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MADRID PROTOCOL

With the Madrid Protocol's becoming effective in the United States as of this month, American trademark owners are presented with another alternative when seeking to protect their marks internationally. However, filing under the treaty should not be viewed as the final word on international registration. So far, it is still unclear what the advantages to filing under the protocol are exactly and, thus, the treaty should not be seen as superseding traditional methods of protecting trademarks overseas.

Just Another Option: Foreign Trademark Protection Following U.S. Membership in the Madrid Protocol

BY KAREN ARTZ ASH

This November, the United States officially became a member of the 1995 Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. With this membership, U.S. applicants now have the option of filing just one trademark application to obtain protection in up to 57 member countries of the Madrid Protocol.

While the filing of a Madrid Protocol application has a number of purported advantages, it may not be the best course of action for U.S. applicants under all circumstances. In some instances, the more traditional filing systems may still be more cost effective and yield a quicker result. It may also be possible to utilize a hybrid approach in certain situations as well.

The Madrid Protocol should not be seen now as the only choice; rather it is best regarded as another alternative type of

filing program and should always be evaluated against other more traditional, established filing procedures.

Madrid Protocol Overview

U.S. owners of a U.S. trademark application or registration may now file a Madrid Protocol application and can extend this new application to any number of Madrid Protocol member countries.

The Madrid Protocol application may be filed in the U.S. Patent and Trademark Office based on the applicant's U.S. application or registration (the "basic application" or "basic registration"). The PTO then certifies that the Madrid Protocol application accurately reflects the basic U.S. application or registration and forwards the certified application to the World Intellectual Property Organization in Geneva. WIPO examines the Madrid Protocol application for formalities, issues an international registration, and sends requests for extensions of protection to the designated countries.

The international registration may also be extended to other Madrid Protocol member countries through subsequent designations. After examination of such subsequent requests, the subsequently designated country will issue a certificate of extension of protection.

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The international registration will continue to have the same renewal date but will not itself confer any substantive rights. It is a mechanism by which extensions of protection are obtained in designated countries, and only these extensions (when accepted in those countries) provide the applicant with substantive rights in that country.

The individual trademark offices of the designated countries receive and examine the requests for extensions of protection as they would applications filed directly in their national offices. Only after the extension request has passed through national examination in each selected country will a certificate of extension of protection be issued for that country.

The ultimately issued international registration has a term of 10 years and may thereafter be renewed for successive 10 year terms. In order to maintain the extensions of protection in each country, it is necessary for the applicant to comply with all local requirements, such as affidavits of continued use, which may be required by the individual designated countries.

The international registration may also be vulnerable to "central attack" by third parties who may raise a global objection to registration within the first five years from the date of international registration. During this period, the international registration is dependent on the basic application or basic registration. Thus, if the basic application or basic registration fails, the international registration fails, but the applicant will have an opportunity to transform each extension of protection into a national application.

Traditional Foreign Filing Practices

With the exception of applications for a European Community Trademark, which are also known as CTMs, U.S. applicants seeking foreign protection for their trademarks traditionally file individual national applications for protection through local counsel authorized to act pursuant to limited powers of attorney. In contrast, under the CTM application procedures, an applicant seeking trademark protection in the member countries of the European Union can file a single application for such protection.

Madrid versus Traditional Foreign Filing Procedures

While the Madrid Protocol application procedure has been promoted as a less expensive foreign filing method, the initial savings may be eliminated during the application process. Indeed, U.S. attorneys may file Madrid Protocol applications without incurring the costs of securing foreign local counsel, and in countries such as Germany and Italy, where there is little-to-no substantive examination of a trademark application, extensions of protection may be obtained without the additional counsel.

¹ There are currently 15 member states of the European Union. If a Madrid Protocol application is filed in one class designating all of these countries, the filing fee for the Madrid Protocol application would be 3,475 Swiss francs (about \$2,554). The filing fee for a CTM application for a single class would be 1,100 euros (\$1,264) with a registration fee of 975 euros (\$1,120).

