support for acceding to both treaties.

Madrid Protocol

- 17 Seven submissions commented specifically on the Madrid Protocol and all, to varying degrees, supported New Zealand becoming party. Submitters generally acknowledged that overseas businesses, rather than local businesses, would be more likely to use the Madrid system and, therefore, benefit most from New Zealand's accession. Submitters commented that they considered New Zealand's accession was, however, inevitable; would assist to align New Zealand's trade mark regime with Australia and other leading trading partners; and would also add credibility to New Zealand's trade mark regime.
- 18 Officials predict that, based on the Australian experience, while the initial uptake of the Madrid system by New Zealand businesses would be slow, use will increase over time as businesses became more familiar with the benefits of the Madrid system. In the mean time, accession to the Madrid Protocol would provide overseas businesses the option of using the Madrid system to protect their trade marks in New Zealand and, therefore, to take advantage of financial savings it can provide. Use of the Madrid system for filing applications for trade mark registration overseas would be voluntary; accession to the Madrid Protocol would not replace existing means of international trade mark registration, which would remain available to applicants.
- 19 Submissions from the local patent attorney profession noted that in addition to potential financial savings that might be achieved through using the Madrid system, there were also a number of inherent disadvantages that can arise from using the Madrid system and that ultimately use of the Madrid system may end up costing businesses more than had it chosen to apply directly to overseas trade mark offices. As noted above, use of the Madrid system is voluntary. Officials consider that a business will need to choose on a case-by-case basis, aided by its trade mark agent's strategic guidance, whether it is more efficient and cost-effective to file direct national or regional applications, or take advantage of the alternative filing mode which the Madrid system provides.
- 20 The most significant concern to the patent attorney profession is a potential reduction in revenue for trade mark firms and possible flow on job losses, if overseas clients opted to use the Madrid system to obtain trade mark protection in New Zealand. One of the objectives of the Madrid system is, however, reducing a business's need to use overseas trade mark agents when seeking protection overseas. Based upon Australian experience, officials consider that it is unlikely that accession to the Madrid Protocol would lead to any significant long term affects on the overall size of the patent attorney profession or impact upon the availability of trade mark advice to New Zealand businesses.

- 21 Submitters did, however, concede that protecting the patent attorney profession and trade mark firms against the loss of overseas revenue should not be the determining factor in deciding whether or not New Zealand should become party to the Protocol.
- 22 There would be some one-off costs for IPONZ related to implementing the Madrid system arising from developing appropriate procedures to administer the Madrid system and training of staff in those procedures. Provision is made under the Madrid Protocol for trade mark offices, such as IPONZ, to recover on-going administrative costs arising from Madrid system. Trade mark offices may charge a “handling” fee and prescribe their own trade mark registration and renewal fees.
- 23 I recommend that New Zealand accede to the Madrid Protocol, subject to a satisfactory Parliamentary treaty examination process, and that drafting instructions be issued to the Parliamentary Counsel Office (“PCO”) regarding the required amendments to the Trade Marks Act to give effect to and implement the Madrid Protocol. The National Interest Analysis is attached as Appendix A. A Bill to amend the Trade Marks Act has been given a priority level 5 on the legislative agenda (drafting instructions to PCO this calendar year). Once the amending legislation has been implemented, I recommend that New Zealand deposit its Instrument of Ratification with WIPO. I anticipate that this would occur before December 2008.

Nice Agreement

- 24 Six submissions were made in relation to the Nice Agreement. They broadly supported accession, although several did so on the incorrect assumption that New Zealand’s accession to the Madrid Protocol required accession to the Nice Agreement. The Madrid Protocol requires use of the Nice Classification, but does not specifically require accession to the Nice Agreement itself.
- 25 Submitters noted that it is important for New Zealand to be part of and to be able to participate in the review and development of the Nice Classification, as this would enable New Zealand businesses to have a voice in such matters, which may be of particular importance from their perspective.
- 26 I recommend that New Zealand accede to the Nice Agreement. The National Interest Analysis is attached as Appendix B.
- 27 Before accession can occur, however, conversion of approximately 1,600 Third Schedule trade mark registrations that are currently not classified under the Nice Classification must occur. These Third Schedule registrations result in additional administrative costs for IPONZ in maintain a trade mark register comprising different classifications systems and add unnecessary complexity and cost to any search of the trade marks register by IPONZ and the public.
- 28 Under the Trade Mark Regulations, Third Schedule registrants may voluntarily request (without payment of a fee) that their registrations to be converted into the Nice Classification. There appear, however, to be few (if any) incentives for registrants to voluntarily convert their registrations. For some registrants, there

may be costs arising from the conversion. For example, the services of a trade mark agent may be required to advise on the most suitable Nice class(es) and for some registrants the process of conversion may result in additional renewal costs where the registration needs to be converted into several classes under the Nice Classification.

- 29 Submitters expressed support for the conversion of these 1,600 Third Schedule registrations into the Nice Classification. They noted that having all trade mark registrations under the one classification system would result in more efficient and effective searches of the trade marks register. To achieve conversion of these registrations in a timely manner, submitters suggested that the Commissioner of Trade Marks (“the Commissioner”) would need to initiate the conversion process and identify the most appropriate Nice class(es), for registrants to agree to conversion. Amendment to the Trade Mark Regulations would be required in order for the Commissioner to initiate and manage the conversion of these registrations in a timely manner.
- 30 There would be minor administrative costs to IPONZ associated with initiating the conversion of the 1,600 old trade mark registrations, and this cost would be met from existing appropriations.

CONSULTATION

- 31 Submissions were sought and received on the discussion paper *International Trade Mark Treaties*, which was published by the Ministry of Economic Development in March 2006.
- 32 The following departments and ministries have been consulted on this paper, and concur with its recommendations: the Ministry of Consumer Affairs, the Ministry for Culture and Heritage, the New Zealand Customs Service, the Ministry of Foreign Affairs and Trade, the Ministry of Justice, Te Puni Kōkiri, and the Treasury. In addition, the Department of the Prime Minister and Cabinet has been informed.
- 33 The Minister of Commerce agrees to the submission of this paper.

FISCAL IMPLICATIONS

- 34 Becoming party to the Madrid Protocol and the Nice Agreement would be fiscally neutral for the government because IPONZ is fully third party-funded.

HUMAN RIGHTS

- 35 There are no perceived human rights implications arising from acceding to the Madrid Protocol or the Nice Agreement.

LEGISLATIVE IMPLICATIONS

- 36 If a decision was taken to accede to the Madrid Protocol and the Nice Agreement, amendments to both the Trade Mark Act and Regulations would be required. The Government has categorised the proposed Trade Marks (International Treaties) Amendment Bill as category 5 (drafting instructions to be given to Parliamentary Counsel Office in 2006) on the legislative programme [CAB Min (06) 6/1A refers].

