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The Madrid Protocol: How it Works and Its Impact on U.S. Trademark Practice
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ESSENTIALS OF MADRID PROTOCOL PRACTICE

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This paper will discuss some of the important features of the Madrid Protocol and its relationship with the Madrid Agreement. An understanding of these aspects of the Madrid Protocol is essential to advise clients as to how the U.S. accession to the Madrid Protocol can be used to their best advantage. We will cover the following issues:

1. **The Differences between the Madrid Agreement and the Madrid Protocol**
   - **A. The Safeguard Clause – Article 9 *sexies* of the Madrid Protocol**
   - **B. Bases for an International Registration**
   - **C. Time Limits for Examiners to Issue Provisional Refusals**
   - **D. The Consequences of Central Attack**
   - **E. Fee Structure for Securing an International Registration**
2. **Maintenance of International Registrations**
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1. The Differences between the Madrid Agreement and the Madrid Protocol

In order to best appreciate the important differences between the Madrid Agreement and the Madrid Protocol, it is useful to review a short history of the development and implementation of these treaties.

The Madrid Agreement (hereinafter: "the Agreement") has been in force since 1891 and the Madrid Protocol (hereinafter: "the Protocol") has been in force since April 1, 1996 (hereinafter referred to collectively as "the Madrid system" or "the Madrid Union"); The Madrid system is managed and implemented by the World Intellectual Property Organization (WIPO) at its offices in Geneva, Switzerland. Of the 71 States that comprise the Madrid Union, 19 belong only to the Protocol, 14 belong only to the Agreement and 38 belong to both the Madrid Agreement and the Madrid Protocol, such that there are a total of 53 countries that belong to the Agreement, and 58 that belong to the Protocol. Those that belong only to the Protocol consist primarily of various EU Member States (Denmark, Finland, Greece, Ireland, Sweden United Kingdom), as well as Norway and Iceland (which are not a member of the EU) and various Asian countries that have recently joined the Madrid system, such as Australia, Japan, Singapore, South Korea and Turkey. Only a few countries still belong to only the Agreement and not the Protocol (Albania, Algeria, Azerbaijan, Bosnia-Herzegovina, Croatia, Egypt, Kyrgyzstan, Liberia, Sudan, Tajikistan, Uzbekistan, Vietnam).

All of the members of the European Union have joined the Madrid Protocol and many of the EU Member States have also joined the Agreement (Austria, Benelux, France, Germany, Italy, Portugal, Spain). Interestingly, the only jurisdictions in North and South America that have so far implemented the Madrid system are Antigua and Barbuda (the Protocol only) and Cuba (both the Agreement and Protocol), although it is anticipated that the Netherlands Antilles will join soon. Accordingly, once the U.S. implements the Madrid Protocol, it will be only the third country in the Western hemisphere to have joined the Madrid system; neither Canada nor any of the Latin American countries have joined. A list of those countries that have implemented either the Agreement, the Protocol or both are set out in Appendix A.

Any country that is a party to the Paris Convention may join the Madrid Agreement. Any country that is party to the Paris Convention as well as any recognized intergovernmental organization (such as the Office for Harmonization in the Internal Market (OHIM), the EU entity that governs the Community Trademark (CTM) Regulation) may join the Madrid Protocol.[1] It is anticipated that once the U.S. fully implements the Madrid Protocol, which is currently scheduled to occur in November 2003, many other countries that have not yet joined the Madrid system may begin to do so.

It is important to understand which countries belong to the Madrid system in order to determine who is eligible to apply for an international registration (IR). Under both the Agreement and the Protocol, only an individual or legal entity that (a) is domiciled in or (b) has a real and effective industrial or commercial establishment or (c) is a national of a country that belongs to the Madrid Union (i.e. a “Contracting Party”) may apply for or own an international registration. At the present time, that is June 2003, the U.S. does not belong. So U.S. companies in effect can not participate in the Madrid system, unless they have a real and effective industrial or commercial establishment or domicile in a jurisdiction that is a Contracting Party to the Madrid Union. Most U.S. companies do not have a real and effective industrial or commercial establishment in other jurisdictions since such a presence can often subject a company to taxes in the foreign jurisdiction; instead U.S. companies tend to operate abroad through the vehicle of wholly-owned or