However, in countries with strict examination procedures, such as the United Kingdom and Japan, a request for extension of protection is likely to face initial rejection, and response to such rejection requires the assistance of local counsel. This assistance may actually involve additional costs (higher than other initial costs in a more traditional filing program), resulting from foreign counsel's review of the original filed application and substantive reply to the initial refusal. These additional costs may eliminate any savings. It is, therefore, important to consider the prosecution procedures of the countries where protection is sought when choosing an application method.

Furthermore, there may be no realizable savings in cost or any other benefit from a Madrid Protocol application where the only designated countries are the United States and members of the European Union. If a Madrid Protocol application is filed for up to three classes designating all of the member countries of the European Union, the filing fees for the Madrid Protocol application would exceed the fees for the CTM application.¹

In addition, a Madrid Protocol application takes a long time. It may take up to two years before extensions of protection issue from a Madrid Protocol application. Delays may arise before designated offices receive a Madrid Protocol application and its extension requests. On the other hand, the filing of a U.S. application and priority CTM application could yield registration within a one year period.

Enforceability of the trademark is another consideration when filing a Madrid Protocol application. In Europe, for example, enforceability may be adversely affected by a potential non-use cancellation action. A Madrid Protocol filing designating European countries will require the trademark owner to prove use of the mark in each particular European country in order to enforce a mark and to defend against an action for non-use. On the other hand, use of the mark in any one of the member countries of the European Union is sufficient to maintain, enforce, and defend a mark protected by a CTM Registration in any of the EU member countries.

Personalized Path to Foreign Protection

One disadvantage of a Madrid Protocol application is unique to U.S. applicants, who will base their Madrid Protocol applications on their U.S. filings. The stringent examination procedures of the PTO will often require limitations to an applicant's identification of goods and/or services not usually required by foreign trademark offices.

Applicants filing national applications in foreign countries could tailor their descriptions by country and thereby expand the scope of protection of the mark beyond what was permitted in their U.S. filings. In contrast, the identification of goods or services in a Madrid Protocol application must be identical to those in the basic application or basic registration. Thus, depending on the types of goods and services of the applicant, the U.S. applicant may inadvertently narrow or restrict the scope of its international protection by choosing to file a Madrid Protocol application.

Obviously if the countries in which protection is sought are not members of the Madrid Protocol, then a trademark owner could not rely solely on the Madrid Protocol for foreign filing of its trademark. Currently there are 58 members of the Madrid Protocol (including the United States). WIPO does not currently accept Spanish as a working language, and therefore many of the Spanish speaking countries are not members of the Madrid Protocol.² Thus, if a trademark owner's main concern is protection of its trademark in Latin America, the Madrid Protocol would not currently be a viable option for the trademark owner. Similarly, Canada is not a member of the Madrid Protocol because the Canadian trademark system does not conform to the international classification system, and therefore if a trademark owner desires protection in Canada, a national application must be filed.

The WIPO Web site provides an easy to use fee calculator that could facilitate a comparison of costs. As discussed above, if protection is sought in many or all of the member countries of the European Union, then it may still be less expensive for the trademark owner to file a CTM application, and this protection may be easier to enforce due to the use requirements discussed above.³ The primary disadvantage of a Madrid Protocol filing (in lieu of traditional U.S. and priority foreign filings) is the five year dependency period in which the international registration may be vulnerable to central attack. Consequently, all rights could conceivably fall with a single objection not otherwise possible and which could not be asserted against multiple filings.

U.S. trademark registrations cannot become incontestable until after the fifth anniversary of registration, and therefore International Registrations based on a U.S. application or a U.S. registration that has not yet become incontestable may be vulnerable to attack. Furthermore, because U.S. examination of applications can be very strict, an applicant may have difficulties in obtaining a U.S. trademark registration. An international registration based on a failed trademark application would also fail, and any extensions of protection obtained would have to be transformed into national applications. The expense of the transfer would quite possibly outweigh any initial cost savings of a Madrid Protocol application.

Another consideration in deciding whether to file a Madrid Protocol application or national applications is the speed at which the trademark owner wishes to expand the mark. For example, if the trademark owner seeks to file the Madrid Protocol application with only one designated country, then there would be little benefit to filing the Madrid Protocol application. Although there may be some initial cost savings, this may be rendered less significant by the lengthier period of prosecution and the vulnerability of the international registration.

