SIMPSON THACHER

THE MADRID PROTOCOL TAKES EFFECT: PRACTICAL CONSIDERATIONS FOR U.S. TRADEMARK OWNERS

OCTOBER 29, 2003

INTRODUCTION

On November 2, 2003, the United States ("U.S.") will become a member of the Madrid Protocol Concerning the International Registration of Marks (the "Madrid Protocol"). U.S. trademark owners seeking trademark protection abroad, and foreign trademark owners seeking additional trademark protection in the U.S., now will be able to seek international protection of their marks with a single application. While in some ways and for certain trademark owners the Madrid Protocol seems to be an ideal international trademark filing system, there are some pitfalls, particularly for U.S. trademark owners.

This memorandum provides a brief summary of the Madrid Protocol and its advantages and disadvantages. Additional information about the Madrid Protocol and the international filing system can be found on the website of the World Intellectual Property Organization ("WIPO"), located at www.wipo.int, or on the website of the United States Patent and Trademark Office ("USPTO"), located at www.uspto.gov.

TRADEMARK PROTECTION UNDER THE MADRID PROTOCOL

Objective of the Madrid Protocol.

The goal of the Madrid Protocol is to provide an easy way for trademark applicants to obtain international trademark protection by filing a single application for an international registration ("IR") through a centralized system in one language (English or French).[1] Beginning on November 2, 2003, owners of registered or pending trademarks in the U.S. can file an application to extend trademark protection of their marks to any or all of the member countries of the Madrid Protocol, and holders of IRs or foreign trademark applications or registrations can request to extend protection of their marks to the U.S.

What countries are members of the Madrid Protocol?

By the end of 2003, 61 countries will be members of the Madrid Protocol. These include Australia, Austria, Belgium, China, Cuba, Czech Republic, Korea, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Kenya, Luxembourg, Morocco, Netherlands, Norway, Poland, Portugal, Russian Federation, Singapore, Spain, Sweden, Switzerland, Turkey,

1 IR Applications filed with the USPTO must be in English.

United Kingdom and the United States. Of note, Canada, the European Union as a whole, Mexico, Taiwan, Hong Kong, The Philippines and Latin American countries have not yet joined the Madrid Protocol, so trademark owners must still file separate applications in order to obtain trademark protection in those jurisdictions.

Who can file an application for an IR?

To obtain an IR, an applicant must (i) be a national of a member country, (ii) be domiciled in a member country, or (iii) have a real and effective industrial or commercial establishment in a member country. In addition, the applicant must have a trademark registration or application for the same goods or services already on file with the trademark office of that member country ("Basic Registration or Application").[2] An applicant who fulfills these requirements is a "qualified owner," and the applicable country is the qualified owner's "Country of Origin."

The application process.

To apply for an IR, qualified owners are required to send an IR application to the trademark office of the Country of Origin. Qualified owners in the U.S. must submit IR applications to the USPTO.[3] The USPTO then must certify that the information in the application conforms to the Basic Registration or Application. Once certified, the USPTO will send the IR application to WIPO.

If the USPTO is able to complete its review and transfer the IR application to WIPO within two months of its receipt, the IR application will be dated as of the date of submission to the USPTO. If the USPTO does not complete the transfer within two months, the effective date of the IR application will be the date of receipt at WIPO. If the USPTO finds errors in the IR application, it will return the application to the applicant for correction, and the applicable filing date will be the date WIPO receives the corrected and certified IR application.

WIPO will then verify that the IR application satisfies all filing requirements. After doing so, WIPO will publish the mark and forward the IR application to the trademark offices in each member country listed in the IR application for independent examination.[4]

Each designated country has the right to refuse to grant trademark protection, provided that notice of such refusal is communicated to the applicant within eighteen (18) months.[5] If the applicant

---

2 *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks,* adopted at Madrid on June 27, 1989, at 13402, Sec. 61(b).

3 Although the Madrid Protocol itself does not require electronic filing of international applications, commencing January 2, 2004, the USPTO will require all applicants to electronically file their international applications using the USPTO's Trademark Electronic Application System.

4 If WIPO independently determines that the IR application does not conform with the established filing requirements or that the appropriate fees have not been paid, WIPO will notify the trademark applicant and/or the trademark office of the Country of Origin, depending on the nature of the "irregularity."

does not receive a refusal to register notification within that time, trademark protection in that country automatically will be added to the IR. If the applicant receives timely notice of a refusal to register, the applicant may respond to the specific grounds for refusal pursuant to local procedures.

