

## **Special Union for the International Registration of Marks (Madrid Union)**

### **Assembly**

**Fiftieth (29<sup>th</sup> Extraordinary) Session  
Geneva, October 3 to 11, 2016**

#### REPORT

*adopted by the Assembly*

1. The Assembly was concerned with the following items of the Consolidated Agenda (document A/56/1): 1, 3, 4, 5, 6, 9(ii), 10, 20, 30 and 31.
2. The report on the said items, with the exception of item 20, is contained in the General Report (document A/56/17).
3. The report on item 20 is contained in the present document.
4. Mr. Miguel Ángel Margáin (Mexico), Chair of the Assembly, presided over the meeting.

## ITEM 20 OF THE CONSOLIDATED AGENDA

### MADRID SYSTEM

5. The Chair opened the session and welcomed one new Contracting Party that had acceded to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (hereinafter referred to, respectively, as “the Madrid Protocol” and “the Madrid Agreement”) since the last session of the Madrid Union Assembly (hereinafter referred to as “the Assembly”) in October 2015, namely the Lao People’s Democratic Republic. The Chair also announced that Brunei Darussalam was ready to accede to the Madrid Protocol during the session, which would bring the number of members of the Madrid Union to 98 covering 114 countries, and invited the Delegation of that country to join the podium to deposit the corresponding instrument of accession to the Madrid Protocol with the Director General of the World Intellectual Property Organization (WIPO). The Chair invited the Secretariat to present the documents.

#### Progress Report on the Madrid System Goods and Services Database

6. Discussions were based on document MM/A/50/1.

7. The Delegation of the United States of America said that it welcomed the accession of the Lao People’s Democratic Republic and Brunei Darussalam to the Madrid Protocol and asked whether there would be an opportunity to discuss document MM/A/50/INF/1.

8. The Chair informed that questions concerning document MM/A/50/INF/1 could be raised after documents MM/A/50/1 to 4 were dealt with.

9. The Delegation of Iran (Islamic Republic of) said that it welcomed the new Contracting Parties to the Madrid Protocol and that it supported the establishment of the Madrid System Goods and Services (MGS) Database, further adding that it would welcome the translation of the terms in that database also into Persian, so users in countries speaking that language could take advantage of it.

10. The Delegation of China stated that it welcomed the reported progress on the MGS Database, on which its country had been cooperating with the International Bureau since 2009. The Delegation added that such progress would greatly facilitate use of the MGS Database by applicants and Offices and said that it hoped that more Contracting Parties would participate in it by providing acceptance information which facilitated designations by applicants.

11. The Assembly:

(i) took note of the “Progress Report on the Madrid System Goods and Services Database” (document MM/A/50/1), including its paragraph 33 related to the remaining project funds; and

(ii) requested the International Bureau to submit to the Assembly in 2017 a new Progress Report on the Madrid System Goods and Services Database, including the use of remaining project funds.

Review of the Application of Article 9*sexies* of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks

12. Discussions were based on document MM/A/50/2.

13. The Assembly:

(i) took note of the “Review of the Application of Article 9*sexies* of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks” (document MM/A/50/2); and

(ii) adopted the recommendation made by the Working Group, as set forth in paragraph 2 of the “Review of the Application of Article 9*sexies* of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks” (document MM/A/50/2).

Proposal Regarding Accessions to the Madrid Agreement Only

14. Discussions were based on document MM/A/50/3.

15. The Delegation of China noted that the Madrid System was, *de facto*, a one-treaty system governed by the Madrid Protocol and that such fact had greatly facilitated the administration of the international registration system for the benefit of applicants and Offices and that, therefore, it supported the proposal to freeze the application of paragraphs (1) and (2)(a) of Article 14 of the Madrid Agreement to consolidate the Madrid System as a one-treaty system.

16. The Delegation of Iran (Islamic Republic of) said that it welcomed the proposal contained in the document because it believed it would ensure the consolidation of the Madrid System as a one-treaty system and, in that regard, agreed with the proposal to freeze the application of paragraphs (1) and (2)(a) of Article 14 of the Madrid Agreement.

