

Working Group on the Legal Development of the Madrid System for the International Registration of Marks

Twenty-First Session
Geneva, November 13 to 17, 2023

**PROPOSAL BY THE DELEGATIONS OF AUSTRALIA, CHILE, THE REPUBLIC
OF KOREA AND THE UNITED STATES OF AMERICA**

Document prepared by the Secretariat

1. In a communication dated October 13, 2023, the International Bureau received a proposal from the Delegations of Australia, Chile, the Republic of Korea and the United States of America concerning dependency for consideration by the Working Group on the Legal Development of the Madrid System for the International Registration of Marks, at its twenty-first session to be held in Geneva from November 13 to 17, 2023.
2. The said proposal is annexed to this document.

[Annex follows]

PROPOSAL TO MODERNIZE THE MADRID PROTOCOL BY THE DELEGATIONS OF AUSTRALIA, CHILE, REPUBLIC OF KOREA, AND UNITED STATES OF AMERICA

BACKGROUND

1. The Madrid Protocol requires a basic national or regional application or registration (basic mark) to file an international application to request extension of protection in one or more Contracting Parties. It also mandates that the resulting international registration and all designations be dependent on that basic mark for five years from the date of the international registration. These provisions have presented certain difficulties for some stakeholders.

2. In 2006, Norway proposed a long-term goal for the Madrid Protocol and requested the Madrid Working Group to discuss future aspects of the Madrid System to benefit applicants and holders, national Offices, and the International Bureau. Included in that proposal was the elimination of the basic mark and the ability for an applicant to designate the territory of the Office of origin in the international application. The Working Group has discussed various proposals with no consensus reached.

PROPOSAL SUMMARY

3. This proposal requests the Working Group to consider making the following **amendments to the Madrid Protocol** that would allow more flexibility for Contracting Parties to:

- retain the basic mark requirement but reduce the dependency period from five years to three;
- retain the basic mark requirement but eliminate the dependency principle; and
- eliminate both the basic mark requirement and dependency principle.

4. If the Protocol is amended, each Contracting Party may either continue the current practice, or make a voluntary **declaration** to elect a new option. This would be similar to existing declarations in the Protocol to select an 18-month time limit to respond to provisional refusals and to elect individual fees. This proposal **does not** require Contracting Parties to immediately decide whether to choose one of the new options or which option to choose. Rather, they need only agree that the Protocol be amended to offer these flexibilities, and recommend formal adoption of the amendments by the Madrid Union Assembly.

5. Because the proposed amendments are a significant change to the Protocol, a **Diplomatic Conference** would be convened if consensus is reached at the Working Group. The possibility of convening a Diplomatic Conference remains on the Working Group meeting agenda and may continue to be discussed while the merits of this proposal are debated.

6. This proposal acknowledges the difficulties trademark holders face and modernizes the Protocol to reflect the realities of conducting business in the 21st Century global economy. It takes into account prior proposals, input from Contracting Parties and the Madrid Secretariat's encouragement that proposals need not be mutually exclusive. Further, it adopts some flexibilities of the **Hague System** for the registration of industrial property, to better align the two Systems. Accordingly, this proposal offers a way forward that accommodates the diverse positions and needs of Contracting Parties while improving and modernizing the Madrid System.

MAJOR DIFFICULTIES FOR MADRID SYSTEM USERS

7. **Export marks (foreign language or script):** Marks intended for use in foreign markets (export marks) are typically in the languages/scripts of the foreign markets and not in the local language/script. These export marks present real challenges for holders because, to use the Madrid System, holders are forced to protect them in the Offices of origin (as basic marks) even if they may not intend to use them there. Holders may also be forced to provide evidence of use of the basic marks in the Offices of origin during the dependency period. Failure to use may trigger non-use cancellation proceedings, resulting in cancellation of the international registrations and all designations. These requirements no longer align with the modern trade practices in which companies create unique marketing strategies for specific markets.

8. **Grounds of refusal:** There have been concerns about whether a refusal or cancellation of the basic mark in an Office of origin should result in cancellation of the international registration and all designations. For example, a basic mark refused because it is descriptive under an Office of origin's national law might not be refused as descriptive under the law of a designated Contracting Party. In addition, a basic mark refused on the basis of a likelihood of confusion in the Office of origin results in the cancellation of protection in all the designated Contracting Parties. This occurs even when the prior mark in the Office of origin has no protection in any of the designated Contracting Parties and, even if the prior mark was protected, the prior mark's holder has no interest in the applicant's mark obtaining protection in the designated territories. Some have questioned whether the grounds of refusal applicable in Offices of origin contradict the principle of territoriality as well as sovereignty of the designated Contracting Parties.

9. **Identification of goods and services:** Certain Contracting Parties require very specific identifications of goods and services (for example, "T-shirts, pants and jackets" versus "clothing"). The specific identifications in the basic marks limit the scope of the goods and services in the international registrations and all designations. This uniquely disadvantages some holders vis-à-vis their foreign competitors. Holders are forced to choose between (1) using the Madrid System to file in multiple territories but forgo the broader protection available in territories that allow it, or (2) filing in each territory separately to obtain the broadest protection available but forgo the efficiencies and cost savings of the Madrid System.

