

## **CLIENT ALERT: U.S. ADOPTS IMPLEMENTING LEGISLATION FOR THE MADRID PROTOCOL**

On November 2, 2002, after an almost twelve-year period of the United States' absence, President Bush signed into law implementing legislation for the Madrid Protocol. The Madrid Protocol, a treaty related to the Madrid Agreement of 1891, sets forth an international system of filing trademarks that has the potential to reduce substantially both the cost and the time associated with filing international trademark applications. Currently, fifty-six countries are parties to the Madrid Protocol, including Australia, China, Japan, the Russian Federation, and most European nations. The Madrid Protocol filing system is expected to be available to U.S. trademark owners by the end of 2003, as it will take approximately one year for the U.S. Patent and Trademark Office ("USPTO") to disseminate regulations to implement the Protocol and for the State Department to push ratification through final review.

### **The Madrid Protocol Will Benefit Many U.S. Companies**

Globalization has become a necessity for many U.S. companies. In order to protect U.S. trademarks abroad, the trademark owner heretofore has been forced to file an application in each country to which it wished to extend protection. Currently, this is an expensive process, as each country requires filing fees and the filing process necessitates the payment of fees for the services of local counsel. Due to the number of filings required, the process of filing internationally is also inefficient.

The Madrid Protocol system simplifies the above scenario by allowing the owner of a trademark registration or application in its home country to file one Madrid Application with the World Intellectual Property Organization ("WIPO") for all the participating nations in which the owner wishes to protect the mark. The owner pays one filing fee based on the number of countries and classes to which the Application extends. The protection afforded by the Madrid Application, once registered, is comparable to the protection accorded to a federal registration in the U.S. The initial term of the Application is ten years, with renewal terms available in ten-year increments.

### **Obtaining International Trademark Protection Under the Madrid Protocol**

The Madrid Protocol application system requires, first, that a qualified owner own a trademark registration or application in its home country. The new implementing legislation defines a "qualified owner" in the United States as either a U.S. national, a person domiciled in the U.S. or someone having a "real and effective industrial or commercial establishment in the United States."

The U.S. trademark owner begins the process by filing a standard Madrid Application with the USPTO, which certifies that the content of the Application is the same as the home application or registration, and forwards the Application to WIPO. WIPO processes the Application, computes the filing fee and, if everything conforms with Application standards,<sup>1</sup> publishes the mark in the *WIPO Gazette of International Marks* and notifies the relevant countries of the Application. Each designated national trademark office then has eighteen months to consider the Application based on its local laws and either approve the mark or issue an office action refusing registration. The priority filing date given to the international registration is the date on which the Madrid Application was first filed with the applicant's home office, as long as WIPO receives the Application within two months of the original filing date. If WIPO receives the Madrid Application more than two months after the filing, the date of receipt will be the priority date.

### **Pros and Cons of Using the Madrid Protocol Process**

#### **Cost Savings and Efficiency**

Two clear benefits of using the Madrid system are cost savings and efficiency. For instance, if a U.S. trademark owner files separately in each national office, it incurs costs in each country for official filing fees as well as local attorney fees. Obviously, the greater the number of countries in which the trademark owner seeks protection, the greater the fees. In contrast, a trademark owner filing a Madrid Application pays one fee to one place and has no need to consult a local attorney unless the Application is opposed in a designated country. This streamlines the application process and reduces the time and effort required by the filing of numerous international registrations. The total fee for the Madrid Application is comprised of WIPO's basic filing fee (for applications covering up to three classes of goods or services),<sup>2</sup> and an additional fee for each designated country. However, some countries will choose to substitute an individual fee in place of WIPO's country designation fee.

The benefits of the Madrid Protocol become more evident during the renewal process, which occurs every ten years. The Protocol requires the payment to WIPO of one renewal fee (comprised of various fees analogous to the original filing fees), rather than a fee to each country. Furthermore, the WIPO office sends a renewal reminder directly to the trademark owner six months before the ten-year deadline. The Protocol's renewal process reduces the time it would normally take to renew a mark, as the owner is not required to contact each national office to which international protection was extended. In addition, not having to contact the individual national offices results in a savings of the local counsel fees usually associated with this task. Finally, the Protocol does not require the filing of an affidavit of use of the mark, as is required in the U.S.