17. The Assembly:

(i) considered the proposals made in the “Proposal Regarding Accessions to the Madrid Agreement Only” (document MM/A/50/3); and

(ii) took the decision to freeze the application of Article 14(1) and (2)(a) of the Madrid Agreement Concerning the International Registration of Marks, with the effects specified in paragraph 10 of the “Proposal Regarding Accessions to the Madrid Agreement Only” (document MM/A/50/3), as from the date of such decision.

Proposed Amendments to the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement

18. Discussions were based on document MM/A/50/4.

19. The Delegation of Japan said that the proposed new framework for the division and merger of international registrations, as described in the document, would provide for declarations and notifications. The Delegation said that it agreed with the proposed changes in the understanding that, by making the said declarations or notifications to the International Bureau, each Contracting Party would be able to decide if and when the proposed new framework would be introduced into its national trademark system, taking into account factors such as their importance for local industries.

20. The Delegation of Iran (Islamic Republic of) expressed its support for the proposed changes, as described in the document, given that they would assist the Offices of Contracting Parties, clarify matters concerning the International Bureau and benefit applicants as well.

21. The Delegation of China stated that, concerning proposed new Rules 27*bis* and 27*ter*, there were no corresponding provisions in its national legislation and, therefore, they could not apply in China. The Delegation agreed with the adoption of the other changes proposed in the document and stated that, should proposed new Rules 27*bis* and 27*ter* be adopted, its country would make the applicable declarations under the proposed new rules. The Delegation also said that it agreed with the proposed suspension of the entry into force of paragraph (5)(a) and (d) of amended Rule 24 of the Common Regulations.

22. The Assembly:

(i) adopted the amendments to Rules 12, 25, 26, 27 and 32 of the Common Regulations, to item 7.4 and to the title in French of item 7 of the Schedule of Fees, with a date of entry into force of July 1, 2017, as set out in Annex I to the “Proposed Amendments to the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement” (document MM/A/50/4);

(ii) adopted the amendments to Rules 3, 18*ter*, 22, 25, 27 and 32, and the introduction of new Rule 23*bis* of the Common Regulations, with a date of entry into force of November 1, 2017, as set out in Annex II to the “Proposed Amendments to the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement” (document MM/A/50/4);

(iii) adopted the amendments to Rules 22, 27, 32 and 40, the introduction of new Rules 27*bis* and 27*ter* of the Common Regulations and the introduction of item 7.7 in the Schedule of Fees, with a date of entry into force of February 1, 2019, as set out in Annex III to the “Proposed Amendments to the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement” (document MM/A/50/4); and

(iv) suspended the entry into force of the amendments to Rule 24(5)(a) and (d) of the Common Regulations, which were adopted by the Assembly at its previous session until the Working Group had further reviewed the implications of their implementation.

#### Madrid Union Surplus for the 2014/15 Biennium

23. Discussions were based on document MM/A/50/INF/1.

24. The Secretariat introduced the document explaining that, in accordance with the Financial Management Report, the Madrid Union had reported a surplus of 8.15 million Swiss francs for the 2014/15 biennium. Article 8(4) of the Madrid Protocol dealt with the way for the Madrid Union to handle such surpluses at the end of each cycle. Regulation 4.7 of the Financial Regulations and Rules of the World Intellectual Property Organization provided for these surpluses to be accounted for under the reserve funds of the Union. The Secretariat indicated that the Madrid System was growing and that, in return, users expected and demanded high-quality services and that, for this reason, the International Bureau had continued to invest in information and communication technology. The Secretariat said that the International Bureau envisaged that the current surplus would be needed to further improve the system for

the benefit of its users and that, to that effect, it was preparing a number of proposals which would be presented to the Members of the Union during the next session of the Assembly for their consideration and for the approval of the use of the surplus which would then be accounted for under the reserve funds.