REGULATORY IMPACT AND COMPLIANCE COST STATEMENT

- 37 A Regulatory Impact and Statements (“RIS”) and Business Compliance Cost Statements (“BCCS”) are attached as Appendix C (for amending the Trade Marks Act to implement the Madrid system) and Appendix D (for amending the Trade Marks Regulations to facilitate conversion of Third Schedule registrations into the Nice Classification). All comply with Cabinet Office requirements.
- 38 Implementing the Madrid system in New Zealand would provide businesses with a simplified and potentially cheaper process for obtaining and maintaining trade mark protection overseas. The extent of any reduction in compliance costs would vary, but if a business did use the Madrid system it would be able to reduce and, in some cases, eliminated sources of compliance costs such as: making separate applications or requests in each country; paying separate fees in each of the currencies of those countries; complying with individual language requirements (i.e. translation services); and employing the services of a trade mark agent in each country.
- 39 Based on the information provided in the attached RIS/BCCS documents, the Regulatory Impact Analysis Unit considers that the disclosure of information is adequate, and the level of analysis is appropriate given the likely impacts of the proposals.

PUBLICITY

- 40 Should Cabinet approve this proposal, a media statement announcing the decision to accede to the Madrid Protocol and the Nice Agreement will be issued. This Cabinet paper is to be published on the Ministry of Economic Development website, subject to any necessary deletions justified in accordance with the Official Information Act 1982. In addition, the national interest analyses will be published on the parliamentary website, under “Select Committee Reports”.

RECOMMENDATIONS

- 41 It is recommended that the Committee

1 **Note** that:

- 1.1 the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (“the Madrid Protocol”) was adopted at Madrid on 27 June 1989; and

- 1.2 the *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* (“the Nice Agreement”) was adopted at Nice on 15 June 1957, and amended in 1967, 1977 and 1979;
- 2 **Note** that the objectives of the Madrid Protocol and the Nice Agreement are:
 - 2.1 to reduce business transaction and compliance costs associated with registering trade marks and maintaining those registrations; and
 - 2.2 to create increased legal certainty for businesses registering trade marks through the simplification and international alignment of trade mark registration procedures;
- 3 **Agree** that the texts of the Madrid Protocol and the Nice Agreement, along with their accompanying National Interest Analyses, be presented to the House of Representatives for parliamentary treaty examination in accordance with Standing Orders 387-390;
- 4 **Agree**, subject to satisfactory completion of the Parliamentary treaty examination process, that the Associate Minister of Commerce issue drafting instructions to the Parliamentary Counsel Office in respect of the amendments necessary to the Trade Marks Act 2002 and the Trade Marks Regulations 2003 required to implement the Madrid Protocol and the Nice Agreement;
- 5 **Agree**, subject to satisfactory completion of the Parliamentary treaty examination process and implementation of amendments to the Trade Marks Act and Regulations, that New Zealand deposit Instruments of Accession to the Madrid Protocol and to the Nice Agreement with the depositary, the World Intellectual Property Organisation, before December 2008;
- 6 **Note** that this Cabinet paper is to be published on the Ministry of Economic Development website, subject to any necessary deletions justified in accordance with the Official Information Act 1982; and
- 7 **Note** that the Associate Minister of Commerce indicates that consultation is not required with the government caucuses or other parties represented in Parliament.

Hon Judith Tizard
Associate Minister of Commerce

NATIONAL INTEREST ANALYSIS

The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks

Date of Proposed Binding Treaty Action

- 1 The *Madrid Agreement Concerning the International Registration of Marks* (“the Madrid Agreement”) was concluded in 1891 and amended multiple times, most recently in 1979. The *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (“the Madrid Protocol”) was concluded in 1989 and entered into force on 1 December 1995.
- 2 It is proposed that New Zealand accede to the Madrid Protocol by December 2008. Accession to the Madrid Protocol is possible without becoming party to the Madrid Agreement and officials to not propose that New Zealand become party to the Agreement.

Reasons for New Zealand to become Party to the Protocol

- 3 The Madrid Agreement and the Madrid Protocol together form what is known as the “Madrid system”. The Madrid system provides an international registration system for trade marks through the World Intellectual Property Organization (“WIPO”). There are 68 countries party to the Madrid Protocol, including New Zealand’s major trading partners such as Australia, China, Japan, the United States and the United Kingdom. Recently, the European Community joined the Madrid Protocol, which enables access to the European Community’s trade mark system, and provides protection in all countries of the European Union. New Zealand remains one of the last developed countries yet to become party to the Madrid Protocol.
- 4 At present, a New Zealand business seeking to register its trade marks overseas must make separate applications in each country where protection is sought, in the language of each country. It must pay the fee required in the currency of each country, and will usually need to employ a trade mark agent resident in each country to lodge its application.
- 5 The Madrid system simplifies this process by registering and protecting trade marks in other countries through a single international application or request made through WIPO. The Madrid system, therefore, has the potential to reduce both the direct application costs and indirect compliance costs for businesses seeking and maintaining trade mark protection in other member countries. New Zealand’s accession to the Madrid Protocol would mean that New Zealand businesses would have the option of using the Madrid system and benefiting from the reduction in costs associated with protecting their trade marks overseas.

- 6 Furthermore, around half of all trade mark applications lodged in New Zealand (approximately 8,000 applications per year covering about 14,000 classes) are from overseas businesses domiciled in member countries of the Madrid Protocol. New Zealand's accession to the Madrid Protocol would allow overseas businesses to apply for or register their trade marks in their home countries, and have that application or registration be effective in New Zealand, thereby reducing their costs associated with trading in New Zealand.

