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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

The Anticipated US Ascension To Hague Agreement

Law360, New York (December 07, 2012, 3:18 PM ET) -- The United States is on the cusp of enacting legislation that will likely lead to U.S. ascension to the Hague Agreement Concerning the International Registration of Industrial Designs.

The Hague Agreement, whose current contracting parties include the European Union, African Intellectual Property Organization (OAPI) and 58 countries, establishes an international design application procedure that is analogous in many ways to the international application procedures for utility patents under the Patent Cooperation Treaty (PCT) and trademark registrations under the Madrid Protocol.

Summary of the Hague Application Process

Currently, a Hague application is filed through the World Intellectual Property Organization's (WIPO) International Bureau in Geneva, Switzerland — electronically if desired. Along with typical design application information, the Hague application includes a designation of contracting parties in whose territory the applicant seeks protection and a statement of entitlement to use the Hague system (e.g., as a national of a contracting party).

The International Bureau examines the Hague application for formalities only. If the application is allowable, then it is registered within four to six weeks from filing.

International registration is only the first step in the Hague system process. Within six months of registration, the International Bureau publishes the Hague application. Contracting parties to the Hague agreement have six to 12 months from publication to refuse protection for the international registration, depending in part on whether the contracting party's design office examines applications for novelty (or whether oppositions are allowed).

If a contracting party does not timely refuse protection, then the Hague agreement requires the international registration to have the same effect as a design patent or registration issuing from a nationally or regionally filed application in the contracting party's territory. A refusal may be partial or total and can lead to proceedings before the contracting party's design office until the refusal is withdrawn, or the applicant takes no further action.

The Hague system uses the Locarno classification system to categorize designs, and multiple designs can be internationally registered together so long as they are from the same Locarno class. For example, hammer, nail, screwdriver and screw designs could be internationally registered together because the same Locarno class 8 for "Tools and Hardware" encompasses all of those items.

This standard accords with EU registered design practice and is much broader than the

U.S. Patent and Trademark Office's "not patentably distinct" standard. This discrepancy is an example of how a Hague application could lead to national-level proceedings.

As a general rule, the Hague System reduces design prosecution costs in the multijurisdictional territory to which it applies, particularly when protection in a larger number of contracting parties is sought. Official fees for a Hague application include a basic fee of approximately \$400 for the first design and \$20 for each additional design.

There is also a publication fee of \$20 per figure and a designation fee for each designated contracting party that ranges from \$40 to \$90 per contracting party for the first design and \$2 to \$50 contracting party for each design thereafter. For example, the official fees for a Hague application having three designs with six figures each (18 figures total) that designates the EU, OAPI, Turkey, Ukraine and Egypt would be approximately \$1,500.

Issues Addressed by U.S. Ascension

Territorial Limits to the Scope of Protection Available to Hague Applicants

The primary problem with the Hague system has been the inability to obtain protection in "major" jurisdictions. EU ascension to the Hague agreement on Jan. 1, 2008 was a big step (although many EU member states were already contracting parties), but still, the Hague system has only a small footprint in Asia and virtually no footprint in populous areas of the Western Hemisphere.

U.S. ascension would be another big step for the Hague system. But perhaps more important is that U.S. ascension could help catalyze general worldwide adoption of the Hague system. Japan and South Korea are reportedly very close to moving forward, and China is also very interested. Canada is also interested and has preliminarily assessed that no significant legal changes are needed to implement the Hague system.

Brazil and Russia have taken first steps toward considering the Hague system, and an intellectual property working group associated with the 10-country Association of Southeast Asian Nations (ASEAN) set a goal in 2011 of having at least seven ASEAN countries accede to the Hague agreement by 2015.

China, South Korea, Japan and the U.S. are, according to WIPO, the top four design application filing jurisdictions with 63.0 percent, 8.5 percent, 4.7 percent and 4.3%, respectively (80.6 percent total), of the world's 669,000 design applications in 2010. If all of these jurisdictions acceded to the Hague agreement, then a Hague application would be applicable to the designated territory of more than 85 percent of current design application filings.

Currently, Hague applications are applicable to the designated territory of only 6 percent of design application filings, and in 2010, less than 0.5 percent of design applications worldwide were Hague applications.

Questionable Entitlement of U.S. Nationals to Use the Hague System

Without U.S. ascension, the Hague system presents another problem for U.S. entities that, ironically, arises from a gratuitous benefit accorded to nationals of noncontracting parties (e.g., U.S. nationals).

While the geographic expanse of design protection obtainable through the Hague System is limited to the territory of contracting parties, entitlement to file through the Hague system is not as limited. An entity is entitled to file through the Hague system not only if it is a national of a contracting party or a national of a member state or intergovernmental

organization that is a contracting party (namely, the EU or OAPI) but also if it has a domicile in the territory of a contracting party, a real and effective industrial or commercial establishment in the territory of a contracting party or, in most circumstances, a habitual residence in a contracting party.