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<sup>1</sup> Note: If WIPO determines that the Application is flawed, it will correspond directly with the applicant. The applicant will then have three months to correct the flaws. Assuming the flaws are corrected, WIPO will then contact the relevant countries where the applicant wishes to extend trademark protection.

<sup>2</sup> If the Application contains more than three classes of goods or services, a supplemental fee will be assessed for each additional class.

Although the Madrid Protocol system will benefit many companies, it is worth noting that the system may only be cost effective for companies wishing to extend trademark protection to a variety of countries. A U.S. company seeking trademark protection in only a limited number of countries may find it less expensive to file directly with the national offices.

### **Assignment and Other Changes to Chain of Title**

The Madrid Protocol also greatly simplifies the process of recording a trademark assignment or change of name or ownership by allowing the owner to record the change in a single filing to WIPO. Once recorded by WIPO, the change is effective in all the countries designated by the Madrid Application. U.S. companies involved in asset acquisitions or mergers will save time by only having to file assignments and name changes in one place and will realize substantial savings in not having to contend with local counsel fees to effect the changes.

It is important to remember, however, that an owner may only assign a mark to a party that is eligible to file under the treaty. A party is qualified for assignment purposes if it has a real and commercial establishment in a Madrid Protocol member country or state, or is domiciled in or a national of a member country or state.

### **Dependence on the Home Application**

Significantly, for their first five years, international registrations filed by U.S. companies will be dependent on the corresponding U.S. trademark registrations or applications. Therefore, if a U.S. registration or application is cancelled or otherwise lapses, the Madrid Registration will no longer be valid in any of the countries to which it was extended. Still, the Madrid Protocol affords the owner the opportunity, within three months of cancellation, to re-file separate national applications in each of the countries to which it wishes to extend trademark protection. If completed within the three-month period, the owner will be able to retain the original international filing date as its priority date against other marks. After five years, the dependence ends and the Madrid Registration survives on its own.

Accordingly, another consideration for U.S. companies in deciding whether to utilize the Protocol filing system is the classification of goods and services for which they want protection. Once a Madrid Registration issues on the basis of a U.S. trademark registration or application, the international coverage is identical to the U.S. coverage and is thus limited to what was available under the USPTO's classification system. Although the USPTO abides by the International Classification of Goods and Services, it requires a very specific description of the goods and services offered in connection with a mark. Too broad a description will result in the USPTO issuing an office action and, perhaps, ultimately refusing registration of the mark. Therefore, if a U.S. trademark registration is approved covering a very narrow class of goods and services, the applicant may want to consider whether broader protection would be afforded by filing separate trademark applications in the relevant national offices, as many countries allow for broader classification of goods and services than does the USPTO.

### **Potential Changes in Trademark Searching and Clearance of Trademarks**

Currently, a U.S. party performs a clearance search for a proposed trademark by searching the relevant national registers. With the Protocol system in place, U.S. trademark applicants will be required to search the WIPO database in addition to U.S. state and federal registers, even if the applicant is not interested in extending protection of its mark internationally. Thorough searching will therefore become even more important than it is today, given that the ease of the Protocol's filing system may dramatically increase the number of applications filed. Further complicating the search process is the fact that, once the U.S. officially becomes a party to the treaty, all foreign trademark registrations from countries already parties to the Protocol will have immediate rights in the U.S. upon filing.

In addition, new issues will arise regarding the publication of a mark for opposition. In the U.S., a mark is published in the USPTO *Official Gazette*, a weekly publication, once the USPTO determines the mark is registrable. However, WIPO publishes Madrid Applications in its *WIPO Gazette of International Marks*. Therefore, U.S. owners will have another source to consult in effectively policing their marks.

### **Conclusion**

Ultimately, each company will have to weigh the pros and cons of applying for international trademark protection through the Madrid Protocol. Most companies seeking trademark protection in numerous countries will likely benefit from the system. Although the overall fees paid under the Protocol may in certain instances not result in large initial savings, the convenience of filing, renewing and recording changes in ownership centrally with WIPO may provide sufficient incentive for many companies to utilize the system.

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If you wish to obtain additional information regarding the Madrid Protocol and how it might affect your trademark needs abroad, please contact William M. Ried (212-728-8729, [wried@willkie.com](mailto:wried@willkie.com)) or Kim A. Walker (212-728-8776, [kwalker@willkie.com](mailto:kwalker@willkie.com)).

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