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ADVANTAGESFORINDUS TRYINUSINGTHEMAD RIDSYSTEM

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Advantages for Industry In Using the Madrid System

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Advantages for Industry In Using the Madrid System

1. Traditional means of protection

We have seen, that manufacturers and traders need protection of their marks (trademarks as well as service marks) in more than one country, often in many countries all over the world. Certain countries have created common offices for the registration of marks, covering the territories of all countries participating in such regional system (the Benelux Office, the Office registering Community Trade Marks and certain regional Offices in Africa). Nevertheless, there are currently about 200 jurisdictions throughout the world where trademarks may be registered.

Therefore, normally and particularly in the Arab Region the only means of achieving protection internationally generally is to apply for registration of the mark in all countries of commercial interest. This is very cumbersome, because procedures for registration in these countries differ widely, a variety of languages must be used, including the submission of translations of documents, which may have to be certified or otherwise legalized by an authority of the country in which the application is filed. There may be different periods of protection resulting from registration and a local agent must be appointed. Even if the enterprise will use experienced attorneys, all those formalities are generally very time consuming. If the applicant wants to enjoy the priority of his first filing (normally the country, where his headquarters is located), he will have to comply with all those formalities within six months from his first filing.

Of course these procedures are not only time consuming but also very costly and the costs go well beyond the fees charged by the Offices where protection is sought. First of all, agents' fees must be paid. However, also fees charged for the issue of supporting documents (such as priority documents) for certified translations of such documents or for declarations before a notary public and for legalization of signatures may be demanded. It is estimated by enterprises that, on average, a minimum of US \$ 1000 per country must be invested for registration of a trademark abroad.

Of course also monitoring and maintaining a documentation of national trademark registrations with different registration dates and different periods of protection (= different dates of renewal) is burdensome and costly.

Exactly for the purpose of overcoming these deficiencies the Madrid Agreement has been concluded in 1891 and, in view of some deficiencies of the Agreement for certain countries, the Madrid Protocol has been concluded in 1989. Only a few countries from the Arab Region (Algeria, Egypt and Morocco) are Members of the Madrid Agreement, and only Morocco also has joined the Protocol. This is very different from Asia, where also only a few countries are members of the Agreement, however the number of countries adhering to the Protocol is steadily on the increase. Thus more and more Asian enterprises interested in the international protection of their trademarks can profit from the advantages of the Madrid System.

2. Advantages of the Madrid System

2.1 International Registration

As has been explained, based on a national registration and, under the Protocol, based on a national application, the owner of this national so-called basic trademark application/registration may file an international application with his Office of Origin. Having checked that the mark filed with the international application is identical with the national basis and covers the same goods and services or less than the list of goods and services of that national basis, the Office of origin transmits within two months the international application to the International Bureau in Geneva which registers *immediately* the mark. In fact, an international application, which does not contain irregularities (in particular as concerns the list of goods and services or their classification), is registered by the International Bureau within a very short period of time.

By using that instrument of international registration of his mark, the holder enjoys the following benefits:

2.1.1 Designation of member countries of commercial interest

He may designate in his international application all States which are members of the same Treaty as the country of his Office of origin. If this country is member of the Madrid Agreement, he may designate all Members of the Agreement (except the country of his Office of origin), which at present has 52 Members. If this country is member of the Madrid Protocol, he may designate all Members of the Protocol (except the country of his Office of origin), which at present has 57 Members and soon will have more members. If the country of his Office of origin is a member of both Treaties, he may designate all countries being member either of the Agreement or of the Protocol (at present 71 States).

The designations have the effect of a regularly filed national application in all designated member countries.

2.1.2 Advantageous and uniform date of registration

The international registration and consequently all designations to the countries chosen normally bear as date of registration the date at which the international application was *filed* with the Office of Origin (the only condition to be fulfilled by the Office of Origin is *to* transmit the international application within two months after receipt to the International Bureau). Additionally, the international registration will generally benefit from the priority date of an earlier application of the same mark, in particular from the application for the basis registration (or from the basis application under the Protocol) in the Office of Origin.

2.1.3 Favorable fees

Having paid a basic fee of Swiss Francs 653 for the work of the International Bureau and, if the list of goods and services contains more than three classes of the International Classification, an additional class fee of Swiss Francs 73 for each additional class, the holder of the international registration pays the following fees for his designations:

As a rule, under the Madrid System, a designation fee of 73 Swiss Francs is to be paid. This is an extremely cheap fee for achieving trademark protection e.g. in France, Germany, the

Russian Federation or China. If the holder of an international registration under the Agreement designated 50 countries, the costs would amount to 4300 Swiss Francs (roughly 3000 US\$), as compared to 50000 US\$ when using the national route.