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[1] See Article 14 (1) (a) of the Madrid Protocol. The Office for Harmonization in the Internal Market (OHIM), the EU entity that supervises the CTM Registration system, is still negotiating with WIPO the terms of the EU’s accession to the Madrid Protocol. The draft proposal for accession is posted on their web site (www.oami.eu.int). At the present time, the accession of the EU itself to the Madrid Protocol is the subject of much debate among the EU Member States, primarily over language issues, and it is difficult to say how long it will take to successfully resolve these issues. For purposes of our discussion, it should be understood that the EU has not yet acceded to the Madrid Protocol and therefore (1) a CTM registration or application cannot be relied upon as the basis for requesting an international registration, and (2) an International Registration cannot be extended to the EU itself (although it can be extended to various EU Member States individually).

controlled subsidiaries, which are separate legal entities. Such subsidiaries can themselves apply for or own international registrations in their own names as long as they are domiciled in, are nationals of, or have a real and effective industrial or commercial establishment in a Contracting Party country, but most U.S. companies prefer to unify the ownership of their trademark registrations in the name of the U.S. parent company rather than their foreign subsidiaries. It is generally accepted that a subsidiary or affiliate of a U.S. company, which is a distinct legal entity, does not qualify as a real and effective industrial or commercial establishment sufficient to permit the U.S. company to participate in the Madrid system, but that the local presence in a Contracting Party state of a branch or division that is not a distinct legal entity would enable such a U.S. company to participate in the Madrid system through its branch or division. There is little if any case law on this issue however, as it has not come up very often; further, each Madrid Contracting Party state can decide this issue on its own so prior cases in a given jurisdiction would not necessarily be relevant in another jurisdiction.

It is also important to understand which countries belong to just the Agreement, just the Protocol, or both in order to identify those jurisdictions to which extensions of protection can be requested for a given international registration. In short, it all depends upon whether the applicant's country of origin for its international registration belongs to the Agreement, the Protocol, or both as follows:

A. If the applicant's country of origin belongs only to the Agreement, then the applicant can extend its international registration only to Agreement countries.

B. If the applicant's country of origin belongs only to the Protocol, then the applicant can extend its international registration only to Protocol countries.

C. If the applicant's country of origin belongs to BOTH the Agreement and the Protocol, then the applicant can extend its international registration to ALL Contracting Party states of the Madrid Union.

There are five essential differences between the Madrid Agreement and the Madrid Protocol, as follows: (a) the Safeguard Clause set out in Article 9 *sexies* of the Madrid Protocol; (b) the differing bases upon which an application for an international registration can be filed under the Agreement and the Protocol; (c) the differing time limits for the Examiners in the extension countries to raise objections under the Agreement and the Protocol; (d) the different consequences that ensue if an international registration is invalidated due to central attack; and (e) the differing fee structure for securing international registrations under the Agreement and the Protocol.

A. The Safeguard Clause – Article 9 *sexies* of the Madrid Protocol

The most important difference between the Agreement and the Protocol is the safeguard clause set out in Article 9 of the Madrid Protocol. As noted above, the U.S. and several other commercially important jurisdictions never joined the Madrid Agreement, primarily because they viewed various provisions of the Agreement as incompatible with their national filing systems. In the 1980's, WIPO initiated negotiations with the U.S. and other countries to develop a protocol to the existing Madrid Agreement that would change those features of the existing system that were most objectionable to entice the U.S. and other countries to join the Madrid Union. The negotiations took place over the course of several years, and by 1989, the text of the Madrid Protocol was finalized. The Madrid Protocol later came into force on April 1, 1996 after at least four countries deposited their accession to the Protocol with WIPO.

However, in the course of the negotiations to develop the Madrid Protocol, several existing members of the Madrid Agreement, primarily various EU Member States such as Austria, Benelux, France, Germany, Italy, Portugal, Spain, who had been satisfactorily using the Madrid Agreement became eager to ensure that the changes being made to entice new member states such as the U.S. did not require them to make changes to the Madrid Agreement system that had been working so well for them for almost 100 years. It is for this reason that the Madrid Protocol included a safeguard clause, Article 9 *sexies*. This Article provides that if a country has joined both the Madrid Agreement and the Madrid Protocol, then the provisions of the Madrid Protocol shall have no effect in that country vis-à-vis any extensions of protection that are derived from IRs whose basic applications or registrations come from those countries that also belong to both the Madrid Agreement and the Madrid Protocol; in other words, for those countries that belong to both the Agreement and the Protocol, the rules of the Agreement trump the rules of the Protocol and it is the Agreement's provisions that will be followed.