10. **Dependency:** WIPO has shared information gleaned from studies and surveys about accession experiences, ceasing of effect, central attack, transformation, and dependency as well as input provided by users through inquiries, seminars, webinars, and meetings. It conveys that, for some holders, dependency is a significant barrier to using the Madrid System and is viewed as less of a safeguard and more of a problem, such as:

- **Ceasing of effect:** does not appear to be widely used; most are not due to third-party central attack but due to *ex officio* refusal, holder's inaction or third-party action when there is no interest in cancelling the designations; and grounds of refusal are relevant only in the Office of origin not in the designated Contracting Parties;
- **Transformation:** negates the perceived benefits of central attack; is complicated; incurs additional costs to request transformation; and the outcome is uncertain;
- **Lost costs:** costs of filing an international application and designating Contracting Parties are lost when the basic mark and all designations are cancelled;
- **Additional costs:** incurs added costs to maintain the basic mark in the Office of origin during dependency when the holder has no interest there;

- **Legal uncertainty:** holder's rights are under threat during the dependency period; risk of non-use cancellation of the basic mark terminating the international registration and all designations; and fosters feelings of vulnerability; and
- **Imbalance of interests:** the rights and interests of third parties are favored over those of holders and the investment they have made in their brand.

While **reducing the dependency period** lessens these problems, it does not eliminate them.

PROPOSAL DETAILS

11. This proposal is to **amend the Madrid Protocol** to allow each Contracting Party, as Office of origin, to retain the current practice, or elect, via a declaration, one of the options explained below that best meets the needs of its trademark holders.

No Change – Do Nothing

12. The proposal enables a Contracting Party to preserve the basic mark requirement and five-year dependency principle. This would be the **default practice** and no declaration would be required for a Contracting Party to continue this practice.

New Options

13. A Contracting Party may **elect, via declaration**, one of the following options:

1. retain the basic mark requirement but reduce the dependency period from five years to three;
2. retain the basic mark requirement but eliminate the dependency principle; or
3. eliminate both the basic mark requirement and dependency principle.

14. **Option 1 – Reduce Dependency:** Everything would remain the same as under the existing system except the dependency period would be shortened from five years to three. This option had gathered support over the years but some of it appeared to have been in the interest of reaching a compromise and moving forward. Nevertheless, it is a viable option for Contracting Parties that would prefer to maintain the basic mark but reduce dependency.

15. **Option 2 – Retain Basic Mark but Eliminate Dependency:** The basic mark requirement would remain but, if the basic mark ceases to have effect, it would not result in cancellation of the international registration and all designations. This would alleviate the concerns of some Contracting Parties worried about losing income if the basic mark requirement was abolished. They may retain the basic mark because it is a source of revenue but eliminate the legal uncertainty the current dependency requirement brings.

16. **Option 3 – Eliminate Basic Mark and Dependency:** A trademark holder would simply file an international application and designate the territories for protection, similar to the Hague System. As currently happens, each designated Contracting Party would examine the request for extension of protection according to its national laws and decide whether to grant or refuse protection. With no basic mark and no dependency, the problems of export marks and grounds of refusal relevant only in the Offices of origin would be moot. The benefits to holders include freedom from the constraints of basic marks, freedom from the legal uncertainty of dependency and freedom to file export marks tailored to specific markets. Offices and the International Bureau could also benefit from less work and more cost savings from not having to certify international applications and transmit follow-up notices when certain events occur in basic marks.

Additional Considerations

17. The following are some, but not all, additional considerations the Working Group may discuss that relate to the above-mentioned new options and subject of possible **declarations**.

18. **Indirect or direct filing:** The international application may be filed with the **Office of origin**, as currently required, or with the **International Bureau (IB)**, like the Hague System. It is recognized that offices provide varying levels of service to their users who are thinking about using, or are actually using, the Madrid System. Such offices may prefer to continue to provide these services, and to accept international applications and transmit them to the IB. If offices currently charge processing fees and rely on that revenue to subsidize these services, they may continue to charge processing fees. Other offices rather not accept international applications and instead have users file directly with the IB.

19. **Self-designation:** Holders who do not have basic marks in their Offices of origin may designate in the international applications their home territories as well as other Contracting Parties, similar to the Hague System. A holder would be able to obtain protection at home and abroad in one international application, track its progress, and maintain and renew designations with one international registration. It would also alleviate concerns about the potential loss of revenue from eliminating the basic mark requirement, since Contracting Parties will continue to receive designations and the associated fees for protection at the national level.

20. **Third-party central attack:** The mechanism of central attack could be retained, albeit in a different form, if the basic mark and dependency requirements were abolished. Instead of third parties objecting to, or cancelling, the registration of basic marks, they may centrally attack the **international registrations**. If successful, the international registrations and all designations would be cancelled. A central, independent dispute settlement body could be established at the WIPO Arbitration and Mediation Center to resolve these disputes. The idea of an authority at WIPO was introduced to the Working Group in 2008 and 2010 and is worth revisiting.

Accordingly, it is respectfully requested that the Working Group discuss this proposal, with the goal towards incorporating the above-described amendments into the Madrid Protocol.

[End of Annex and of document]