Under the Protocol, Contracting Parties may opt for an individual fee instead of the part of the fees to be distributed under the traditional fee system. This fee cannot be higher than the corresponding national fee, however must be diminished by the savings resulting from the international procedure (e.g. the designated Office need not check on formalities and the designation of the international registration need not be published on the national Gazette). Consequently, as concerns Contracting Parties of the Protocol which do not belong to the Madrid Agreement, and which have opted for an individual fee, such as Australia, Japan, Singapore, but also the United Kingdom and the Northern European Countries (Denmark, Finland, Norway, Sweden), an individual fee must be paid by every holder of an international registration who wants to designate one or several of these countries. However, the situation is different as concerns countries, belonging to both treaties, which have opted for an individual fee. According to the so-called safeguard clause of Art. 9 sexies of the Protocol, the Protocol does not apply between members of the Madrid Agreement. This means for a holder of an international registration, whose Office of origin is member of both treaties, that for each designation of States, which at least also are member of the Agreement he pays Swiss Francs 73, even if under the Protocol the respective State has opted for an individual fee. As an example, Benelux, China, France, Germany, Italy, Morocco and Switzerland, are members of both Treaties and Benelux, China, Italy and Switzerland have opted for an individual fee. As a consequence, a holder of an international registration with Office of Origin in the United Kingdom or in Japan must pay an individual fee, when designating the Benelux countries, China, Italy or Switzerland. However, a resident of Morocco, France or Germany will only pay Swiss Francs 73 for designating one of these countries, as well as for all other countries member of the Agreement.

Even under the Protocol, the fees will be more advantageous than using the national route. First of all, still the majority of the States, members of the Protocol have not opted for an individual fee, and even for designations of countries, where an individual fee is due, there may be cost advantages of the holder of an international registration. Often the individual fee is somewhat lower than the fee to be paid for a national application. Switzerland, e.g. requests an individual fee of Swiss Francs 600, whilst the fee to be paid for a national registration is Swiss Francs 700.

2.1.4 One set of fees

Instead of paying separately national fees in different currencies for separate national applications, one single set of fees is due, to be paid in Swiss Francs, which may even be deducted from a current account opened with WIPO. Apart from the fact that the set of fees to be paid for an international registration will be much more favorable than the sum of the national fees that would be due, it is of course administratively much easier to pay the fee for the international registration and this again will amount to cost savings.

2.1.5 No additional documents

The system does not require supporting documents, therefore also no translation and no certification or legislation of signatures. It even does not allow the Offices of the designated States to ask for such documents. This is a gain in time and cost saving.

2.1.6 No local agent for designation

Only when, within the applicable period, the Office of the designated country issues a notification of refusal of protection and the holder of the international registration intends to defend his designation, he must appoint a local representative. However, no fee, normally due for dealing with the formalities of a national trademark application needs to be paid to an agent.

2.1.7 One language

The international application is made in one language, French under the Agreement, English or French under the Protocol.

2.1.8 Maximum time period for notification of refusal

After recording in the International Register and notification to the designated countries, the international registration will be treated by each of the designated countries as an application regularly filed at the national Office. However, depending on the efficiency of the national Office a further advantage for the holder of the international registration consists of the maximum periods allowed for Offices to issue a first notification of refusal if it finds grounds for objections against the protection of the international registration in its territories. Such refusal must under the Agreement be notified within one year after registration; under the Protocol the member countries may opt for a period of 18 months. Thus the holder of an international registration knows after 1 year, respectively 18 months, whether in any designated country he has to envisage objections of the Office or an opposition against the protection of his mark, and which is the nature of the objections (the Office must indicate *all* grounds for refusal).

2.1.9 Simplified monitoring and maintenance

The advantages for the administration and documentation of international registrations are also important. Instead of establishing a file separately for each national application, one single file for an international registration, covering all designations, may be established.

The advantages of an international registration are not restricted to the registration process. On the contrary, the system offers very important benefits during the life of an international registration:

2.2 **Renewal**

The international registration is renewed by simple payment of the same fees which have been paid for the initial registration. Thus it is assured that

Renewal may be undertaken for all or some of the designated countries;

All designations are protected for the same period of 10 years calculated from the registration date;

As in the case of the international registration, the holder may ask WIPO to deduct the fees from an account opened with WIPO.

No agent is needed for the renewal.

2.3. Changes

2.3.1. Later designations

The holder of an international registration may at any time extend his registration to countries which initially were not covered by the registration. The request for later designations must be accompanied by the payment of a basic fee of Swiss Francs 300 for the International Bureau and the usual designation fee(s). With one request one or more later designations may be made.