B. Bases for an International Registration

Under the Madrid Agreement, a trademark must have been registered in the applicant's "country of origin"[2] and it is that "country of origin" or home-country registration that is the basis for an application for an international registration (IR); conceptually, the international registration in essence extends the protection of the "country of origin" registration to those Contracting Party countries specified in the international registration. This provision worked very well for those countries where trademark applications were not examined for prior third-party rights (such as Germany, Austria, Italy) or where they were not examined at all (such as Benelux and France prior to the 1990's). However, those jurisdictions such as the U.S., the U.K. and others that had more extensive examination systems concluded that they would be disadvantaged if they participated in such a system as it took relatively longer for their nationals to secure registrations in their country of origin.

For this reason, the Madrid Protocol provides that an application for an international registration can be filed on the basis of either a registration or an application in one's country of origin. See Article 2 (1) of the Protocol. This essentially puts applicants from jurisdictions with more extensive examination systems on a more equal footing with applicants from those jurisdictions with less rigorous examination systems or mere

[2] As discussed above, the "country of origin" is defined as those jurisdictions where the applicant has a domicile, or a real and effective commercial establishment, or is a national. See Article 1 (3) of the Agreement and Article 2 (1) of the Protocol.

deposit systems. Accordingly, under the Madrid Protocol, an applicant can secure an international registration that extends protection to all of the Protocol member states even if the basic application in the applicant's country of origin is still pending. Simply, the Madrid Protocol affords such applicants the ability to secure extensions of protection (that are equivalent to national registrations) in the other Madrid Protocol Contracting Party states before their pending application in their home country has been accepted or even examined. However, the validity of international registrations secured on this basis will remain dependent upon the validity of the basic application for the first five years from the issuance of the international registration as discussed further below.

Again, it is important to understand the implications of the Safeguard Clause when determining the bases available for filing an application for an international registration. If the applicant is a U.S. individual or legal entity, then it can base its application for an international registration upon one or more of its U.S. application(s) or registration(s), as the U.S. will have joined the Madrid Protocol only. However, if the applicant's country of origin is a jurisdiction that has joined only the Madrid Agreement, or the Madrid Agreement and the Madrid Protocol, then it must wait until has obtained a registration in its country of origin before it can request extensions of protection to other jurisdictions that themselves have joined either the Agreement alone or the Agreement and the Protocol. Accordingly, if an application for an international registration is governed by both the Agreement and the Protocol, it means that the Agreement governs the extensions of protection to countries that belong to both, and that the Protocol governs only those extensions or protection to countries that belong to the Protocol only.

<u>Example</u>: If the applicant's country of origin is France, which belongs to both the Agreement and the Protocol, and the applicant wants to request extensions of protection to Benelux, Spain, Sweden and the U.K., then the rules of the Agreement govern the extensions of protection to Benelux and Spain, which belong to both the Agreement and the Protocol, while the rules of the Protocol govern the extensions of protection to Great Britain and Sweden, as they belong only to the Protocol.

Therefore, the French entity can file an application for an international registration on the basis of its pending French application, but it can only request extension of protection to Sweden and the U.K at the outset. It must wait until its French application issues to registration before it can request extensions of protection to Benelux and Spain or any other Madrid Agreement countries. Accordingly, it has two options: (1) it could wait until its French application issues to registration, and then file an international application requesting extensions of protection to all four countries; or (2) it could file an international application based on its French application, requesting extensions of protection to Sweden and the U.K.; then, after its French application had issued to registration, it could file a request for extensions of protection to Benelux and Spain; such later-requested extensions of protection are called "Subsequent Designations" under the Madrid system.