Advantages and Disadvantages to New Zealand of the Protocol Entering into Force

New Zealand and overseas businesses

- 7 The main advantage to New Zealand from accession to the Madrid Protocol is that businesses would have the option to use the Madrid system when obtaining and maintaining the protection of trade marks abroad and, therefore, benefit from the financial savings available through using the Madrid system.
- 8 Under the Madrid system, after a business has either registered a trade mark or filed an application for registration in its home country (including paying the requisite domestic fees), it files only one additional application in one language (English, French or Spanish) and pays a fee in the local currency, instead of filing multiple applications separately in the trade mark offices of various member countries. In New Zealand, Madrid applications would be filed in English and paid for in New Zealand dollars.
- 9 Businesses can also use the Madrid system to effect changes in details such as ownership, name and address in some or all of the countries in which protection has been designated, and pay only one fee to do so. Thus, using the Madrid system, a business is able to reduce, and in some cases eliminate, the costs associated with employing a trade mark agent in each country.
- 10 One potential disadvantage for businesses relates to the fee structure of the Madrid system. Initial analysis indicates that the cost benefits of using the Madrid system would only be realised when a business was to seek protection in at least three or more Member countries simultaneously. It is, however, not compulsory to use the Madrid system and it is still possible to apply directly for protection in particular countries where this would be more cost-effective.
- 11 Another potential disadvantage for businesses relates to what is known as "central attack". To be able to access the Madrid system, a business must have applied for trade mark protection in its own country (the "home country"). For the first five years after this application, any registration granted through the use of the Madrid system is dependent upon the home country registration being granted and remaining valid. Should the home country application be refused, or the registration subsequently revoked or declared invalid, all registrations obtained

through the Madrid system are automatically revoked. In the event of this happening, the Madrid Protocol provides a grace period to allow trade mark owners to convert their Madrid system registrations into ordinary trade mark registrations in each country where protection is sought. The benefits of using the Madrid system would, therefore, be automatically lost.

- 12 A further disadvantage for businesses may result should they wish to sell or transfer their Madrid system trade marks to businesses from non-member countries. The Madrid system requires that trade mark owners who have registered their trade marks through the Madrid system may only sell or transfer such registrations to another person who is also domiciled in a country party to the Madrid Protocol. Transfer outside of the Madrid Union would require the trade mark owner to convert their Madrid registrations into national trade mark registrations.

Government

- 13 One advantage to government from the Madrid Protocol entering into force is that under the Madrid system WIPO has responsibility for ensuring that applications for registration of a trade mark made through the Madrid system are correctly completed. The Intellectual Property Office of New Zealand ("IPONZ"), therefore, would only need to examine international applications for the substantive registrability requirements under the Trade Marks Act. This is likely to result in increased productivity for IPONZ as they would no longer have to examine for formality requirements under the Trade Marks Act.
- 14 A disadvantage to government of acceding to the Madrid Protocol is that there is a presumption of registrability concerned with every Madrid application. Unless an application for registration of a trade mark is formally refused by the domestic registering body within 12 months (extendable to 18 months), an application under the Protocol is deemed registered. It would, therefore, be crucial for IPONZ to ensure that no significant backlogs in unexamined applications develop after accession. However, IPONZ does not currently have any backlog on trade mark applications and this only likely become a problem if, for some reason, IPONZ suffered a significant loss of resources.
- 15 Additionally, as a consequence of New Zealand being party to the Patent Cooperation Treaty, which establishes a comparable process for patent applications, IPONZ already has experience as a Receiving Office, including handling and processing procedures for international applications. This experience can be applied in the development of its role as a Receiving Office under the Madrid Protocol.

Obligations

- 16 New Zealand's obligations under the Madrid Protocol would be principally managed by IPONZ through its administration of the Madrid system procedures.

- 17 As the national Receiving Office, IPONZ would be required to receive applications (and applicable fees in New Zealand dollars) from New Zealand businesses on behalf of WIPO. IPONZ would then be required to forward the applications and relevant fees (after conversion to Swiss francs) to WIPO.
- 18 As the National Trade Marks Office, IPONZ would be obliged to examine Madrid system applications designating New Zealand for compliance with our own Trade Marks Act. A trade mark under the Madrid system would be deemed to be registered in New Zealand, unless IPONZ notified WIPO that it had refused registration within 12 months (extendable to 18 months).
- 19 Where an original trade mark application is made through IPONZ and within the first five years of international registration it ceases to have effect, IPONZ would be required to notify WIPO of this as well as the facts and decision affecting the cessation of the trade mark registration.

Economic, Social, Cultural and Environmental Effects

- 20 If New Zealand acceded to the Madrid Protocol, businesses would have the option of filing for trade mark protection overseas using the Madrid system. Compliance costs for businesses using this system could, therefore, be reduced. The cost saving would be proportional to the number of overseas countries (three or more) where protection was sought.
- 21 Anecdotal evidence from Australia following its accession to the Madrid Protocol suggests that New Zealand trade mark agents could face a short-term (around one to two years) reduction in revenue as overseas businesses switch to using the Madrid system to protect their trade marks in New Zealand, rather than applying directly through local agents. The impact of any reduced revenue is likely to be greatest on small firms who rely on overseas trade mark work for a substantial portion of their income. This impact is expected to be mitigated over the medium to long term as some of the lost revenue can be expected to be recouped by additional work from both New Zealand and overseas businesses related to utilisation of the Madrid system.
- 22 Since the Madrid Protocol does not attempt to harmonise substantive trade mark law, accession would not limit the government's ability to achieve specific policy objectives in the area of trade marks, such as responding to Treaty of Waitangi claims. Furthermore, accession would not have any adverse effects on Māori interests or be inconsistent with our human rights obligations. There are, therefore, no perceived social, cultural or environmental effects arising from accession.

Costs

Government

- 23 There would be one-off costs for IPONZ to develop and implement procedures for administering the Madrid system and to update its electronic database to accommodate the Madrid system. IPONZ staff would need to be trained on the

changes to the Trade Marks Act and in the implementation of procedures for administering the Madrid system. Costs would also be incurred by IPONZ to develop client information about the use of the Madrid system and to educate trade mark agents and New Zealand businesses on the use of the Madrid system.

- 24 While there would be on-going costs for IPONZ acting as a Receiving Office for WIPO, these costs would be recovered through a handling fee charged to users of the Madrid system.
- 25 As a party to the Madrid Protocol, New Zealand would be signalling its intention to participate in the Madrid Union including attendance at meetings of the Madrid Assembly (although attendance at such meetings is not compulsory).
- 26 The Madrid Assembly meets annually in Switzerland at the same time as the WIPO General Assemblies, which WIPO funds New Zealand to attend. Attendance at any additional meetings to deal with issues of significance affecting the operation of the Madrid Protocol would be recovered from revenue derived from Madrid system applications.

New Zealand and overseas businesses

- 27 There may be one-off costs associated with New Zealand businesses developing their in-house procedures to manage international applications and registrations. This should, however, be viewed in light of the potential cost reductions associated with using the Madrid system.
- 28 There are unlikely to be any additional costs for overseas businesses in New Zealand acceding to the Madrid Protocol, especially for those domiciled in Member countries, whose compliance costs would be reduced.

Trade mark agents

- 29 Trade mark agents would be expected to face one off costs, such as staff training, setting up new processes and procedures and software modifications, in relation to using the Madrid system.

Consumers/society

- 30 No costs to the consumer or economy are anticipated.

