

**THE MADRID PROTOCOL:
A BRIEF PRIMER FOR
U.S. TRADEMARK HOLDERS**

by
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Burns, Doane, Swecker & Mathis L.L.P.

Washington Legal Foundation
CONTEMPORARY LEGAL NOTE Series
Number 45
December 2003

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I. “TERMINAL” DESPAIR OVER INTERNATIONAL TRADEMARK FILING SNAIL-MAIL IN AN E-MAIL AGE

Not so very long ago, if we wanted to communicate the same message to a number of people, we would have to write the message on a separate piece of paper for each person, sign each paper, put each paper in a separate paper envelope, write an address on each envelope, weigh and put a stamp on each envelope, put each envelope in the mail by a certain time of day for pick-up, and hope that all the envelopes arrive undamaged at their destinations some day in the future. For international mail, that day could be very long in the future.

Today, to do the same thing, we only need to type or write the message once, enter all the correspondents’ one-line e-mail addresses into the document, hit a single send button, and *voila*, instant delivery to all recipients world-wide.

Until now, the only way for U.S. companies to file applications for foreign trademark registrations has been by “snail mail.” Apart from the European Community Trade Mark, virtually all applications for foreign trademark

protection had to be sent abroad in paper form and filed directly in each individual national trademark office.

A. 19th Century Trademark Filing for 21st Century Commerce

In today's commercial world, companies can no longer be purely national. Every company that does business on the Internet is a multi-national company, whether they want to be or not. Most companies want to be, and the Internet makes that possible in ways that were not dreamt of a few years ago. What company today is without its domain name, let alone its e-mail address? Doing business on the Internet means, necessarily, doing business internationally. If you are on the Internet, you are international – in fact, you are global, whether you planned it or not.

Doing business internationally makes it essential to protect the company's most important resource – its business reputation, goodwill and connection to its customers – in short, its trademarks. A global business requires global trademark protection.

But even in this world of 21st Century communication, the rules for filing foreign trademark applications are little different than they were on May 30, 1887, the date the U.S. acceded to the Paris Convention and adopted the six-month priority period for trademark applications.

Even worse than the slow mail process, foreign filing of trademark

applications requires all or most of the following steps:

- Obtain foreign attorneys/agents in each country
- Obtain Powers of Attorney/Notarial Certificates, etc., as needed for each country
- Secure multiple priority documents for filing in each office, as required
- Attend to necessary legalization through states/consulate offices/state department
- Assemble all documentation and information for each country and forward to individual agents
- Obtain necessary translations
- Have the foreign national application drafted
- File in each foreign office
- Pay fees in each foreign office (and to each foreign agent)

In addition to the complexity of national filing, a trademark owner must also consider a large spectrum of choices for filing strategies. In addition to national filings, there are a number of regional trademark systems, most importantly the European Union's Community Trade Mark. The pros and cons of each system must be considered in crafting an optimal international trademark filing strategy.

B. Who Cares About Trademark Filing Complexity?

So who cares about the complexity of filing for international trademark rights? You might as well ask, "*Who cares about money?*" Complexity means more time, usually more time for your trademark attorney, and her foreign

associates, who usually bill by the hour. Complexity means higher official fees, and more official procedures such as certification of documents and preparation of translations. And complexity means more room for errors, and more time (and expense) to fix those errors. Finally, and perhaps most ominously, complexity means more opportunity to lose trademarks rights, and loss of trademark rights means lost sales, and lost sales means. . . . You get the point.

The list of steps for foreign filing is long, and requirements vary from country to country. The time and cost involved when filing in even a dozen countries is considerable. World-wide filing can often be prohibitively expensive and time-consuming (that is, even more expensive).

II. HERE COMES HOPE: U.S. IMPLEMENTATION OF THE “MADRID PROTOCOL”

The magic pill to solve this expensive and unnecessary archaism is a fortunate mix of U.S. accession to an existing international trademark filing system plus the forward-looking way in which the United States Patent and Trademark Office (USPTO) intends to implement that system. While the USPTO has postponed the electronic filing aspects of implementing the Madrid Protocol due to technical difficulties, it is expected that these will be in place within the coming months.