C. Time Limits for Examiners to Issue Provisional Refusals

Again, because the Madrid Protocol was developed to attract jurisdictions that had more extensive examination systems, the Protocol extends the length of time during which the extensions of protection can be examined and provisionally refused. It is important to note that extensions of protection requested in Contracting Party countries become effective as of the date of registration initially assigned to the IR by WIPO, although any Subsequent Designations to additional jurisdictions become effective as of the date they are requested.[3]

Once WIPO issues an international registration, it immediately notifies the Registrars of the countries designated in the IR that extensions of protection have been requested. Pursuant to Article 5 of both the Agreement and the Protocol, the Registrars in the relevant Contracting Party countries, then have the opportunity to examine the request for extension of protection and to issue what is called a "provisional refusal" or "final refusal" setting out any grounds of objection the Registrar may have. Such "provisional refusals" are analogous to the office actions that would have issued had the applicant filed a national application in that country rather than a Request for extension of protection by means of an international registration; a "final refusal" is analogous to a final rejection of a national application. Both the Agreement and the Protocol provide that any refusal must be based on grounds that would be permissible under the Paris Convention, but as WIPO has no authority to enforce this requirement, in practice the Registrars can issue provisional refusals on whatever grounds they please, although typically such objections are limited to either prior-third party rights or so-called absolute grounds of refusal such as distinctiveness, immorality, similarity to a nationally-protected symbol and the like.

Once a provisional refusal is issued, the Registrar forwards the provisional refusal with a statement of grounds to WIPO, which then forwards it to the trademark office in the office of origin, and to the owner of the mark or its agent if WIPO has that information. It is then up to the owner of the mark to respond directly to the Registrar that has issued the provisional refusal. In such circumstances, the trademark owner is typically required to engage the services of local trademark counsel who can communicate with the

[3] See Article 4 (1) of the Agreement and Article 4 (1)(a) of the Protocol. However, the slightly different language of these two provisions suggests that while extensions of protection under the Agreement may be immediately effective, extensions of protection secured under the Protocol are provisional until the refusal periods set out in Article 5 (1) and 5 (2) have passed without an objection having been raised. Indeed, it is common for Examiners in certain Protocol countries to conduct their examination of a request for extension of protection and then, if they have no objection, assign it a date of grant, which reflects the date upon which the request for extension of protection will be deemed to have been "registered" in their country. Although the extension of protection will enjoy a priority dating back to either the registration date of the International Registration, or earlier if the IR carries a valid Convention Priority claim, it does not enjoy the benefits afforded to national registrations in a given Protocol country until the request for extension of protection has been examined and granted by the local Registrar. While some local Registrars note this date of grant in their own records, they do not always notify this date to WIPO; accordingly, interested third parties typically must contact the local Registrar directly, often through local counsel, to check and see whether a given request for extension of protection has yet been examined or granted.

Registrar in its own language and who is sufficiently familiar with the local practice to file a suitable response to the objections raised. At that point, the Registrar may accept the response as sufficient to overcome the objections and notify WIPO that the provisional refusal has been withdrawn, or the Registrar may issue a final refusal. Once a final decision is reached, the Registrar typically notifies WIPO, and WIPO then records and publishes the result.

Under the Agreement, the Registrar has only 12 months to make a final determination so it is common for provisional refusals to issue fairly quickly, thereby affording the trademark owner the opportunity to file a response with the Registrar in the hope that the refusal will be withdrawn. Under the Protocol, the Registrar of a Contracting Party has either 12 months or 18 months to examine a request for extension depending upon whether, at the time it acceded to the Protocol, the Contracting Party elected the 18 month term;[4] most countries that have joined the Protocol, including the U.S., have elected the 18-month term. Further, under the Protocol, the Registrars in those countries whose extensions of protection will be governed by the rules of the Protocol, can issue a refusal even after the expiration of the 18-month term if such refusal is based on a third-party opposition.[5] Either way, the 12-month and 18-month time limits apply, that is the Registrar is obligated to notify WIPO within a certain time limit as to whether it accepts or refuses the extension of protection requested. If the Registrar does not notify its objections to WIPO within the proper time limits, they in essence lose the right to do so. WIPO will not record any objections notified to it beyond the proper deadlines. However, since an extension of protection must ultimately be enforced in the given country to which it extends, as a practical matter, the trademark owner has little recourse if a Registrar in a given country were to issue a late refusal. Fortunately, this does not happen very often, if at all, in most Contracting Party states.

If these dates pass without any objection, then the mark is deemed registered in all of the countries to which it has been extended as of the date of the international registration (or, for Subsequent Designations, as of the date they are received by WIPO). It is treated the same as a national registration would be treated in that country. Under the Protocol, this is true even if the basic application in the country of origin has not yet issued to registration. In short, an international registration is like a bundle of national registrations.