Thus, U.S. entities have already been filing Hague applications on the basis of, e.g., a "real and effective industrial or commercial establishment" (establishment) within the territory of a contracting party (e.g., the EU). Indeed, the Hague system's leading filer in recent years has been Cincinnati-based Procter & Gamble Company, which, along with its subsidiary, Boston-based The Gillette Company, owned 676 international registrations as of late 2012. Both claim an establishment in Switzerland, a contracting party.

Establishment, however, can be a tricky basis for entitlement because it is much more subjective than, e.g., being a national of a contracting party. The establishment phrase derives from Article 3 of the Paris Convention for the Protection of Industrial Property (1883), which originally used the term "establishment" alone in an analogous context.

According to WIPO, the treaty was amended to narrow the scope of establishment, with "real" being added to exclude "fraudulent or fictitious" establishments and "effective" being added to exclude minor establishments such as a "mere warehouse." In considering the amendments, a proposal to limit the scope of establishment to principal places of business was rejected.

From a physical standpoint, entitlement by establishment thus seems to arise when an applicant has more than a "mere warehouse" but less than a principal place of business in the territory of a contracting party, but exactly where the line is drawn is unclear. Additional uncertainty may arise from whether, e.g., a corporate applicant may claim an establishment of its subsidiary or related company or whether a particular establishment is sufficiently associated with the corporate applicant.

To make matters more complicated, the ultimate determination of whether entitlement is proper, and thus whether protection is valid, is largely left to the law of each contracting party. Consequently, establishment might mean different things in different jurisdictions, especially if international comity is disregarded. U.S. ascension eliminates or reduces this uncertainty for U.S. entities by allowing U.S. nationality-based entitlement.

U.S. Ascension Will Not Solve Everything

Even if the U.S. and the rest of the world adopt the Hague system, it is still far from a perfect design protection solution. Numerous contracting party design application requirements relating to, e.g., shading, orthogonality, claiming portions and colors, protecting multiple designs in a single application and eligibility of protection for nontraditional subject matter (e.g., computer icons) are not standardized and thus will give rise to refusals of protection.

Accordingly, national and regional-level prosecution should still be anticipated, especially in novelty-examining jurisdictions and jurisdictions with relatively stringent figure and other application requirements.

Efforts are in progress to harmonize national and regional-level design application requirements. For example, WIPO's Standing Committee on the Law of Trademarks, Industrial Designs and Geographic Indications (SCT) is formulating draft articles and regulations that would harmonize shading and other design application requirements across all conforming jurisdictions. Adoption would reduce drafting fees and the cost and hassle of responding to technical contracting party refusals.

SCT's draft articles and regulations also seek to set minimum grace and nonpublication

periods and to calibrate technical requirements to the Hague system and other international norms, again to standardize overall prosecution and make the Hague system adoption easier and more attractive.

Meaningful international consensus on these requirements is likely a long way off, however, and there has been little to no discussion regarding topics such as multijurisdictional search and examination for novelty. Thus, a certain amount of national and regional-level prosecution, with concomitant fees and delays, seems inevitable in at least the near future for Hague applications. Hague applications may also not be preferred if design protection is needed immediately or for other strategic reasons.

The Hague System and Prior U.S. Ascension Efforts

Early versions of the Hague agreement, which originated in 1925, were oriented toward design registration regimes that did not examine applications beyond formalities. This orientation made the Hague system an imperfect fit for the U.S. because the U.S. examines design patent applications on substantive legal grounds such as novelty.

The latest version of the Hague agreement, known as the Geneva Act, addressed this deficiency, and the U.S. signed the Geneva Act of the Hague Agreement on July 6, 1999, four days after its formal introduction. But the U.S. Senate, which must approve treaties, didn't "advise and consent" until Dec. 7, 2007 (by operation of its own terms, the Geneva Act didn't become effective internationally until Dec. 23, 2003).

About the same time, the USPTO prepared draft implementing language — which needed to become law before formal ascension to the Hague agreement could occur — and sent it to Congress on July 20, 2007. The draft language included everything needed to implement the Hague system, including extending U.S. design patent terms to 15 years from design patent issuance (a Hague agreement standard), but it was never introduced as a bill.

At the start of the second session of the 111th Congress on Jan. 21, 2010, Hague implementation was identified as one of five noncontroversial USPTO legislative objectives along with, e.g., pay standards for administrative patent and trademark judges and implementing the formality-harmonizing Patent Law Treaty (PLT).

The repackaged draft language was sent to Congress, but Hague and PLT implementation faltered in part due to prioritization of the Leahy-Smith America Invents Act (AIA) that President Barack Obama signed into law on Sept. 16, 2011. The other three USPTO objectives eventually became law.

Congress Has Passed a Bill to Implement the Hague System

In 2012, with the AIA and the other three noncontroversial USPTO legislative objectives out of the way, the USPTO renewed its push for Hague and PLT implementation legislation. Industry groups, such as the Intellectual Property Owners Association (IPO) and the American Intellectual Property Law Association (AIPLA), joined the chorus of support, working behind the scenes and sending supporting letters in September to Congress.

