

DECISION BY U.S. TO JOIN MADRID PROTOCOL WILL IMPACT TRADEMARK HOLDERS

Background

After twelve years of abstention from the Madrid Protocol (the “Protocol”), an international system that permits a single application for trademark protection in multiple countries, the United States appears ready to join. This change in procedure will significantly affect U.S. trademark holders and applicants who seek protection abroad. The Protocol, which supplements the 1892 Madrid Agreement, permits a trademark holder to apply to protect its mark internationally through a single application designating any number of member countries. This streamlined process is designed to reduce the foreign trademark registration expenses and delays that often hinder companies trying to sell branded goods internationally.

Currently, Americans seeking to register marks internationally must file separately in each country where they desire protection. If the U.S. joins the Protocol, trademark holders will be able to file one international application with the World Intellectual Property Organization (“WIPO”). The application and any resulting registrations will have a single renewal date, can be written in one language, and may be paid for in U.S. dollars. The registration, entitled an “International Registration,” will issue in the U.S. Patent and Trademark Office and provide the same rights that would have been conveyed if the mark were registered separately in the U.S. and in each designated country. Further, joining the Protocol will necessitate only procedural changes to current U.S. trademark law.

Advantages To U.S. Trademark Holders

The Protocol will provide many advantages to U.S. companies. Most significantly, the simplified process will increase convenience and cost-effectiveness. Since the International Registration is similar to a bundle of national registrations, managing protection of marks will be simplified. International protection of marks will be available without the need for multiple applications, or for local counsel in each country where the applicant seeks protection.¹ Trademark holders will also save considerably on fees when amending their registrations. For example, once its home country is a member of the Protocol, a company may amend its application in each designated country through a single amendment with WIPO at a cost of

¹ Local counsel will still be required to interface with local trademark registrars that initially reject or seek to limit the scope of a mark as well as to monitor local usage and handle local enforcement.

about \$100. Finally, each registration under the Protocol has only one expiration date and one renewal date, and a trademark holder will be able to renew its rights in all Protocol countries through a single renewal.

U.S. membership in the Protocol will save time as well as money for U.S. companies. Member countries, or "Contracting Parties," must decide whether to register or refuse each application within eighteen months. If no refusal of a mark is indicated by a particular country's registrar within the time limit, the mark is deemed protected in that country. This restriction will reduce current waiting periods significantly in some countries.² The Protocol also removes the burdens of negotiating exchange rates to make payments in multiple currencies and of researching and complying with administrative requirements that vary from country to country.

Although the Protocol carries the risk of a "central attack,"³ after five years foreign registrations no longer rely upon the validity of the home registration. Moreover, when a "central attack" results in cancellation of the home country registration and the consequent cancellation in all designated countries, the holder may "transform" any such cancelled International Registration into separate national applications. Thus, a trademark holder retains the benefit of the original filing date of its International Registration. In addition, cancellations of International Registrations are fairly uncommon, with only approximately 120 recorded each year.

Disadvantages To U.S. Trademark Holders

Despite its overall advantages for trademark holders, the Protocol has some disadvantages as well. For example, the Protocol currently has 51 signatories, but certain countries, such as Canada, remain notably absent.⁴ Additionally, although there is only a single International Registration, protection may be denied or limited by some designated countries. Further, as under the current system, any action for trademark infringement of an International Registration

² For example, according to the International Trademark Association's director of external relations, there is a four-year waiting period to get protection in Japan. See "House Gives the Nod to Key Trademark Bill," *The Recorder*, May 3, 2001, at 1. Similarly, we have experienced delays of five to six years in obtaining registrations in India.

³ A central attack occurs when a foreign registration is denied as a result of termination of the home registration upon which it is based. If the basic registration is cancelled by the home country registrar or a court as a result of a challenge initiated within five years of the International Registration date, the International Registration is automatically cancelled in all countries where protection was granted. See Keith W. Medansky, "United States May Join Ranks of Madrid Protocol," *The National Law Journal*, April 30, 2001, at C9. See also WIPO, "The Madrid System of International Registration of Marks-Dependence on the Basic Mark," at <<http://www.wipo.int/madrid/en>>.

⁴ Mongolia's accession will take effect on June 16, 2001 and Australia's accession will take effect on July 11, 2001. See WIPO, "The Madrid System of International Registration of Marks-Information Notices," at <<http://www.wipo.int/madrid/en>>. The Republic of Korea is currently "making progress toward accession." See "Australian Government Treaty Simplifies International Registration of Trade Marks," *M2 Presswire*, April 11, 2001.

must be brought separately in each member country where infringement occurs. Finally, since a single identification of the goods and services covered by the mark will apply in all countries, an International Registration may not be efficient when the mark is used for different goods and services in different countries. Moreover, U.S. companies that base their international applications on a U.S. registration will be bound by the identification of goods and services approved by the U.S. Patent and Trademark Office, which may be more restrictive than what would be available from foreign counterparts.

Prognosis For U.S. Accession

In light of its many advantages, U.S. accession in the Protocol appears to be imminent.⁵ H.R. 741, an amendment of U.S. trademark law that would implement the Protocol, was introduced by Representative Howard Coble (R-NC) on February 14, 2001 and passed by the House on March 13, 2001, and the Bush Administration has indicated support.⁶ The counterpart bill was introduced in the Senate on February 27, 2001 by Orrin Hatch (R-UT) and appears to have a good chance of passing in this session of Congress.⁷

If you have any questions concerning the Madrid Protocol or need any further information, please contact William M. Ried at the firm's Intellectual Property Group in New York at (212) 728-8729 or <wried@willkie.com>.

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⁵ Congress has attempted to pass Protocol-implementing legislation in each of its past three sessions. The U.S. State Department, however, objected to a provision that would have given the European Union a vote in future debates over the treaty and thus would have created a precedent for double counting. Last year, the EU agreed not to cast a vote against the United States. Once that debate was settled, the House passed a bill to implement the Protocol, but the Senate rejected it due to a trademark dispute brought by the EU involving the use of the HAVANA CLUB RUM trademark in the U.S., which is now pending before the World Trade Organization. See *The Recorder*, *supra* note 2, at 1.

⁶ See Office of Management and Budget, Statement on H.R. 741 – Madrid Protocol Implementation Act (March 14, 2001), available at <<http://www.whitehouse.gov/omb/legislative/sap/107-1/HR741-h.html>>.

⁷ See BillCast (IPA), LEXIS, Congressional Bills Legislative Forecasts – Current Congress, H.R. 741 (May 21, 2001). Billcast provides a listing of public bills pending in the U.S. House and Senate and an analysis of their potential success. The statistical model has had a 94% accuracy rate since 1977. Factors used in the model include: the sponsor's party, seniority and committee rating, the number of co-sponsors of the bill, the majority party of Congress and the party of the administration. Billcast predicts that H.R. 741 has a 66% chance of passing the Senate. See also *M2 Presswire*, *supra* note 3 (it is likely the U.S. will accede to the Protocol).