Filing costs.

IR applicants must pay both international filing fees and fees charged by the trademark office in the Country of Origin. Initial filing fees will include:

U.S. Fees: $100 per class of goods and services for certifying an international application based on a single U.S. application or registration, or $150 per class for certifying an international application based on multiple U.S. applications or registrations.[6]

International Fees: A basic fee of 653 or 903 Swiss francs (approximately $495 or $688 respectively),[7] a supplementary fee of 73 Swiss francs (approximately $55) for each class of goods and services beyond the third, as well as either a standard designation fee of 73 Swiss francs or an individual designation fee fixed by the designated country. Such individual fees range from 94 Swiss francs (approximately $71) for Greece to 1036 Swiss francs (approximately $786) for a collective mark in China.[8] The U.S. will charge an individual designation fee of 456 Swiss francs (approximately $343) for each class of goods or services when designated in an international application or a subsequent designation.

Fees may be paid directly to WIPO in Swiss francs or electronically through the USPTO website in U.S. dollars.[9] Such fees may vary from time to time based on fluctuations in exchange rates. If an applicant pays its fees through the USPTO, the USPTO will apply a current dollar/Swiss franc exchange rate to all fees forwarded to WIPO.

---

5 This period of time may be extended in countries having a trademark opposition system if, within the initial eighteen-month period, the national office notifies WIPO of the possibility of a refusal based on an opposition. In these cases, the trademark offices are allowed an additional seven months from the date the opposition period begins to notify WIPO of a refusal. If the opposition period expires prior to the time limit of seven months, the notification must be made within one month of the expiration.

6 37 C.F.R. §7.6. The USPTO charges additional fees for assignments and subsequent member county designations. A complete list of fees that might become payable is available at http://www.wipo.int/madrid/en/fees/sched.htm.

7 The higher fee is for marks that are in color.

8 The following member countries currently charge individual fees: Armenia, Australia, Belarus, Benelux, Bulgaria, China, Denmark, Estonia, Finland, Georgia, Greece, Iceland, Ireland, Italy, Japan, Norway, Republic of Korea, Singapore, Sweden, Switzerland, Turkmenistan and the United Kingdom.

9 WIPO maintains a web-based fee-calculator located at www.wipo.int/madrid/feecalc. Upon entry of the name of the home office and the offices corresponding to the various designated countries, the fee is automatically calculated.

ADVANTAGES AND DISADVANTAGES OF THE MADRID PROTOCOL

Advantages

Reduction of cost for foreign trademark filings.

One of the primary benefits of the Madrid Protocol is a reduction of cost for foreign trademark filings. By filing a single IR application, an applicant can request protection in any or all of the various countries that are members of the Madrid Protocol. Thus, one application with one serial number and one fee can have effect in 61 countries, resulting in considerable cost savings and simplification of the administration of trademarks because national applications need not be filed separately in each country.[10]

In addition, because the IR application is launched from the trademark office of the Country of Origin through WIPO to the designated countries, no further documents are needed to satisfy the separate trademark offices of the designated countries and no interaction with such national offices is required (except in cases where proof of continuing use must be filed and/or the individual national offices issue initial refusals to the IR).

Obtaining protection.

The Madrid Protocol places limits on the amount of time a national office has to act once it receives a request for extension of protection to its territory. These time limits may result in fewer objections to IRs and, in such countries, create the possibility that protection will be granted sooner than would a comparable national application.[11] In addition, an IR applicant will know in advance the date on which an IR will be effective, and will not have to wait for the trademark office of each country in which protection is sought to make a positive decision on registration.

Reduction of cost for foreign trademark maintenance and modification of registrations.

An IR applicant will enjoy further cost savings when maintaining and modifying registrations in the designated member countries. An IR, and thus every national right under the Madrid Protocol, must be renewed at the end of each successive ten-year period following the date of registration. Because the IR covers all of the designated member countries, there is only one registration to renew.[12] Thus, all of the national rights in each designated member country are renewable at one time with a single fee, paid in Swiss francs, to WIPO. In addition, any changes subsequent to registration,

---

10 *See* "Special Report on the Madrid Protocol," INTA, April 1, 2003.

11 *See* INTA Issue Brief, "The Madrid Protocol: Impact of U.S. Adherence on Trademark Law and Practice," April 2003.

12 *See* 15 U.S.C. §§ 1058, 1059.

such as change of ownership, change of name, change of address, assignment of trademarks and security interests, can be made by filing a single document in one office and paying a single fee, and will be effective for all extensions of protection in all designated countries.