On November 2, 2002, President Bush signed into law the Madrid

Protocol Implementation Act, setting in motion an inexorable train of events that culminated on November 2, 2003, in U.S. membership in the Madrid Protocol for the International Registration of Marks. The “Madrid Protocol” is a treaty which builds on the hundred-plus-year-old “Madrid System” of international trademark registrations, opening up that system to offices which conduct substantive examination of trademark applications.

A. An Uncommonly Forward-Looking USPTO

The United States Patent and Trademark Office will use the Madrid Protocol as a way of promoting and expanding its existing electronic filing system, TEAS (Trademark Electronic Application System). TEAS is widely considered to be a very user-friendly and reliable online filing system. Based on the Internet, no special software or dedicated communication lines are required.

The USPTO has adopted the strategy of requiring international applications to be filed using TEAS for a number of reasons. First, they cleverly saw it as a way to promote the TEAS system itself, knowing that firms that began using TEAS for Madrid filings would probably begin using it as well for direct national filings. Second, some of the time limits in the Madrid system are unforgiving. Use of the TEAS system will enable the USPTO to communicate electronically with Geneva, taking away some of the uncertainty in meeting those time limits. Third, the USPTO has, again cleverly, devised a system to

make the applicant the data entry specialist. Instead of an army of typists entering (and checking) data into their computer systems, under TEAS the information will be checked and uploaded automatically by machine.

This makes even the applicant's life easier. For example, an international application that is identical to the U.S. trademark application that it is based on can be filed with one data entry – the serial number of the earlier application. The electronic system will automatically “populate” (as the USPTO quaintly terms it) the latter application with the electronic information in its database from the earlier application, saving both time and the possibility of errors. Fast, efficient, inexpensive.

B. Streamlined Filing Under the Madrid Protocol

The procedures for obtaining foreign trademark protection that will be available for U.S. trademark owners under the Madrid Protocol are the following:

- File your U.S. application first,
- Prepare and file one additional electronic “international” application over the Internet with the USPTO, in TEAS electronic format and in English only, for re-transmittal to WIPO
- Pay one single all-inclusive fee in U.S. dollars using a USPTO deposit account,
- Obtain legally effective trademark filing in up to 57 target countries, including almost all of the major international trading partners, with no translations required.

Some further benefits of the Protocol include, for example, a single payment of

renewal fees in one currency to renew all the foreign registrations, a single form with a single fee to make changes (address, name, owner, etc.) with effect for all of the registrations, availability of multiple-class applications, no authentication of documents, etc.

III. IS IT REALLY “WORLD-WIDE”?

Which countries are members of the Madrid Protocol, and which important countries are missing from the system? Whether or not the system will be considered as “world-wide” depends on the number of countries of interest for filing. For many companies, “world-wide” will mean at least the major international trading partners.

A. Who’s on Board

In all, at least 57 countries will be members when the U.S. joins. The current members are:

In Western Europe: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom

In East Asia and the Pacific: Japan, Australia, China, South Korea, Singapore, Bhutan, North Korea, Mongolia

In Eastern Europe and Central Asia: Poland, Hungary, Bulgaria, Czech Republic, Romania, Slovakia, Slovenia, Russian Federation, Croatia (as of Jan. 23) Ukraine, Albania, Armenia, Belarus, Estonia, Georgia, Latvia, Lithuania, Moldova, FYR Macedonia, Turkmenistan, Yugoslavia

In Africa and the Middle East: Iran (as of Dec. 25), Kenya, Lesotho, Morocco, Mozambique, Sierra Leone, Swaziland, Zambia

In the Caribbean: Antigua and Barbuda, Cuba

B. Who's on Their Way

The member states of the European Union and its trademark office in Alicante, Spain have decided to join the system as of October 2004. Currently all of the member states of the European Union are members of the Protocol in their individual capacities, as is the Benelux office which covers Belgium, the Netherlands and Luxembourg, as well as most of the candidate countries that are expected to join the EU in May 2004.