Another potential drawback to the Madrid Protocol is that international registrations and the extensions of protec-

tion may be assigned only to parties of the Madrid Protocol. An intended assignee must be either a national of member country of the Madrid Protocol, or be domiciled in a member country, or have a "real and effective industrial or commercial establishment" in a member country to own an international registration. Thus, this requirement may be a deterrent to trademark owners that are multinational corporations and may be more likely to enter into assignments of its trademarks to various international parties.

Large corporations looking to enter into licenses of their marks may also be deterred from filing a Madrid Protocol application. As discussed, the pendency period of a Madrid Protocol application may be longer than the pendency period of a national trademark application. Licensees commonly require proof of registration of a mark in a specific country before entering into a license for that mark, and any delays in the registration of the mark may present obstacles to potential licensing arrangements. Where a trademark owner intends to license its mark outside the United States, these delays should be taken into careful consideration.

The ideal filing strategy may be a combination of a Madrid Protocol application with separate national applications. For example, a trademark owner may file a Madrid Protocol application for the countries where there is little to no examination of the mark. However, the trademark owner may wish to file a CTM for the member countries of the European Union as well as national applications in countries where an initial refusal of a request for extension of protection is expected.

It has been discussed that with the Madrid Protocol, current owners of national registrations may abandon their existing registrations in favor of extensions of protection obtained through the Madrid Protocol in the same countries for simpler renewal of the mark in the future. However, at this time there are some questions of enforceability of the extensions of protection and whether they would be viewed by local courts to be as strong as national registrations. Thus, with these questions lingering, it would not be prudent for owners of existing national trademark registrations who have already invested large sums in obtaining national registrations to abandon their national registrations.

The membership of the United States in the Madrid Protocol provides U.S. trademark owners with another option in obtaining international protection for their marks. However, for now, it should be viewed only as that, simply another option. As membership in the Madrid Protocol continues to expand, the Madrid Protocol presents a filing opportunity that may be advantageous to some U.S. applicants. At this time, the advantages are far from universal, or even clear, and trademark owners should not abandon tried and true methods of protecting their marks.

Linda S. Chan and Keely L. Herrick contributed to this report.

² WIPO has recently proposed to accept Spanish as a working language for the Madrid System of International Registration, which includes the Madrid Protocol. As a result of this, many of the Spanish-speaking countries may eventually become members of the Madrid Protocol.

³ The European Union has recently agreed to the accession of the CTM to the Madrid Protocol. Thus, within the next year, the CTM may be one of the options for designation in a Madrid Protocol application (See Commission document COM(96) 367 final).



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Qualifications and Career Profile

Karen Artz Ash, National Co-Chair of the Intellectual Property Practice at Katten Muchin Zavis Rosenman, focuses her practice on all aspects of intellectual property law with a concentration in all facets of trademark and copyright law. Ms. Ash is and a member of the Firm's Board of Directors and serves on the Firm's Pro Bono committee.

Ms. Ash handles the structuring of intellectual property, including holding companies and trusts, as well as the creation, development, implementation and administration of licensing, servicing, manufacturing and other commercial agreements for companies worldwide. She handles IP diligence and corporate transactions worldwide, and is skilled in bankruptcy assessments and financings that are dependent on intellectual property assets. Ms. Ash has acted as Special Intellectual Property Counsel, appointed by the Bankruptcy Court in the Southern District of New York, in a high profile bankruptcy proceeding. She has also acted as an expert in a tax proceedings involving intellectual property holding entities.

Ms. Ash administers relationships in complex IP trust arrangements and develops and administers the worldwide licensing, exploitation, searching, clearance, registration and enforcement of trademarks, logos and domain names. Ms. Ash successfully represented a major apparel manufacturer and retailer in a high profile matter involving licensing arrangements with a designer label; and has represented apparel clients in the acquisition of major designer properties and businesses.

Ms. Ash's practice represents clients in the fashion and apparel, publishing, banking, financial services, and consumer electronics industries.

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