Future Protocols

- 31 The Protocol provides that amendments may be adopted by a majority of the contracting parties voting as members of the WIPO Assembly. Adopted amendments would enter into force one month after written notifications of acceptance have been received from three-quarters of the contracting parties who were members of the Assembly at the time of the adoption of the text of the proposed amendments. Accepted amendments are binding on all parties to the Protocol.

Implementation

- 32 The Madrid Protocol would be implemented under the Trade Marks Act and its associated regulations. Prior to acceding to the Madrid Protocol this legislation would require amendment to implement the Protocol. The proposed Trade Marks (International Treaties) Amendment Bill has been categorised as priority level 5 (drafting instructions to be given to Parliamentary Counsel Office by the end of 2006) on the Government's 2006 legislative programme.
- 33 IPONZ would also need to develop and implement new processes for trade mark applications filed through Madrid (both from New Zealand applicants and international applications received through WIPO), including modifications to its database.

Consultation

- 34 A discussion paper entitled *International Trade Mark Treaties* was published on 8 March 2006. Submissions were sought from businesses, trade mark agents, patent attorneys, law practitioners and interested parties on whether New Zealand should accede to the Madrid Protocol. Seven submissions commented specifically on the Madrid Protocol and all, to varying degrees, supported New Zealand becoming party. Submitters generally acknowledged that overseas businesses, rather than local businesses, would be more likely to use the Madrid system and, therefore, benefit most from New Zealand's accession. Submitters commented that they considered New Zealand's accession was, however, inevitable; would assist to align New Zealand's trade mark regime with Australia and other leading trading partners; and would also add credibility to New Zealand's trade mark regime.
- 35 The following departments and ministries have been consulted on this paper: the Ministry of Consumer Affairs, the Ministry for Culture and Heritage, the New Zealand Customs Service, the Ministry of Foreign Affairs and Trade, the Ministry of Justice, Te Puni Kokiri, and the Treasury. In addition, the Department of the Prime Minister and Cabinet has been informed.

Withdrawal or Denunciation

- 36 Any party to the Madrid Protocol may, at the expiry of five years from the date of accession to the Protocol, denounce the Protocol by written notification to the Director General of WIPO. Denunciation takes effect one year after the day on which notice is received.
- 37 Owners of international registrations in a denouncing state may file an application within two years from the date of the denunciation for registration of their mark with the Office of the denouncing state. This is also available if the owner is no longer entitled to file international applications in other countries because of the denunciation. In these cases, the mark is to be treated as though it had been filed on the date of its international registration.

Lead agency: the Ministry of Economic Development

NATIONAL INTEREST ANALYSIS

Accession to the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks

Date of Proposed Binding Treaty Action

- 1 The *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* (“the Nice Agreement”) was adopted on 15 June 1957. It entered into force for states parties on 8 April 1961.
- 2 It is proposed that New Zealand accede to the Nice Agreement by December 2008.

Reasons for New Zealand to Become Party to the Treaty

- 3 The Nice Agreement provides that its members adopt a common classification of goods and services for the registration of trade marks referred to as the “Nice Classification”. A country does not need, however, to be party to the Nice Agreement to be able to use the Nice Classification for the registration of trade marks. In addition to the 79 countries party to the Nice Agreement, many others use the Nice Classification. According to World Intellectual Property Organisation (“WIPO”) well over 100 countries currently use the Nice Classification.
- 4 Accession to the Nice Agreement would allow New Zealand to participate in and influence the future development of the Nice Classification so that it best meets the needs of the Intellectual Property Office of New Zealand (“IPONZ”) and New Zealand trade mark owners and to enable New Zealand businesses to have a voice in such matters that may be of particular importance from their perspective. The classification of goods and services for which a trade mark is registered is an essential part of the trade marks register and the integrity of the trade marks register depends on the effective classification of goods and services.
- 5 Accession to the Nice Agreement would also formalise the requirement that the Commissioner of Trade Marks (the “Commissioner”) use the Nice Classification as prescribed under the Trade Marks Regulations 2003. Its use was originally stipulated under the Trade Marks Act 1953 and this requirement for use by the Commissioner was carried over into the Trade Marks Act 2002.

Advantages and Disadvantages for New Zealand of the Treaty Entering into Force

- 6 As noted above, acceding to the Nice Agreement would allow New Zealand businesses to have a voice in the review and development Nice Classification. This may be of particular importance to New Zealand businesses, as there may be issues arising from New Zealand vernacular not used elsewhere, or unique New Zealand products or services, not currently covered by the Nice Classification, which would be addressed through New Zealand's direct participation in the development of the Nice Classification as a state party to the Nice Agreement.
- 7 Furthermore, accession would also allow New Zealand to collaborate with countries in review and development of the Nice Classification to address issues of inconsistency in the translation and interpretation of the Nice Classification and, therefore, its use.
- 8 In order to accede to the Nice Agreement, approximately 1,600 old trade marks that were registered before use of the Nice Classification became a requirement under the Trade Marks Act 1953 would need to be converted to the Nice Classification. The benefit of converting these old trade mark registrations is that it would simplify searching of the trade marks register and reduce costs to IPONZ from having to maintain two separate classification systems for registered trade marks. The disadvantage is that some owners of these old trade mark registrations could face additional renewal costs if the conversion process results in their registration being divided into two or more classes under the Nice Classification.
- 9 Updated versions of the Nice Classification are published every five years. Acceding to the Nice Agreement would require New Zealand to adopt and use each new updated version as it is published. This would result in New Zealand losing its current flexibility to choose not to use any updated versions of the Nice Classification. In practice, however, New Zealand has adopted each new version published to date.

Obligations

- 10 New Zealand would be required to use the Nice Classification either as the principal system or as a subsidiary system. New Zealand would continue to use the Nice Classification as its principal system.
- 11 New Zealand would also be required to include, in official documents and publications concerning the registration of trade marks, the number of classes of the Nice Classification to which goods or services of trade marks are registered.
- 12 The Nice Agreement provides for an Assembly of the Special Union made up of countries that have ratified or acceded to the Agreement. New Zealand, as a party to the Nice Agreement, would be signalling its intention to contribute to the maintenance and development of the Nice Classification, including reporting and information sharing requirements and participation in meetings of the Assembly of the Special Union and Committee of Experts.

- 13 The Committee of Experts has the principal function of deciding on changes to the Nice Classification. Changes decided upon by the Committee of Experts are notified to the competent offices of the countries party to Nice Agreement by WIPO's International Bureau. In New Zealand this office would be IPONZ. Amendments to the Nice Classification enter into force six months after the date of dispatch of the notification. Any other change enters into force on a date to be specified by the Committee of Experts at the time the change is adopted. New Zealand would, therefore, be required to adopt each amended version of the Nice Classification. As noted above, the Nice Classification is usually reviewed and amended on a five-yearly cycle.

