

**The Madrid Protocol: A Centralized, Streamlined, and Cost-Effective  
Solution to the High Cost of Worldwide Trademark Protection—  
Is It Too Good To Be True?**

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Beginning November 2, 2003, U.S. trademark owners will have the opportunity to utilize a new mechanism for applying for trademark protection in foreign jurisdictions. The Madrid Protocol is a centralized international trademark system administered from Geneva, Switzerland. This system will allow U.S. trademark holders to file one trademark application with the United States Patent and Trademark Office (“USPTO”) and expand its protection into foreign jurisdictions by selecting the countries it wishes to have protection and paying an additional fee. The promise of this simplified system is expanded trademark protection at a lower cost than filing individual national applications. Many trademark owners are likely to benefit from the new system, including large brand-oriented companies that regularly file trademark applications internationally, and smaller companies who have in the past had to forgo international trademark protection because it was cost prohibitive. However, this streamlined system is not without its limitations and companies and their trademark attorneys would be wise to carefully consider these issues in light of their individual trademark protection strategies and budgets prior to adopting the Madrid Protocol approach.

**Cost Savings**

The cost savings are the result of a “hub-and-spokes” filing procedure. An applicant files a single application in one’s home country, and pays one total fee. The filing particulars are then distributed by the administrative agency in Geneva to each individual jurisdiction for review. As the initial cost of preparing and filing separate foreign trademark applications can be a significant portion of the entire cost of foreign trademark registrations, the streamlining of this process results in significant savings in foreign associate service charges, translation fees, and fees associated with the submission of Powers of Attorney and other documentation. Furthermore, there will be significant back-end savings after registration because renewal and recordation of ownership changes are handled by a single agency, and only a single request and fee are required to renew or record for all designated countries.

However, the Madrid Protocol will not eliminate many of the costs associated with obtaining trademark rights in foreign jurisdictions. The costs of trademark clearance, in fact, may increase due to the additional register that must be reviewed and the larger pool of potentially conflicting marks. In addition, when an application is refused registration in a selected jurisdiction local counsel must be retained to respond to the national trademark office. Furthermore, while the

Madrid Protocol calls for a single filing fee paid to one's home trademark office, this amount is the sum of the separate filling fees for each designated country. As each participating country sets its own fees, the filing fee under the Madrid Protocol for a particular jurisdiction may be the same as the fee for a national application in that jurisdiction.

### **Membership Coverage**

The Madrid Protocol is based on a system that has been in place for over a century in Europe but has been gaining membership worldwide for the last fifteen years. Japan, Korea and Australia all recently adopted the system, and preparations are in full swing for implementation in the United States. However, many regions are not yet well represented in the Madrid system, and this may be a significant shortfall of the system at least in the short term. For example, Canada and Mexico are at this writing not members of the Madrid system. Furthermore, although adoption of the system is gaining momentum in Asia (Japan, Korea and China have implemented the system), there are still significant gaps in coverage in the region, and a complete absence of representation in Central or South America. Nevertheless, Western and Eastern Europe are well represented, as are many countries in Africa with the unfortunate exception of South Africa.

### **Dependency**

One of the peculiarities of Madrid Protocol international registration is the dependency of the international registration on the home (or basic) application or registration. That is, if the home application or registration is amended, denied, withdrawn, or cancelled, the associated international registration is treated likewise, and rights in the designated countries are similarly affected. This "dependency" lasts for the first five years after an international registration is issued.

This is an important matter to consider when defining the scope of trademark protection. The USPTO requires a more narrow and precise description of goods and services than do most other trademark offices. For example, a provider of direct mail advertising services based in a foreign jurisdiction may be able to gain protection for "advertising and business services" from its home jurisdiction, whereas a U.S. trademark holder would be limited to "dissemination of advertising on behalf of third parties." This could be an important issue when the direct mail advertiser expands its services to provide advertisement design and consulting services. These new services are not covered by the U.S. registration, but would be covered by the foreign registration. As a result, an international registration based on a U.S. home application may provide less protection in the elected countries as compared with registrations originating elsewhere. Arguably, this puts U.S. trademark owners at a disadvantage.

The other issue related to dependency is the problem dubbed "central attack." If, during the initial five-year period of vulnerability, the home application is refused registration, successfully opposed, or successfully cancelled, the international registration in all of the elected jurisdictions is likewise cancelled. It is recognized that this is a severe result, leaving a company with no

trademark protection, so the Madrid Protocol includes a safety catch: it allows for conversion into national applications. There is a three month window from cancellation of the home application within which a trademark owner may convert its international registration into national registrations. However, doing so requires payment of the national application filing fees for each elected country (for a second time) which is an expensive endeavor.

### **Limits on Transferability**

The Madrid Protocol does not limit the assignment of the home registration, the international registration, or specific country designations, but any assignment of the international registration, or portions thereof, may only be made to a domiciliary or citizen of a Madrid system country. As a result, there is a functional limitation of alienability of the international registration which may limit a company's ability to obtain the most value from its portfolio. Nevertheless, this limit on transfers will not affect transactions between U.S. entities, and as other jurisdictions adopt the Madrid system the significance of this limitation will further diminish.

### **Timeliness**

One aspect of the Madrid Protocol which may be a distinct advantage for some, is the limited time jurisdictions are entitled to take to review an application for registration. Participating trademark offices have 18 months to make a decision whether to refuse registration. A result of this limit may be a faster registration process in some jurisdictions where a national application might take several years to complete the registration process. However, there is also some speculation that countries with slower processes may simply refuse registration without thorough examinations to avoid the time bar.

### **Conclusion**

As described above, the Madrid Protocol has its benefits and limitations. Accordingly, trademark owners are advised to analyze the mechanisms of the Madrid system in light of their particular trademark protection needs before utilizing the Madrid Protocol to achieve international trademark protection. However, for small companies for whom international trademark protection has been cost prohibitive, or for those that tend to file narrowly defined trademark applications in numerous jurisdictions, the limitations of the Madrid system may be of little consequence in light of the potential cost savings promised by the system.