C. Who's missing

The big missing player is Canada. Difficulties with Canadian national law in respect of classification of goods and services prevents Canada from joining the system now. However, Canadian authorities and users claim an interest in joining the system, so that Canadian national law could be modified in the foreseeable future to make them eligible.

In the table above, neither Mexico nor the South American countries appear. These countries historically have been slow to join the international registration systems. However, WIPO is making a concerted effort to interest the Latin American governments in the benefits of the Protocol, in particular by adding Spanish as a working language to English and French, effective April 2004.

Some other countries are members of the Madrid System, but not with

respect to the U.S. There are in fact two categories to the Madrid System. The countries listed above belong to the category that would allow electronic filing from the U.S. The second category of countries limit their participation in the system to applicants from countries that do not have an examination system, and thus do not allow for filing by U.S. applicants.

D. Terminal Multi-Lateralism or a Future World-Wide System?

“Multilateral” means less than global. Most international intellectual property systems struggle for years to find their global acceptance. The international patent application system, the Patent Cooperation Treaty, languished in numbers for twenty years, before the boom in international interest occasioned by the formation of the World Trade Organization.

The membership of the Madrid Protocol, currently 60, is far fewer than all of the countries of the world, numbering close to 200 even if the most marginal ones are disregarded. Will the Protocol languish as a partial system, or will it become truly global, following the way of the Internet and the WTO?

Of course only time will tell, but it is always the case that, when the U.S. joins, many countries follow. The EU has decided to join. There is great pressure now on Canada to join the system. Many other countries will follow. Companies that find it easy to register their domain names may soon find it equally easy (if more expensive) to register their trademarks around the world.

IV. WHAT ARE THE DRAWBACKS (THERE MUST BE SOME)?

There are a number of drawbacks to using the Madrid Protocol, as well as a number of glitches in the system.

Since the USPTO typically requires a more narrow description of goods and services than many foreign offices, and the international registration is dependent on the national application, the international registration will be limited to the narrow U.S. description of goods and services. This will in turn limit protection in the designated countries. As a consequence, use of the Madrid Protocol could result in narrower protection in foreign countries than would be obtained through national filing. While companies that have a real and effective industrial or commercial establishment in another country of the Madrid System could file in that other country using a broader list of goods and services, most U.S. companies will be limited by this rule.

The international registration under the Madrid Protocol remains “dependent” on the original U.S. rights for five years from the international registration date. The five-year dependency rule makes the international registration vulnerable, especially if the U.S. rights have not yet become incontestable. This could make it more attractive for competitors to challenge the U.S. registration in the hope of invalidating foreign rights as well. It is possible to file a “place-saver” application to start the five-year term ticking,

since countries can be designated later on without re-starting the dependency period.

In a number of cases, the time period for responding to refusals issued by designated offices has been found to be unduly short. The rules require that a designated office notify WIPO of any refusal to extend protection, and WIPO must then notify the office of origin and the trademark owner. The rules make no provision for direct notification of a local agent, even though, in most cases, a local agent must be engaged in order to respond to such a refusal. The communication will have to make its way around the world by mail to the applicant, who will in turn have to send the notification to an agent that is located in the same country (and probably the same city) as the office which issued the notification in the first place. By that time, much of the period for preparing a response has disappeared. An electronic monitoring system can help, through periodic monitoring of the electronic databases of some offices.

The effect of the Madrid Protocol on enforcement of rights, both domestically and abroad, also remains to be seen.

Finally, the relatively modest number of members means that a significant number of national or regional (e.g., CTM) applications will still have to be filed.

Other difficulties exist, and still more will become apparent as the system becomes more familiar in the U.S. Each trademark owner, and each attorney,

must balance these real risks against the significant benefits of the system, and then decide when and how to use it.