Addition of member countries to the IR.

Countries that are not designated in the original IR application can be added to the IR in one or more "subsequent designations" provided that such countries are parties to the Madrid Protocol at the time of designation. Such designations can be made through WIPO or the USPTO. Protection in a subsequently designated country will be based on the effective date of the subsequent designation, not the date of the IR. However, instead of the basic fee of 653 Swiss francs (approximately $485) that is required to file the initial IR, the basic fee for subsequent designations is 300 Swiss francs (approximately $228). The payment of supplemental fees, if any, will depend on the particular country designated in the IR extension application.

Disadvantages

Dependency on the Basic Registration or Application.

As mentioned above, to be eligible for an IR, an applicant must own a Basic Registration or Application. The IR remains dependent on the Basic Registration or Application in the Country of Origin for five (5) years. Any change to, or cancellation of, the Basic Registration or Application during the first five (5) years of the IR will result in the same changes or cancellations to the IR. Thus, it may be possible to invalidate the entire international portfolio of a U.S. IR applicant by seeking to oppose or cancel its Basic Registration or Application.[13]

Identification of goods and services.

The USPTO requires more narrow descriptions of goods and services than most other member countries. An IR, however, may not be broader than the Basic Registration or Application. Therefore, a U.S. IR applicant will be limited to the narrow description of goods and services contained in its U.S. Basic Registration or Application in all member countries, even if a broader description would be acceptable in those other countries.

---

[13] However, in such cases, the IR may be converted into individual national applications, provided that a transformation application is filed in each applicable country within three (3) months of the cancellation of the IR. If a transformation application is timely filed and accepted, the effective date will be the filing date of the IR or the filing date of the subsequent designation, as applicable.

Use requirement in the U.S.

Trademark applications in the U.S. must be based on actual use or a bona fide intent to use the trademark in connection with all goods and services listed in the application, whereas use is not a requirement in most other member countries. An IR may be based on a bona fide intent to use. However, in the U.S., if an applicant stops using the applicable trademark in connection with certain goods or services, the applicant will have to remove those goods and services from its intent to use application. Accordingly, even if the applicant was using the trademark in connection with the same goods and services in the countries in which it sought to extend its trademark protection under the Madrid Protocol, the applicant nevertheless will lose protection in those countries because those goods and services will no longer be part of the U.S. Basic Registration or Application upon which the IR application is based.

National review of each application.

Each member country designated in an IR application will have an opportunity to review the IR application to ensure it meets local requirements. As of the current date, the local rules are not uniform; each member country has its own conditions for trademark protection, procedures for refusing trademark protection, determination of rights resulting from achieving protection, and maintenance guidelines. Thus, if twenty countries are included in the IR application, it is possible that the applicant will receive and need to respond to twenty separate requests for information and/or initial refusals. To properly handle these issues as they arise, an applicant will likely need to retain local counsel in each applicable territory, which can add considerable cost to the IR application process.

CTM is still the better option in Europe.

European Community Trademark ("CTM") registrations provide trademark protection through the European Union. Unlike IR applications, CTM applications (and registrations) may include broad descriptions of goods and services. In addition, CTM applications are independent of the Basic Registration or Application, so any changes to or cancellations of the Basic Registration or Application will not affect the CTM application. CTM applications are also subject to only one review, rather than examination by each member country. Finally, because CTMs provide trademark protection throughout the European Union, use in a single European Union country is sufficient to withstand a non-use challenge.

CONCLUSION

When considering whether to use the Madrid Protocol international filing system, trademark owners should consider, *inter alia*, the countries of potential interest, the contemplated use of the mark, the identification of the goods and services to be covered by the Basic Registration or Application, and the potential costs of defending the IR application in each member country. While the Madrid Protocol may streamline the international application process as well as trademark maintenance and payment of fees in a large number of countries (but by no means all), these administrative conveniences must be balanced against the potential limitations in the scope of protection that will thereby be achieved, particularly for U.S. trademark owners.

*   *   *   *

If you have any questions about the subject matter of this memorandum or issues related to trademark or other intellectual property matters, please contact Kerry L. Konrad (212-455-2663; kkonrad@stblaw.com), Jennifer R. Rackoff (212-455-2733; jrackoff@stblaw.com), Alison J. Winick (212-455-2276; awinick@stblaw.com), or Philippine Dodd (212-455-2404; pdodd@stblaw.com) of the Firm's Intellectual Property practice group.

SIMPSON THACHER & BARTLETT LLP