Economic, Social, Cultural and Environmental Effects

- 14 There are unlikely to be any economic effects from accession to the Nice Agreement, as New Zealand has used the Nice Classification system for trade marks registrations for many years.
- 15 As the Nice Agreement only provides that its members adopt a common classification of goods and services for the registration of trade marks (i.e. the Nice Classification), and because the Nice Classification has been used for 53 years, there are unlikely to be any social, cultural or environmental effects arising from accession, and in particular the continued use of the Nice Classification.
- 16 Since the Nice Agreement does not attempt to harmonise substantive trade mark law, accession would not limit the government's ability to achieve specific policy objectives in the area of trade marks, such as responding to any Treaty of Waitangi claims. Furthermore, accession would not have any adverse effects on Māori interests or be inconsistent with our human rights obligations.

Costs

Government

- 17 No costs to government would result from New Zealand acceding to the Nice Agreement. Member States of WIPO have a Unitary Contribution System under which each Member State pays one fee irrespective of the number of WIPO treaties to which it is party.
- 18 Over the longer term there would be some minor resource implications for the government, and in particular the Ministry of Economic Development ("MED"), from accession. The Assembly of the Special Union meets every two years in conjunction with WIPO's annual General Assembly meeting, which takes place in Geneva, Switzerland each September. As WIPO pays for a New Zealand delegate to attend the annual General Assembly meeting, no additional costs are likely to arise from attending Assembly meetings relating to the Nice Agreement.
- 19 If New Zealand was to participate in meetings of the Committee of Experts associated with the five-yearly cycle for reviewing and amending the Nice Classification, the necessary costs would be met from within MED's existing baselines.

- 20 There will also be a minor cost to IPONZ associated with initiating the conversion of some 1,600 old trade mark registrations currently not classified under the Nice Classification. This cost would be met from within existing MED baselines.
- 21 No other costs or savings would flow from continued compliance with the Nice Classification or accession to the Nice Agreement.

Businesses

- 22 For the large majority of New Zealand businesses who have registered trade marks or who use registered trade marks, there will be no costs or savings arising from acceding to the Nice Agreement.
- 23 For the owners of the 1,600 registered trade marks not classified under the Nice Classification, the act of converting these registrations will result in minor (as yet unquantified) costs associated with identifying the most suitable classes of the Nice Classification into which the registration should be converted. In a small number of cases, conversion may result in a single registration being converted into several classes under the Nice Classification. In these cases, the owner would need to pay additional fees to renew the registration related to the number of additional classes under the Nice Classification. The current fee for renewing a trade mark registration is \$250 (excl GST) per class.

Consumers/Economy

- 24 No costs to the economy or consumers would result from accession to the Nice Agreement.

Future Protocols

- 25 The Nice Agreement may be revised by a conference of the Special Union of Parties.
- 26 In addition, provision is made under Article 8 of the Nice Agreement for Article 5 (Assembly of the Special Union), Article 6 (International Bureau), Article 7 (Finances) and Article 8 (Amendment to Articles 5 to 8) to be amended by the Assembly following receipt of an amendment proposal by an Assembly member. Under Article 8, four-fifths of the Assembly members must to agree to any amendment proposal. Should Cabinet approve accession to the Nice Agreement, New Zealand would be represented in the Assembly.

Implementation

- 27 As noted above, approximately 1,600 old trade mark registrations predating the Trade Marks Act 1953 need to be converted to the Nice Classification. This will require amendments to the Trade Marks Regulations to give the Commissioner the power to initiate the conversion process.
- 28 Currently, the Trade Marks Regulations require that the Commissioner use the eighth (and most recent) edition of the Nice Classification published by the International Bureau of WIPO. The Trade Marks Regulations would require

amendment every five years (coinciding with the scheduled cycle of review and amendment of the Nice Classification) to ensure that the Commissioner used the most recent edition of the Nice Classification.

Consultation

- 29 A discussion paper entitled *International Trade Mark Treaties* was published on 8 March 2006. Submissions were sought from businesses, trade mark agents, patent attorneys, law practitioners and interested parties on whether New Zealand should accede to the Nice Agreement.
- 30 Six submissions commented on accession to the Nice Agreement. While submissions broadly supported accession, several supported accession on the incorrect presumption that New Zealand's accession to the Madrid Protocol Relating to the Madrid Agreement ("the Madrid Protocol") required accession to the Nice Agreement. Submitters also noted that it was important for New Zealand to be able to participate in the review and development of the Nice Classification to enable New Zealand businesses to have a voice in such matters that may be of particular importance from their perspective.
- 31 The following departments and ministries have been consulted on this paper: the Ministry of Consumer Affairs, the Ministry for Culture and Heritage, the New Zealand Customs Service, the Ministry of Foreign Affairs and Trade, the Ministry of Justice, Te Puni Kōkiri, and the Treasury. In addition, the Department of the Prime Minister and Cabinet has been informed.

Withdrawal or Denunciation

- 32 Parties to the Nice Agreement may denounce the Nice Agreement by notification addressed to the Director General of WIPO. This takes effect one year after the day notification is received. This one year period for denunciation is the standard period provided in WIPO administered treaties.
- 33 The right of denunciation cannot, however, be exercised before the expiration of five years from the date upon which the Agreement entered into force with respect to that party.

Lead Agency: Ministry of Economic Development

Regulatory Impact Statement Madrid Protocol

Statement of the nature and magnitude of the problem and the need for government action

A trade mark is a unique identifier (word, brand, logo, colour, slogan, three-dimensional shape and sometimes even a sound or smell) that enables a business easily to distinguish its goods and services from those supplied by other traders. It is used as a marketing tool so that consumers can recognise the product of a particular trader, thereby providing low-cost information to consumers and creating incentives for business to invest in quality products and services. Trade mark law in New Zealand is governed by the Trade Mark Act 2002 (“the Trade Mark Act”) and the Trade Mark Regulations 2003 (“the Trade Mark Regulations”).

Seeking trade mark protection overseas can be a time-consuming and expensive exercise for businesses. This can create a barrier to businesses, particularly small businesses, looking to expand into overseas markets.

Currently, if a New Zealand business wants to protect its trade marks overseas, it must apply separately in each country and comply with each country’s information, language, currency and procedural requirements. The subsequent management of any trade marks registered overseas, such as renewing a registration or recording a change of address or ownership, similarly involves a process of applying separately in each country, complying with each country’s requirements and paying multiple fees. Often businesses must also employ trade mark agents to act on their behalf to register a trade mark and to subsequently maintain that trade mark registration. The number of New Zealand businesses who seek trade mark protection overseas per annum is not known.