D. The Consequences of Central Attack

Under Article 6 of the Madrid system an international registration remains in effect for 20 years under the Madrid Agreement and for 10 years under the Madrid Protocol, at which

[4] See Article 5 (b) of the Protocol.

[5] See Article 5 (c) of the Protocol. However, the Registrar must have notified WIPO, before the expiration of the 18-month term, of the possibility of such oppositions. Further, the notification of refusal based on an opposition must be made no more than seven months after the opposition period begins or one month after it closes, whichever is earlier.

times it must be renewed to remain in effect.[6] However, for a period of five years from the date of the international registration, the IR's validity remains dependent upon the basic application(s) or registration(s) in the applicant's country of origin. This is commonly referred to as the "dependency period". If the IR's basic application(s) or registration(s) cease to have effect, in whole or in part, whether due to an objection by the Examiner in the country of origin, or due to a successful opposition or cancellation action, or due to voluntary withdrawal or abandonment by the trademark owner, then the international registration, including all of its attendant extensions of protection to the countries specified, will no longer be valid. Even if the invalidation of the basic application(s) or registration(s) in the country of origin occurs after the expiration of the five-year dependency period, the international registration and its attendant extensions of protection will still be invalidated if the "action" that resulted in the final decision of rejection, revocation, cancellation or invalidation commenced prior to the expiration of the five-year dependency period.[7] This is what is known under the Madrid system as the "central attack" provision.

Here again there is an important difference between the Madrid Agreement and the Madrid Protocol. Under the Madrid Agreement, if your basic registration is invalidated,

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[6] See Article 6 (1) and Article 7 of the Protocol and the Agreement for the Renewal provisions.

[7] See Article 6 (2) and 6 (3) of the Madrid Protocol. Article 6 (2): Upon expiry of a period of five years from the date of the international registration, such registration shall become independent of the basic application or the registration resulting therefrom, or of the basic registration, as the case may be, subject to the following provisions.

Article 6 (3): The protection resulting from the international registration, whether or not it has been the subject of a transfer, may no longer be invoked if, before the expiry of five years from the date of the international registration, the basic application or the registration resulting therefrom, or the basic registration, as the case may be, has been withdrawn, has lapsed, has been renounced or has been the subject of a final decision of rejection, revocation, cancellation or invalidation, in respect of all or some of the goods and services listed in the international registration. The same applies if

(i) an appeal against a decision refusing the effects of the basic application,

(ii) an action requesting the withdrawal of the basic application or the revocation, cancellation or invalidation of the registration resulting from the basic application or of the basic registration, or

(iii) an opposition to the basic application

results, after the expiry of the five-year period, in a final decision of rejection, revocation, cancellation or invalidation, or ordering the withdrawal, of the basic application, or the registration resulting therefrom, or the basic registration, as the case may be, provided that such appeal, action or opposition had begun before the expiry of the said period. The same also applies if the basic application is withdrawn, or the registration resulting from the basic application or the basic registration is renounced, after the expiry of the five-year period, provided that, at the time of the withdrawal or renunciation, the said application or registration was the subject of a proceeding referred to in item (i), (ii), or (iii) and that such proceeding had begun before the expiry of the said period.

in whole or in part, within the five-year period, then the entire IR and its attendant extensions of protection are invalidated entirely and irrevocably. The trademark owner's only recourse is to try again or, if it is reliably blocked from securing a home country registration, to file national applications in each of the relevant countries that had formerly been covered by its invalidated international registration. Furthermore, in starting over, it loses the priority date afforded by its now invalidated international registration

By contrast, under Article 9 *quinquies* of the Madrid Protocol[8], the owner of the invalidated international registration retains the right to refile national trademark applications in those designated jurisdictions where its IR formerly provided coverage, while retaining the priority date of the invalidated international registration as long as such a request is made with the local Registrars in the relevant countries within three months of the date of invalidation of the international registration and the relevant fees for the national filings are paid to the local Registrar. This is referred to as "transformation" of the IR into national applications. This provision of the Madrid Protocol was designed to ameliorate the draconian effect of central attack and was necessary to entice countries like the U.S., where it is more difficult to secure a registration in the face of prior third-party rights, to join the Madrid system.