V. WHAT WILL IT COST?

One of the primary benefits of the Madrid Protocol is a reduction of cost for foreign trademark filing. The system for charging fees under the Madrid Protocol, which allows for a number of different options for member offices, is fairly complex. However, the procedure for determining the fees to be paid for an application is quite simple.

WIPO, along with some other services, maintains a web-based fee calculator. Upon entry of the name of the home office and of the various target offices, the fee is automatically calculated.

Looking at a potential future application filed after the EU Community Trade Mark becomes part of the Protocol (expected in October 2004), and assuming five classes of goods and services, the expected fees for the CTM designation have been estimated at \$4,300. The fees for the remaining countries under the Protocol would be \$10,232. An additional USPTO fee of \$500 (the USPTO will provide its own fee calculator in due course) would make the total cost about \$15,000.

What is a reasonable estimate of the cost to file in 60 countries now? A CTM filing covering the present members of the EU, plus the new members to join in May 2004, totaling 25 countries, costs \$5000 (including the European

agents' fee and registration fees). For the remaining countries, a reasonable estimate for a five-class application might be, on average, \$1,750 per country (including government fees, foreign agents fees, translation and notarization costs; in addition, some countries only allow one class per application, so that five separate national applications would have to be filed – these countries are required to accept multiple-class applications under the Protocol, resulting in further savings). This calculates out at \$61,250 for 35 countries, for a total cost of \$66,250. (For all national filings the cost would be over \$100,000).

Using these calculations, the estimated savings for filing using the Protocol for five classes and designating all remaining countries would be over \$50,000 per application. At a modest two applications per year (a company with a global business could easily file tens or sometimes even hundreds of applications per year), over five years the total savings could exceed a half-million dollars. Not only that, but the Protocol does not allow a country to charge an additional fee at the time of grant, resulting in further substantial savings later on.

Further savings will come in the course of maintaining and modifying registrations in the designated offices. Every national right under the Protocol (called an “extension of protection of the international registration”) expires at the same time, namely successive periods of 10 years from the date of international registration. All of the national rights are renewable by a single

fee, paid in Swiss francs to WIPO in Geneva. No interaction with the national offices is required (except in the cases where proof of continuing use must be filed – that is not done through WIPO).

In addition, any changes to the registrations, such as change of ownership, change of name, change of address, etc., can be made with a single document and a single fee filed at WIPO in Geneva. According to anecdotal information, this procedure alone can save many hundreds of thousands of dollars where, for example, a merger involves a large foreign trademark portfolio.

VI. WHERE TO FIND MORE INFORMATION

The USPTO has published its final regulations for implementation of the Madrid Protocol, as well as a User's Guide, a FAQ, and other related materials. See www.uspto.gov/web/trademarks/madrid/madridindex.htm. Electronic forms and a U.S.-oriented fee calculator are expected soon.

WIPO provides substantial on-line information at www.wipo.int/madrid. These include the Treaty and international regulations, as well as a fee calculator, and a very useful on-line User's Guide.

CONCLUSION: FEET FIRST INTO THE ELECTRONIC AGE

The Madrid Protocol, or more accurately U.S. implementation of the Madrid Protocol, will drag the trademark system kicking and screaming into

the 21st Century. In a inescapably global marketplace where the prime mover of market influence is digital communication, it is only right that world-wide protection of the one form of intellectual property that *no* company can do without – trademarks – can be protected by a simple one-touch electronic means, on a global basis.

APPENDIX A: Struggling to Understand the Complex Language of the Madrid Protocol

Many trademark owners have heard about the Madrid Protocol, and are turning to their trademark attorneys for guidance on this new system. Many attorneys are still struggling themselves to understand the system, and are looking for a simple, comfort-inducing approach they can use to orient themselves and guide their clients. Practitioners' organizations, law firms and service companies are moving quickly to organize training seminars, and these seminars will multiply as the U.S. draft regulations are released and the implementation date gets closer.