25. The Delegation of the United States of America said that it understood that no decision was being proposed in the document and asked that the Secretariat confirm that understanding. The Delegation further asked the Secretariat whether the Madrid Union could decide to distribute among its members funds in excess of the reserve target once it had decided to reserve those funds. The Delegation said that, under the capacity to pay methodology adopted when the Unions adopt the Program and Budget for each biennium, it understood that common expenses should be paid according to each Union's capacity, which meant that those expenses should be paid by Unions that both had a surplus and met their reserve target, with the amount paid depending on the amount of the surplus each Union had for the financial period. The Delegation recalled that, according to the financial reports provided by the Secretariat during the most recent session of the Program and Budget Committee (PBC), the common or indirect expenses of the Organization were about 172 million Swiss francs, while direct expenses were about 470 million Swiss francs, which meant that, if each Union had to pay for the same proportion of indirect expenses as its direct expenses, the Madrid Union, with 100 million Swiss francs in direct expenses, would have had to pay 36.8 million Swiss francs in indirect expenses, instead of the 13.76 million Swiss francs that it had actually paid. The Delegation said that that demonstrated that the Madrid Union had a capacity to pay a larger share of the common expenses of the Organization and expressed its discomfort with the methodology that had been used, because it had resulted in the Madrid Union not paying its fair share of the common expenses of the Organization, while claiming a significant surplus which could be distributed among the members of the Union. The Delegation asked the members of the Madrid Union to consider whether such methodology resulted in the appropriate outcome or an alternative methodology, such as paying for as much of the common expenses as able, would be more appropriate and said that it looked forward to working with other members of the Madrid Union on that and other issues in the Madrid Union and in the PBC.

26. The Secretariat confirmed that no decision was required from the Assembly, as the document was merely informative, and explained that, according to Regulation 4.7 of the WIPO Financial Regulations and Rules, the surplus would be retained in the reserve funds of the Organization and accounted for under the reserve funds of the Madrid Union in the financial statements and in the financial management report, and that any use of such funds would be made in accordance and in full compliance with the reserve policy of the Organization, which had been approved earlier by the Member States. The Secretariat added that the methodology used to present the results by Union in the financial statements and the financial management report for the 2014/15 biennium had been approved by the Member States as an integral part of the approved Program and Budget for that biennium, that the accounts were closed and audited at the end of the biennium, and that the financial management reports presented the results of the biennium for the Organization, as well as for each Union, in accordance with the methodology approved by the Member States.

27. The Delegation of Italy said that it was pleased to confirm that the Madrid System was a good system that was functioning well, with all parties collaborating towards that goal and, referring to the intervention of the Delegation of the United States of America, underlined that it would not be appropriate to discuss financial issues and budget methodology under the current item in the agenda but that those issues should be discussed under a different item.

28. The Delegation of the United States of America acknowledged the point made by the Delegation of Italy concerning the appropriate time and place to discuss the issues that had been raised and added that it had asked the questions to ensure that it would raise the issues at

the appropriate time and place, with the appropriate members. The Delegation recalled that, in the previous year, it had asked about an 8 million Swiss francs surplus and was told that its proposal to disperse that surplus among the members of the Madrid Union was premature because it was not clear whether that surplus would be realized and that, in the current session, it was being told that the Assembly was not the place; thus, the Delegation wondered when to discuss this issue and, in particular, the amount that it was entitled to request to have returned to the members of the Union. The Delegation said the answers to those questions were still not clear; it understood that the Madrid Union had well in excess of the reserve targets that were necessary, and that it was still not clear whether the Madrid Union could ask for only 8.15 million Swiss francs to be dispersed to its members or was also entitled to ask for the distribution of any amount in excess of the reserve targets. The Delegation requested more information on the appropriate time and place to have that conversation and on the amount of money to which members of the Madrid Union would be entitled.

29. The Secretariat said that the first occasion to discuss the issue would be during the next session of the Assembly in 2017, when the International Bureau would present a number of proposals, as outlined in the document. Furthermore, the Secretariat explained that the reserve funds were governed by the policy adopted by the Member States and that any proposal to use them would have to be made in accordance with that policy.

30. The Delegation of Switzerland thanked the Delegation of the United States of America for its questions and expressed willingness to look into them, although they were complex issues for which it did not have answers at its fingertips. The Delegation considered that the PBC was the appropriate body to discuss the subject of expenditure and income methodology.

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