However, it must be noted that the "transformation" option is only available for those extensions of protection in the invalidated IR that were governed by the rules of the Protocol; those extensions of protection that were governed by the Agreement are still invalidated irrevocably when the international registration fails, and cannot be refiled as national applications while retaining the priority date of the invalidated IR; instead, the trademark owner who still wants to secure protection in those countries must simply file national applications, for which their new filing date would be the date of priority.

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[8] Article 9 *quinquies* of the Madrid Protocol provides as follows: Where, in the event that the international registration is cancelled at the request of the Office of origin under Article 6 (4), in respect of all or some of the goods and services listed in the said registration, the person who was the holder of the international registration files an application for the registration of the same mark with the Office of any of the Contracting Parties in the territory of which the international registration had effect, that application shall be treated as if it had been filed on the date of the international registration according to Article 3 (4) or on the date of recordal of the territorial extension according to Article 3*ter* (2) and, if the international registration enjoyed priority, shall enjoy the same priority, provided that

(i) such application is filed within three months from the date on which the international registration was cancelled

(ii) the goods and services listed in the application are in fact covered by the list of goods and services contained in the international registration in respect of the Contracting Party concerned, and

(iii) such application complies with all the requirements of the applicable law, including the requirements concerning fees.

So, in the example given above, if the international registration were to be invalidated within the first five years of its registration due to the invalidity of the basic French registration, the extensions to Benelux and Spain would be invalidated irrevocably, as the rules of the Agreement govern those extensions of protection, while the extensions or protection to the U.K. and Sweden could be refiled as national applications in those countries retaining the priority date that had been enjoyed by the invalidated international registration, as long as such applications were filed within the three-month term and the filing fees are paid.

While the transformation option provided by the Madrid Protocol helps to alleviate the draconian result of the failure of the IR, it is better to avoid this situation altogether if possible, as it involves considerable additional expense to have paid the fees for both the international registration and the refiled national applications, and considerable additional risk to endure the attendant uncertainty in one's previously-secured rights until the "transformed" applications are examined and granted. Each jurisdiction can decide for itself whether and the extent to which it will re-examine the "transformed" national applications, republish them for opposition, and the fees to be charged. For this reason, it is advisable to make a realistic assessment of the reliability of one's basic application(s) or registration(s) in one's country of origin before using them as a basis to secure an international registration.

However, if the invalidity, in whole or in part, of the basic application(s) or registration(s) occurs after the five year dependency period has expired and is not based on a legal action that commenced before the expiration of the five year period, then the international registration has become independent of the basic application(s) or registration(s) and is no longer affected in any way by their validity. In other words, after five years, the international registration becomes independent of the "country of origin" application(s) and registration(s), and any one who wants to attack the international registration must do so by challenging each extension of protection obtained through the IR on a country-by-country basis, which can be expensive and unpredictable for the challenger.

For this reason, if one is reviewing a search report and one comes across an international registration that poses a serious obstacle, one should consider whether it is still in the dependency period, and if so, whether there is a valid basis to effectively challenge the IR's basic application(s) or registration(s) in the country or origin. If one can find such a weakness, then one can invalidate the entire IR easily and with relatively little expense, as discussed above. The extensions of protection governed by the Agreement will be invalidated irrevocably, while the extensions of protection governed by the Protocol could be transformed into national applications that would nevertheless retain the priority date of the invalidated IR, and thus could continue to constitute an obstacle. Despite this more forgiving feature of the Protocol, this approach would still compel the owner of the invalidated IR to file "transformed" national applications where possible, which would involve considerable additional expense as well as a period of uncertainty while its "transformed" national applications were re-examined and republished for opposition in the relevant jurisdictions, where the interested party would nevertheless have perhaps yet another opportunity to challenge them.