If an overseas business wants to protect its trade marks in New Zealand, it must apply directly to Intellectual Property Office of New Zealand (“IPONZ”) and provide all information in English, pay prescribed fees in New Zealand dollars and comply with our unique procedural requirements. During the financial year ending 30 June 2005 IPONZ received 27,937 applications to register trade marks, registered 21,089 trade marks and received renewal notices for 10,014 trade mark registrations. Approximately half of the applications to register trade marks originated from overseas businesses either trading in New Zealand, or looking to sell their goods and/or services in New Zealand.

The World Intellectual Property Organization (“WIPO”) administers the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“the Madrid Protocol”) that provides access to the “Madrid system” for the international registration of trade marks. There are 68 countries party to the Madrid Protocol, including New Zealand’s leading trade partners. The Madrid system enables a trade mark owner to have a trade mark protected in one or more countries by filing one application (an “international application”) directly with his or her local trade mark office in English, French or Spanish, paying one fee and designating one or more overseas countries where the Madrid system is available and where protection is sought.

The Madrid system also provides for a business to manage its trade marks by filing a single application in one language and paying one fee to, for example, renew a trade mark registration or to record a change in address or ownership. Only those businesses resident in a country party to the Madrid Protocol are able to take advantage of the Madrid system to protect their trade marks in countries that are party to the Madrid Protocol.

Statement of the public policy objective(s)

The public policy objectives are:

- To reduce compliance costs associated with seeking and maintaining trade mark protection both in New Zealand and overseas;
- To encourage and facilitate businesses to expand into overseas markets; and
- To more closely align New Zealand's trade marks regime with our leading trade partners and, in particular, Australia.

Statement of feasible options (regulatory and/or non-regulatory) that may constitute viable means for achieving the desired objective(s)

Status Quo

New Zealand businesses seeking trade mark protection overseas must apply for protection individually in each country where that protection is desired and comply with each country's unique registration requirements. Overseas businesses seeking trade mark protection in New Zealand must apply directly to IPONZ and comply with all New Zealand's requirements. The status quo is not preferred because it does not meet the public policy objectives.

Preferred Option –amend the Trade Marks Act 2002 to implement the Madrid system in New Zealand as provided for under the Madrid Protocol Relating to the Madrid Agreement

To implement the Madrid system in New Zealand, the Trade Marks Act would be amended to provide for:

- New Zealand businesses to file an international application under the Madrid system to register their trade marks in countries party to the Madrid Protocol with the International Bureau of WIPO (the "IB") through IPONZ ;
- The receipt of international registrations granted by the IB under the Madrid system designating New Zealand;
- The examination of international registration for compliance with Part 2 of the Trade Marks Act (i.e. the grounds upon which the Commissioner of Trade Marks may refuse registration of a trade mark in New Zealand);

- Following examination and the completion of any opposition in New Zealand to any international registration designating New Zealand, for the international registration to have effect as if it were an ordinary national registration in New Zealand;
- The maintenance of international registrations in New Zealand, such as renewal of international registrations every ten years, recording changes in the address of the international registrant and changes in ownership of the international registration; and
- Other miscellaneous administrative provisions, such as fees and communications with the IB concerning international applications and international registrations.

Statement of the net benefit of the proposal, including the total regulatory costs (administrative, compliance and economic costs) and benefits (including non-quantifiable benefits) of the proposal, and other feasible options

Government

Amending the Trade Marks Act and Regulations would allow New Zealand to accede to the Madrid Protocol and make the Madrid system available to both New Zealand and overseas business. It would also assist to: align New Zealand's trade marks regime with our major trading partners, such as Australia; add credibility to New Zealand's trade mark regime; and send a clear signal to the international community of New Zealand's commitment to provide an efficient and effective trade mark registration regime.

Since Australia is party to the Madrid Protocol, accession would contribute to the development of a more seamless trans-Tasman business environment, or "single economic market". It would also contribute towards fulfilling the mandate in the 2000 Closer Economic Relations Memorandum of Understanding on the Co-ordination of Business Law that the two countries explore "the potential for more closely co-ordinating the granting and recognition of registered intellectual property rights."

The Madrid Protocol does not seek to harmonise substantive trade mark law. Becoming party to the Protocol would not, therefore, impact on the Government's ability to achieve specific policy objectives in the trade marks area, such as responding to Treaty of Waitangi claims.

IPONZ is fully third-party funded and there would be no financial implications for the government arising from the proposed amendments to the Trade Marks Act. There would be some one-off administrative costs for IPONZ to develop and implement procedures for administering the Madrid system and to update the trade marks register to accommodate the Madrid system. For example, IPONZ staff would need to be trained on the changes to the Trade Marks Act and in the implementation of procedures for administering the Madrid system. Costs would also be incurred by IPONZ in developing client information about the use of the Madrid system and educating trade mark agents and New Zealand businesses on the use of the Madrid system. These costs have not yet been quantified.

There would be on-going costs for IPONZ related to its on-going administration of the Madrid system in New Zealand, such as acting as a Receiving Office for the IB for international applications. These costs would be recovered through fees payable by the users of the Madrid system, such as IPONZ handling fees and Madrid system fees payable by users in relation to applications and registrations applying to New Zealand.

Businesses

The main advantages for businesses in using the Madrid system arise from the simplicity of the international registration system and the financial savings made when maintaining the protection of their trade marks abroad. The Madrid system also reduces, and in some case may eliminate, the need for a trade mark owner to employ the services of a trade mark agent in each country where protection is sought.

The aim of the Madrid system is to reduce business compliance costs associated with the simultaneous protection of a trade mark in multiple countries. The costs are discussed in more detail below in the Business Compliance Cost Statement.

New Zealand resident businesses would have the option of using the Madrid system to simplify the process of obtaining trade mark protection overseas in countries party to the Madrid Protocol and thereby potentially to reduce business compliance costs associated with protecting trade marks overseas. The extent of any reduction in the business compliance costs achievable under the Madrid system cannot be quantified. Any cost deduction would be variable and depend on a variety of factors including the number of countries where protection was being sought and, particularly, whether registration of the trade mark would require the assistance of a trade mark agent.

Overseas businesses resident in a country party to the Madrid Protocol would have the option of using the Madrid system to protect their trade marks and to maintain their protection in New Zealand and, therefore, benefit from a reduction in business compliance costs associated with protecting a trade mark in New Zealand. Those that choose to use the Madrid system may be able to avoid some or all of the costs associated with obtaining and maintaining trade mark protection in New Zealand.