Reasons for a later designation may be that the holder of an international registration intends to extend the use of his trademark to countries that were not of commercial interest at the time of the initial registration. Another reason may be that a country, which is of commercial interest for the holder, has joined the Madrid System after the registration of his mark.

Again there is no need to appoint a local agent as long as the Office of the respective country does not issue a refusal of protection. To the extent that the respective country has not opted for an individual fee, its designation may be achieved for a fee of Swiss Francs 73.

2.3.2. Change of name and address of the holder

The registration of a simple change of name or address of an enterprise in all national registers where the enterprise has trademarks registered may be very expensive. Not only national fees have to be paid in most countries, also the agent, whom must be entrusted with the request for registration of the change, receives a fee.

Under the Madrid System the registration of a change of name or address may be made *for all international registrations* of the holder with one request, adding a list of the existing international registrations, and by payment of a lump sum of Swiss Francs 150.

2.3.3 Limitation, Renunciation and cancellation

The holder may wish to have recorded the following restrictions the protection of his international registration or registrations:

- A limitation of the list of goods and services _____, which may effect some or all of the Contracting Parties (“limitation”) or
- A renunciation of the protection in respect of some Contracting Parties _____, which has effect for all of the goods and services listed (“renunciation”).
- the cancellation of his international registration in respect of all the designated Contracting Parties which may effect some or all of the goods and services.

In the case of a cancellation the holder must indicate in his request, whether he requests the total cancellation of his international registration(s) for all goods and services (and with automatic effect for all designated Contracting Parties) or a partial cancellation for some of the goods and services covered by the international registration(s). In the latter case he must indicate the goods and services for which the request is made grouped by classes and indicating the class numbers in the sequence of the Nice Classification. Also in that case the request has automatic effect for all designated Contracting Parties. As the request for renunciation, the request for recording of a cancellation is exempted from the payment of any fee.

Effect of limitation and renunciation

The recording of a limitation or of a renunciation does not entail, as such, a change in the international registration as originally recorded in the International Register. In other words, the limitation or renunciation does not entail cancellation of the goods and services concerned in the International Register. Only the *effects* of the protection of the international registration are limited or renounced in the Contracting Parties for which the limitation or renunciation has been recorded. This is true even in the case that a limitation of the list of goods and services has been recorded with the effect for all designated Contracting Parties.

Consequently, the goods and services which had been the subject of a limitation or renunciation may, following a request of the holder, be recorded in a subsequent designation both for already designated and for new Contracting Parties.

Effect of cancellation

If the cancellation of an international registration is recorded for all goods and services, nothing remains on the Register. In case of recording of a partial cancellation, the goods and services, for which a cancellation has been recorded, are eliminated from the Register. There is therefore no need to record the cancellation with respect to the designated Contracting Parties. An international registration which is canceled in the International Register ceases automatically to have effect in the Contracting Parties. The Offices of the designated Contracting Parties are therefore notified of the cancellation of the international registration in the International Register and not of the cancellation of the respective designations.

The consequence of this fact is that, in the case of a total cancellation, no subsequent designation may be made for the international registration, since it does not exist anymore. If the former holder wishes to protect his mark again he must file a new international application. In the case of a partial cancellation, the holder of the international registration cannot ask for any subsequent designation with respect to goods and services for which the international registration has been canceled. If he wishes to protect his mark again for such goods and services he must file a new international application.

In conclusion, the Madrid System is extremely flexible as concerns possible means of changing the effect of international registrations in the designated countries, by offering limitations, renunciations or partial cancellation of the registration. Both, renunciations and cancellations are free of charge. Only for the registration of a limitation of the goods or services, which are covered by the international registration, a fee of Swiss Francs 177 is due.

2.3.4 Change in ownership

The ownership of a trademark may change for different reasons and in different ways. A change in ownership may result from a contract, such as an assignment. Other grounds may be a court decision or operation of law, such as an inheritance or bankruptcy. Finally, an automatic change in ownership can result from the merger of two companies (not to be confused with the merger of several international registrations as understood by the Common Regulations). No automatic change takes place, however, in the case of a company takeover that is effected by the acquisition of shares, or where certain assets of a company, including the intellectual property rights, are acquired.

In accordance with Article 9 of the Protocol, the Common Regulations do not distinguish between such different causes for, or different types of, change in ownership and use the uniform terminology "change in ownership" for all cases. The former owner of the international registration is the "holder", since he is still registered as such in the International Register, when a request for recording of the change is made. The new owner is referred to as "transferee", respectively "new holder" once the change in ownership is recorded.