Congress obliged the USPTO and industry groups, with Sen. Patrick Leahy, D-Vt., chairman of the Senate Judiciary Committee (which typically handles patent-related legislation), introducing S. 3486 containing Hague and PLT-implementing text on Aug. 2. On the other side of the aisle, Sen. Chuck Grassley, R-Iowa, ranking member of the Senate Judiciary Committee, co-sponsored S. 3486. It passed the Senate by unanimous consent on Sept. 22.

On Sept. 19, the House of Representatives introduced a bill with substantively identical language, H.R. 6432. H.R. 6432 was subsequently referred to the House Judiciary Committee. Co-sponsors included Rep. Lamar Smith, R-Texas, the House Judiciary Committee chairman, and Rep. John Conyers, D-Mich., the ranking member of the House Judiciary Committee, as well as Rep. Bob Goodlatte, R-Va., and Melvin Watt, D-N.C., the chairman and ranking member of the Subcommittee on Intellectual Property, Competition and Internet (IP subcommittee) of the House Judiciary Committee.

Under commonly understood House legislative practice, H.R. 6432 would have needed to be reported favorably out of the House Judiciary Committee, further referred to the House Rules Committee (to set rules for debate) and finally considered by the entire House in order to be passed. Here, however, on Dec. 5, the House actually passed S. 3486— not H.R. 6432 — by voice vote during suspension of the House rules.

Suspension is a fast-track procedure typically reserved for noncontroversial bills. In a typical week, the House considers approximately 20 bills on suspension, passing at least 18 by voice votes (passage requires a two-third majority). Being recognized to make a motion to suspend the rules and pass a bill (as was made here by Chairman Smith) is not a matter of right for a member of the House and requires the tacit approval or at least the acquiescence of the House Majority Leader, Rep. Eric Cantor, R-Va.

Without a doubt, the clout of the co-sponsors, USPTO and industry group support and a lack of opposition greased the wheels here. After 13 years of waiting, the House needed — going by the official record — only seven minutes to introduce, debate and pass a bill to implement the Hague system.

Next Steps for U.S. Hague Implementation

As both Houses have now passed the same Hague system-implementing bill, convening a House and Senate conference committee to resolve legislative discrepancies is unnecessary. Thus, S. 3486 appears ready for formal confirmation as having passed both houses of Congress.

This process is known as “enrollment” and culminates with transmission of the enrolled bill to the president. Enrollment typically takes at least seven days and depends on legislative and presidential schedules.

Upon receiving the enrolled bill, President Obama has 10 days (excluding Sundays) to sign it into law. The enrolled bill could also move forward without President Obama taking any action if Congress postpones its Dec. 14 adjournment (a distinct possibility in view of the impending “fiscal cliff”), and the 10-day period ends when Congress is still in session.

However, in view of strong USPTO support and a lack of opposition, it is expected that President Obama will sign the bill into law. If so, the law will, at the earliest, become effective one year after enactment (i.e., likely in late December 2013 or early January 2014).

In the interim, the U.S. Department of State is expected to deposit its instrument of ratification to the Hague agreement, which formally triggers the ascension process, and the USPTO will draft corresponding administrative regulations and commence a corresponding rulemaking process.

Perhaps the biggest USPTO challenge moving forward may be logistical. The implementing legislation contemplates that the USPTO will be a “receiving office” of sorts for Hague applications, which would then be forwarded to the International Bureau.

This methodology is analogous to how the USPTO functions as a receiving office for international trademark applications under the PCT and Madrid Protocol, and the USPTO has learned a lot from its experiences with these treaties. The U.S. as a receiving office also might also serve as a prototype for other contracting parties to have their own receiving offices.

The USPTO as a receiving office under the Hague system opens up some interesting possibilities for "one-stop shopping" for international design protection. Although the USPTO has yet to adopt a particular filing methodology, one implementation might be to offer filers of U.S. design patent applications the option to "go Hague" during U.S. filing, which would then require provision of Hague system-specific information such as designated contracting parties and entitlement. A Hague application could then be automatically prepared and electronically forwarded to the International Bureau.

Given that U.S. formalities requirements tend to be stricter than most jurisdictions worldwide (and figures are typically more closely scrutinized for consistency), basing a Hague application on a properly prepared U.S. design patent application might result in fewer "technical" national refusals, especially as formality requirements continue to harmonize.

In that scenario, many strategy decisions would need to be made relating to, e.g., timing, restriction practice, subject matter eligibility and efficacy of protection. As suggested previously, a Hague application should be viewed as just one arrow in the quiver.

Conclusion

The anticipated U.S. ascension to the Hague agreement will make the Hague system more attractive for U.S. applicants and applicants seeking protection in the U.S. and might inspire additional jurisdictions to adopt the Hague system in a "snowball effect." However, the Hague system is still far from a perfect worldwide design protection solution.

Thus, while U.S. ascension to the Hague agreement is definitely a step in the right direction, the Hague system should be considered as just one of many vehicles for obtaining design protection across multiple jurisdictions.

--By Richard Stockton, Banner & Witcoff Ltd.

Richard Stockton is a principal shareholder in Banner & Witcoff's Chicago office.

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