Trade mark agents

Anecdotal evidence from Australia following its accession to the Madrid Protocol suggests that New Zealand trade mark agents would face a short-term (around one to two years) reduction in revenue from overseas clients as those clients switch to using the Madrid system in New Zealand. The impact of any reduced revenue cannot be quantified, but is likely to be felt the most by smaller firms who may rely heavily on overseas trade mark work for a substantial portion of their income. Overseas experience suggests that this impact is likely to be mitigated over the longer term as some of the lost revenue can be expected to be recouped by additional work from both New Zealand and overseas businesses related to the greater utilisation of the Madrid system. Trade mark agents would also incur some business compliance costs, which are discussed further in the Business Compliance Cost Statement below.

In addition, WIPO makes available detailed information on the Madrid system covering all aspect of how it works and this information is readily available both in paper and electronic form (via its website dedicated to the Madrid system).

Society

No costs to consumers would result from accession to the Madrid Protocol. Making the Madrid system available to overseas businesses to protect their trade marks in New Zealand may encourage them to consider New Zealand as a possible market for their goods and services, where they might not have ordinarily done so. This in turn may lead to a gradual increase in the range of goods and services marketed in New Zealand.

Statement of consultation undertaken

Stakeholder consultation

The Ministry of Economic Development released a discussion paper entitled *International Trade Mark Treaties* in March 2006, which considered, amongst other things, New Zealand's accession to the Madrid Protocol. Seven of the eight submissions received on the Madrid Protocol supported accession. Submitters generally acknowledged that overseas businesses, rather than local businesses, would be more likely to use the Madrid system and benefit from New Zealand's accession. They did, however, broadly support accession.

Submissions from New Zealand patent attorneys considered that New Zealand businesses and, in particular, their clients would not use the Madrid system to protect trade marks overseas, particularly because of their small size. They were concerned that few benefits would accrue for New Zealand businesses from accession. Officials note that the Madrid system is principally designed to assist exporting businesses and, in particular, the businesses exporting to several countries at a time. The greater the number of overseas markets being exported to, the greater the potential financial savings that can be achieved through using the Madrid system. While local businesses may not choose to use the Madrid system, officials believe that this does not justify preventing overseas businesses from taking advantage of the Madrid system to protect their trade marks in New Zealand.

Patent attorneys were also concerned that accession would result in a substantial reduction in revenue from overseas clients. For example, A J Park considered that accession to the Madrid Protocol would cost trade mark firms around \$5 million dollars annually, with flow-on effects such as loss of jobs. Officials note that this loss of revenue equates to the financial savings that would accrue to overseas businesses annually from New Zealand's accession. A J Park conceded that protecting the income of New Zealand trade mark firms should not be a priority in determining whether New Zealand joined the Madrid Protocol. As noted above, overseas experience suggests that this loss in income would be mitigated over time.

Other concerns raised by patent attorneys were: that accession to the Madrid Protocol would result in more trade marks being registered in New Zealand, and thereby reduce the "pool" of available trade marks available to New Zealand businesses to use; increase the number of trade marks registered in New Zealand that are not actually used; make it more difficult for trade mark firms to "clear" trade marks for use by New Zealand businesses; and increase the number of trade mark conflicts between

businesses. Officials note that such issues are common to all businesses operating in larger markets than New Zealand and they are an unavoidable consequence of economic growth and increased global trade. Officials also note that trade mark firms are most likely to benefit from increased numbers of trade marks registered in New Zealand and any increase in trade mark conflicts between businesses.

Government department/agency consultation

The following departments and ministries have been consulted on the proposal: the Ministry of Consumer Affairs, the Ministry for Culture and Heritage, the New Zealand Customs Service, the Ministry of Foreign Affairs and Trade, the Ministry of Justice, Te Puni Kōkiri, and Treasury. No concerns were raised.

Business Compliance Cost Statement

It would be for a business to choose on a case-by-case basis whether to file direct national applications for the registration of its trade marks overseas, or to take advantage of the filing mode provided by the Madrid system.

A business seeking trade mark protection overseas would face the following sources of compliance costs in each country:

- Understanding the differences between countries' trade mark regimes;
- Completing unique application and request forms for each country;
- Providing the information required in the form acceptable to each country;
- Employing the services of a trade mark agent in each country;
- Translating (if the country is not an English speaking country) all documents and communications; and
- Paying fees in the currency of the country.

If a business chooses to use the Madrid system, it would be able to reduce and in some cases eliminate the sources of compliance costs outlined above. New Zealand businesses using the Madrid system for the first time would, however, incur the business compliance cost of learning how the Madrid system operates and its requirements.

Becoming party to the Madrid Protocol would require all New Zealand trade mark agents to incur the costs associated with learning and understanding the requirements of the Madrid system, so as to be able to advise their clients on when it would be appropriate to take advantage of the Madrid system to protect trade marks overseas.

Parties likely to be affected will be trade mark owners, trade mark agents (such as law firms and patent attorney firms) who act on behalf of trade owners, and other interested parties. It is not possible to identify the numbers of such parties, but they range from individuals and small firms to large multinational businesses and firms.

Steps that will be taken to minimise compliance costs include:

- IPONZ running seminars and workshops on using the Madrid system for trade mark agents and businesses;
- IPONZ publishing information on the Madrid Protocol including the proposed procedures and benefits;
- publishing a set of sample forms.

Regulatory Impact Statement Nice Agreement

Statement of the nature and magnitude of the problem and the need for government action

The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (“the Nice Agreement”) provides a classification system for goods and services for the purposes of registering trade marks (“the Nice Classification”). Countries that are party to the Nice Agreement must apply the Nice Classification to registered trade marks. Other countries are free to adopt and use the Nice Classification. Whilst New Zealand is not party to the Nice Agreement, the use of the Nice Classification has been mandated for many years under the Trade Marks Act 1953 (now repealed) and more recently under the Trade Marks Act 2002 (“the Trade Marks Act”).

Some 1,600 Third Schedule trade marks registrations are not classified under the Nice Classification. They were registered before 1953 and some date back to the beginning of the 20th century. These registrations prevent New Zealand from becoming party to the Nice Agreement. They also result in added administrative costs for the Intellectual Property Office of New Zealand (“IPONZ”), as it must maintain two, rather than one, searchable trade mark registers. The existence of two trade mark registers imposes time and search costs upon IPONZ (during the examination of applications to register trade marks) and the public, from having to understand and access two different classifications systems and from having to search two separate registers to find if a particular trade mark has been registered in New Zealand.

Furthermore, New Zealand has been unable to participate in the five-yearly cycle of reviews of the Nice Classification conducted by countries that are party to the Nice Agreement. Therefore, it has been unable to influence whether the development of the Nice Classification best meets the needs of New Zealand businesses and IPONZ.

Statement of the public policy objective(s)

The public policy objective is to provide for efficient and effective searching of the trade marks register.