The list of concepts that are necessary to a full understanding of the Madrid System is formidable. Here is a partial list of topics that must be understood in order to grasp the workings of the system, taken largely from the table of contents to the WIPO User's Guide, but also to be found in the syllabi of most seminars:

- Relationship between the Madrid Protocol and the Madrid Agreement
- The safeguard clause
- Elections upon accession
- Office of origin
- International application
- Basis for the international application

- Basic application or basic registration
- Entitlement to file; cascade
- Real and effective industrial or commercial establishment
- Basic fees, individual fees, complementary fees, supplementary fees, transmittal fees, international fees
- Equivalence of international registration with mark
- Examination by the International Bureau
- Irregularities in the international application
- International registration; International Register
- Designated office
- Refusal of effect
- Grounds for refusal
- Certificate of extension of protection
- Five-year dependency
- Central attack
- Subsequent designations
- Right of transformation
- Limitation, renunciation and invalidation
- Restrictions on rights of disposal
- Merger of registrations
- Replacement of national registration

A further topic is learning what WIPO is (or even, for many folks, where it is), how the WIPO procedures work, and how to communicate with their administrators and pay fees there. Still more topics will be added when the USPTO reveals its own procedures for implementation.

For attorneys, it would take more than a few days of instruction to just begin to understand the system, and even more time to feel comfortable with procedures and strategies. Imagine how a client will feel trying to grasp all of these unfamiliar concepts during a short discussion.

One solution: *Don't try to explain the Madrid Protocol; focus, instead, on electronic filing of trademark applications with world-wide effect.*

Focusing on the electronic trademark filing with world-wide effect that will result from U.S. implementation of the Madrid Protocol, rather than on the international treaty functions, may help attorneys and clients alike feel comfortable enough to consider using the system.

APPENDIX B: More Than Just World-Wide Electronic Filing

The Madrid Protocol itself does not mandate electronic filing of international applications. In fact, only a small number of Member States currently utilize electronic filing. However, the USPTO, in its implementing regulations, will require all applicants to electronically file their international applications, using the TEAS system with modified data entry slots to accommodate additional information required under the Protocol (for example, the designated offices).

Electronic filing is just one part of U.S. accession to the Madrid Protocol, but it is by far the most important new procedure. However, a number of other things are important to know. Here are just a few:

An “International Registration” under the Madrid Protocol is not an “International Trademark.” The international registration results in a “bundle” of national rights. Each so-called “extension of protection” is equivalent to a national registration, but is technically a part (“extension”) of the international registration.

An international application filed by a U.S. user can benefit from the Paris Convention priority date of the basic U.S. application. However, the international application must be transmitted from the USPTO to WIPO within two months of its receipt in the USPTO. Otherwise, the original date (including

the priority) will be lost, and the effective date will be the date of receipt at WIPO. This is one reason that the USPTO will require electronic filing – so that the transmittal can be done electronically and quickly, so as not to lose the filing date.

Significantly, the international registration remains “dependent” on the home application or registration for five years. If the home application or registration (for example, the U.S. application that is the “basis” – the “basic application” – for the international registration) is limited or is lost, the international registration is similarly limited or lost. To soften the effects of this rather extreme possibility, a procedure exists in such cases for transforming the individual extensions into national applications, while keeping the filing date of the international registration. It is an expensive procedure, but it is effective to preserve rights.

Not all countries have to be designated in the original international application. Countries that are not designated can be added later, in one or more “subsequent designations.” Protection based on a subsequent designation will have the effective date of the subsequent designation, not the date of the international registration.

International registrations are published by WIPO, and are available in a number of reliable and user-friendly electronic databases. One advantage of this is that, since the trademark will be easily searchable, it will hopefully deter

competitors world-wide from adopting similar trademarks. The USPTO will also re-publish the international registrations for which it accepts extensions of protection (that is, incoming applications under the Madrid Protocol).