E. Fee Structure for Securing an International Registration

There are four components to the fees charged by WIPO under the Madrid system: a basic fee for the IR itself; a complementary fee for each Contracting Party state designated that has no individual fee; an individual fee for those "Protocol" Contracting Party states that require it (but the individual fee can not be higher than what the Contracting Party state charges to file a national application); and a supplementary fee for all classes beyond the first three classes. Under both the Agreement and the Protocol, a basic fee of approximately U.S. $500[9] is charged by WIPO for securing the international registration itself, with an additional fee of U.S. $200 for a color mark. This fee covers up to three classes. Under the Agreement, if the IR will cover more than three classes, an additional supplementary fee of U.S. $55/class is charged for each additional class, and there is a further complementary fee of U.S. $55 for each country designated. Under the Protocol, for those countries that have not elected to receive an "individual fee", WIPO again charges a supplementary fee of U.S. $55/class for each additional class (which covers that class in all non-individual fee jurisdictions), and a complementary fee of U.S. $55 for each additional non-individual fee country. However, the added complication under the Protocol is that those countries which elect to do so, and many including the U.S. have done this, can instead require that an individual fee be paid to secure an extension of protection in their jurisdiction. The "individual fees" vary widely and tend to encompass both the complementary and supplementary fee in that each country charges a certain fee for the first class and then an additional fee for each additional class.[10]

Under the Madrid Agreement, the local Registrars typically do not receive a fee for each extension of protection that is commensurate with the fees it would have received if the applicant had instead filed national applications. As a result, it appears that this difference in fee structure has resulted in a situation where Madrid Union extensions of protection tend to be examined less rigorously than national applications in certain Madrid Union countries. Madrid Union extensions of protection are also less likely to be published locally for opposition because the complementary fee does not cover such costs, including translation of the particulars of the application into the local language; instead, some jurisdictions rely upon the publication of the IR in the WIPO Official Gazette, <u>Les Marques Internationale</u>, to give notice to any interested third-parties who may want to oppose.

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[9] All fees are approximate and are quoted in U.S. Dollars at current exchange rates (April 2003), although WIPO charges its fees in Swiss francs. Further the fees quoted above refer to those charged by WIPO and do not include any fees that will be charged by the Office of Origin to forward an application for an international registration to WIPO.

[10] For a brief chart of those countries that charge individual fees and the approximate amounts of those fees at current exchange rates (April 2003), see Appendix B.

In short, using the Madrid system to secure international trademark protection can in the proper circumstances result in considerable cost savings for the trademark owner. However, the fees for securing an IR under the Agreement are less expensive and easier to calculate than the fees under the Protocol.[11]

2. Maintenance of International Registrations

There are a few key issues to keep in mind when instructing renewals or assignments of international registrations.

A. Renewal Issues

The terms of international registrations secured under the Madrid Union are set out in Articles 6 (1) of the Madrid Agreement and the Madrid Protocol, and the renewal provisions are set out in Article 7. Six months prior to the expiration of the international registration, WIPO sends an unofficial notice to the trademark owner as a reminder that the IR is due for renewal. An IR can also be renewed within six months after the renewal date upon payment of an additional fee. The IR can be renewed for some or all of the classes specified and for some or all of the countries designated.

It is important to note that the renewal becomes effective as of the date that it was due, that is as of the expiration date of the IR, while subsequent designations of protection become effective on the date they are received by WIPO. This difference in treatment can have significant consequences for the unwary in certain circumstances. Specifically, it is common for trademark owners to request subsequent designations to additional countries at the time that they instruct WIPO to renew the IR. However, if these requests are transmitted simultaneously, for example, two months before the IR is due for renewal, then the subsequent designations will become effective upon receipt by WIPO and the renewal will become effective two months later when it was due. This means that the subsequent designations of protection would only be in effect for two months before they would have to be renewed, in effect requiring the trademark owner to incur substantial additional costs to retain coverage in these additional countries recently designated! To avoid this adverse outcome, WIPO has added Rule 24 (6) (d) to the Common Regulations, which enables the trademark owner to request that the subsequent designations filed at the time of renewal do not become effective before the renewal date, resulting in a clear cost savings for the trademark owner.

B. Assignment Issues

As for assignments, the provisions are set out in Article 9 of the Protocol and Rule 25 of the Common Regulations. An IR can be assigned for some or all of the classes specified and for some or all of the countries designated. One key point to bear in mind here is that

[11] For ease in determining the fees for a given IR, the WIPO web site provides a fee calculator, which can be located at: http://www.wipo.int/madrid/feecalc/FirstStep

the assignee must be entitled to use the Madrid system if it wants to be recorded as the owner of the IR. The same eligibility rules set out above for securing an international registration apply here as well. So, for example, U.S. trademark owners can only own an IR with extensions of protection to Contracting Party states that belong to either the Protocol only or both the Protocol and the Agreement; any extensions of protection to those 14 Contracting Party states that belong to the Agreement only can not be owned by a U.S. entity, as the U.S. will have joined only the Protocol. The single exception here would be if the U.S. entity were domiciled in, had a real and effective industrial or commercial establishment in, or were a national of one of those 14 Contracting Party states belong to the Agreement only, which is probably unlikely; in that circumstance, then the U.S. entity could take an assignment of even the extensions of protection to the Contracting Party states that belong to the Agreement only.