Statement of feasible options (regulatory and/or non-regulatory) that may constitute viable means for achieving the desired objective(s)

Non-regulatory options

Option 1 - Status Quo

There are two trade mark registers, one containing around 1,600 Third Schedule registrations registered before 1953 and one containing over 200,000 trade mark registrations classified under the Nice Classification.

Under the Trade Mark Regulations 2003, the owners of the Third Schedule registered trade marks may voluntarily request (free of charge) that their registrations be converted into the Nice Classification. Few Third Schedule registrants have made such requests.

This option is not preferred because it will not lead to the timely conversion of Third Schedule registrations into the Nice classification.

Option 2 – Commissioner of Trade Marks invites registrant to convert

The Commissioner of Trade Marks (the “Commissioner”) would write to each Third Schedule registrant and invite them to apply voluntarily to convert their registration into the Nice Classification. This option is also not preferred. While it is anticipated that some registrants would take up the Commissioner’s invitation, it is likely that some would not. Reasons for not taking up the invitation could include the cost of expert advice to determine the most appropriate Nice class(es) for the registration and/or that conversion may result in the registration being divided into several Nice classes, which would increase the renewal fees payable by the registrant.

Regulatory options

Option 3 (preferred) –amend the Trade Marks Regulations 2003

Amend the Trade Mark Regulations to provide a procedure for the Commissioner to initiate the re-classification of Third Schedule registrations to the Nice Classification. The Commissioner would write to the registrant proposing a suitable Nice Classification and providing for the registrant to either accept the Nice class(es) as proposed or provide an alternative classification to the satisfaction of the Commissioner within a specified period. The normal appeal procedures specified in the Regulations would apply in situations where the registrant disagrees with the Commissioner’s decisions regarding conversion. Where a conversion results in a registration being converted into two or more classes of the Nice Classification system, additional renewal fees related to the number of classes would be payable upon the expiry of the registration.

Statement of the net benefit of the proposal, including the total regulatory costs (administrative, compliance and economic costs) and benefits (including non-quantifiable benefits) of the proposal, and other feasible options

Government

The Commissioner would have a mechanism with which to convert all Third Schedule registrations into the Nice Classification in a timely manner. Having a single register of trade marks would reduce IPONZ administration costs and simplify searches of the trade marks register.

IPONZ is fully third-party funded and there would be no financial implications for the government arising from amendments to the Trade Marks Act. There will be a minor cost to IPONZ associated with initiating the conversion of those trade mark registrations currently not classified in the Nice Classification. This cost would be met from within existing MED baselines.

Following conversion of Third Schedule registrations, New Zealand would be able to become party to the Nice Agreement and, therefore, be able to contribute to the future development of the Nice Classification. As the Nice Agreement does not seek to harmonise substantive trade mark law, joining would not impact on the Government's ability to achieve specific policy objectives in the trade marks area, such as responding to Treaty of Waitangi claims.

Businesses

For the large majority of business who have registered trade marks or who use registered trade marks, there will be no costs arising from the conversion of the Third Schedule registrations into the Nice Classification. For the large majority of business, searching the trade mark register would become more efficient and effective as a result of needing to only search one register of trade marks under one classification system.

Following conversion and accession to the Nice Agreement, New Zealand businesses who own trade marks may benefit from New Zealand's participation in the development of the Nice Classification, especially where classification issues arise from New Zealand vernacular not used elsewhere, or where businesses provide unique products or services not encompassed by the Nice Classification.

There will be some minor unquantified costs for the owners of the 1,600 registered trade marks not classified under the Nice Classification, associated with identifying the most suitable classes of Nice Classifications into which their registration should be converted. Where conversion results in a registration being converted into several classes of the Nice Classification, the owner would need to pay additional fees to renew the registration. The fee for renewing a trade mark registration is \$250 dollars (exclusive of GST) per class (a trade mark may be registered for one or more classes of goods and/or services).

Statement of consultation undertaken

Stakeholder consultation

The Ministry of Economic Development released a discussion paper entitled *International Trade Mark Treaties* in March 2006, which considered, amongst other things, New Zealand's accession to the Nice Agreement and key amendments that would be required to the Trade Marks Act and Regulations to facilitate accession. Six submissions were received on the Nice Agreement. Submissions were generally in favour of conversion of the Third Schedule registrations into the Nice Classification and of New Zealand acceding to the Nice Classification.

Several submission raised concerns at the possible costs to the 1,600 Third Schedule registrants arising from conversion. Some submissions suggested that additional renewal fees should be waived either at the first subsequent expiry of the registration or in perpetuity. Officials agree that some registrants would face additional renewal costs, but disagree that such registrants should be compensated. Where registrants of Third Schedule registrations have previously voluntarily converted their registrations into the Nice Classification, no compensation for additional renewal fees has been available.

Further, the registrants of Third Schedule registrations will have had the benefit of lower renewal fees than other owners for more than 50 years and should for the future be in the same position as other registrants with regards to renewal fees (i.e. other registrants should not be required to subsidise Third Schedule registrants).

Government department/agency consultation

The following departments and ministries have been consulted on the proposal: the Ministry of Consumer Affairs, the Ministry for Culture and Heritage, the New Zealand Customs Service, the Ministry of Foreign Affairs and Trade, the Ministry of Justice, Te Puni Kōkiri, and Treasury. No concerns were raised.

Business Compliance Cost Statement

Overall there will be a reduction in compliance costs associated with searching a single trade marks register under one classification system. For the owners of the 1,600 trade marks not classified under the Nice Classification, there would be, in some cases, compliance costs associated with the process of conversion and, in particular, seeking expert advice from a trade mark agent to identify the most appropriate Nice class(es), because of the broad nature of specification of goods for which the trade mark is registered. The likely cost of seeking expert advice from a trade mark agent has not been quantified and is expected to vary depending of the complexity of classification issues that arise during the conversion processes.

It is estimated that the owners of around 200 Third Schedule registrations may need to seek expert advice from a trade mark agent related to the conversion of their registrations. The size of the businesses affected is not known and the conversion process is likely to affect both New Zealand and overseas businesses. It is also likely that a small number of businesses will own two or more Third Schedule registrations.

Steps that will be taken to minimise compliance costs include: IPONZ providing information to affected Third Schedule registrants on the conversion process. In order to assist to reduce conversion costs for affected registrants, the Commissioner would initiate the conversion processes by suggesting an appropriate conversion to the registrant.

**Text of the Madrid Protocol Relating to the Madrid Agreement
Concerning the International Registration of Marks**

http://www.wipo.int/treaties/en/registration/madrid_protocol/

**Text of the Nice Agreement Concerning the International
Classification of Goods and Services for the Purposes of the
Registration of Marks**

<http://www.wipo.int/treaties/en/classification/nice/>