Partial change in ownership

The transfer may refer to all goods and services covered by the international registration or to some of those goods and services only, or to all Contracting Parties designated (in the international registration or by subsequent designations) or only to some of them.

fees

The fee to be paid is Swiss Francs 177 per international registration for a (total or partial) transfer of the international registration.

Several international registrations

One request to register a change in ownership may relate to one or several international registrations recorded in the name of the same holder, if it concerns the same change in ownership for all these international registrations both in respect of the designated Contracting Parties and the goods and services. Otherwise several requests must be made. This does not lead to an increase of the fees to be paid, since the amount of fees depends on the number of international registrations for which the request is made.

Recording

Provided the request is in order, the International Bureau records the change in ownership. Where a change in ownership is made in respect of some only of the goods and services or some only of the designated Contracting Parties, the change will be recorded in the International Register under the number of the international registration concerned. Any part, which has been transferred to the transferee or transferees will be canceled under the number of the international registration and will be recorded as a separate international registration. That separate international registration will bear the same number as the registration of which a part has been transferred, together with a capital letter.

2.3.5 Recording of License Agreements

Since April 1, 2002, the holder of an international registration, who has concluded a license agreement that covers the international registration, can request the recording of that license agreement in the international register. He has to indicate the licensee, the designated Contracting Parties with respect to which the license is granted and whether the license is granted for all or some of the goods and services covered by the international registration. Some of the Contracting Parties of the Madrid System do not provide for the recording of licenses in their national register. These States may notify the Director General of WIPO that also the recording of licenses in the international register has no effect in their territory. Also a Contracting Party that in principle provides for the recording of licenses may, when it receives the notification of the recording of a license in respect of its territory, declare within 18 months that the license has in no effect in view of objections with regard to that particular license. The grounds for such objections are a matter of national law. A typical example would be that the Office of the Contracting Party considers the license to be misleading the public.

APPENDIX**The Madrid System from the point of view of a trademark attorney/agent**

To the extent that foreign enterprises seek protection for their trademarks by designating the respective countries of commercial interest in an international application, instead of entrusting a local agent in these countries with the filing of a national trademark application, the agent loses that business, which relates to the purely clerical filing work. However, this will not necessarily lead to a loss of income:

First of all, only a part of the national applications will be replaced by designations through the Madrid System. Foreign companies can designate the country only, when their home country is a member of the same Treaty as the country, where they seek protection. Even if this is the case, they will not always use the international route.

Also, trademark attorneys do not only the filing work. They also advise foreign clients on the availability of a particular mark and on the likelihood that the mark may meet with objections from the Office of their country.

Furthermore, experience shows that in countries adhering to the Madrid Agreement, the Madrid Protocol or both Treaties, the sum of national applications and designations through the international system together is noticeably higher than the total of national applications was before respectively would have been expected to be. This can be explained by the fact that enterprises using the Madrid System due to its advantages tend to designate more countries in their international registration than they would normally try to cover by national applications. This means that also the total of proceedings (national applications or designations in an international registration), in which the Office of the respective countries raises objections (which in the Madrid System are called notifications of refusal of protection) will increase. As said before, the holder of an international registration needs a local representative as soon as such refusal is notified. Whilst the clerical filing work will somewhat decrease, the legally much more interesting work of dealing with objections of the Office will increase. In that connection, agents may not only represent the holder of the registration but also in cases of opposition the third party which is lodging an opposition.

Increased trademark registration activity also leads to more licensing agreements and more litigation.

It can therefore be expected that the increased pre-registration activity and post-registration activity compensate for any loss in filing activity.

In order to show that the arguments put forward as concerns increased trademark activity in a country which has adhered to the Madrid System are not purely theoretical, I will give figures of one example which is documented at WIPO. Norway adhered to the Protocol with effect of April 1996 (and it is not a member of the European Union, where since the same date Community Trade Marks may be registered in parallel to national registrations in the member countries). In 1995 some 8200 trademark applications were filed at the Norwegian Patent Office, about 3/4 being filed by non-residents. 3920 applications originated from the 12 countries whose enterprises made the largest number of designations of Norway under the Protocol in 1999, three years after the entry into operation of the Protocol. In 1999 the corresponding number of national filings from enterprises originating from these 12 countries where only 1672, that is 2248 or 57% less than in 1995. However, in the same year 1999,

6124 designations of Norway were made by enterprises from these 12 countries under the Protocol. If one counts together the 1672 national applications (which still were made), and the 6124 designations under the Madrid System, one arrives at a total filing figure of 7796 applications/designations. This is nearly twice as much as in 1995, before Norway's adherence to the Protocol.

In conclusion I believe that trademark attorneys who know about the Madrid System and are willing to adapt to a new international environment should benefit from the participation of their country in the Madrid System.

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