If an assignment of an IR were made to an entity that was not entitled to own it under the rules of the Madrid system, the IR would in essence be in limbo as WIPO would not make the recordal necessary to transfer the ownership of the IR to the assignee, even though a deed of assignment may have been executed that in effect did transfer beneficial ownership of the IR to the assignee. In short, this is a situation to be avoided by carefully examining those IRs that will be acquired in any given transaction and revising the deeds of assignment and related conveyances accordingly.

The second key point is that WIPO will record an assignment that it receives from trademark office in a Contracting Party state, whether that office is located in the Assignor's home country or the Assignee's home country. Alternatively, a request to record the assignment can be filed directly with WIPO by the Assignor, but not by the Assignee, as WIPO has no relationship with the Assignee vis-à-vis the IR being assigned. Instead, if the assignee wants to record the assignment, it must make a request with the trademark office in the Contracting Party state of the Assignor's or Assignee's home country, and then that the trademark office (referred to as the Office of Origin in the Madrid system), then forwards the request to WIPO to record the assignment. This is important to bear in mind as many transactions require the assignee, which tends to have the greater interest having just paid to acquire these assets, to take responsibility for the recording assignments.

APPENDIX A

MEMBERS OF THE MADRID UNION

(Page 1 of 2)

Member Country	Madrid Agreement	Madrid Protocol	Individual Country Fees	CTM Members
Albania	X			
Algeria	X			
Antigua and Barbuda		X		
Armenia	X	X	X (1)[1]	
Australia		X	X (1)	
Austria	X	X		X
Azerbaijan	X			
Belarus	X	X		
Belgium	X	X	X (3)	X
Bhutan	X	X		
Bosnia-Herzegovina	X		X (1)	
Bulgaria	X	X	X (1)	
China	X	X		
Croatia	X			
Cuba	X	X		
Cyprus				As of 1/1/04
Czech Republic	X	X		As of 1/1/04
Denmark		X	X (3)	X
Egypt	X			
Estonia		X	X (1)	
Finland		X	X (3)	X
France	X	X		X
Georgia		X	X (1)	
Germany	X	X		X
Greece		X	X (1)	X
Hungary	X	X		As of 1/1/04
Iceland		X	X (1)	
Ireland		X	X (1)	X
Italy	X	X	X (1)	X
Japan		X	X (1)	
Kazakhstan	X	X		
Kenya	X	X		
Korea, Dem. People's Rep. Of (North Korea)	X	X		
Kyrgyzstan	X			
Latvia	X	X		As of 1/1/04
Lesotho	X	X		

[1] Designates number of classes covered by the individual fee; additional classes are charged a further fee.

MEMBERS OF THE MADRID UNION

(Page 2 of 2)

Member Country	**Madrid Agreement**	**Madrid Protocol**	**Individual Country Fees**	**CTM Members**
Liberia	X			
Liechtenstein	X	X		
Lithuania		X		As of 1/1/04
Luxembourg	X	X	X (3)	X
Macedonia, Fmr. Yugoslav Rep.	X	X		As of 1/1/04
Malta				As of 1/1/04
Moldova, Republic of	X	X		
Monaco	X	X		
Mongolia	X	X		
Morocco	X	X		
Mozambique	X	X		
Netherlands	X	X	X (3)	X
Norway		X	X (1)	
Poland	X	X		As of 1/1/04
Portugal	X	X		X
Republic of Korea (South Korea)		4/10/2003		
Romania	X	X		
Russian Federation	X	X		
San Marino	X			
Serbia and Montenegro				
Sierra Leone	X	X		
Singapore		X	X (1)	
Slovakia	X	X		As of 1/1/04
Slovenia	X	X		As of 1/1/04
Spain	X	X		X
Sudan	X			
Swaziland	X	X		
Sweden		X	X (1)	X
Switzerland	X	X	X (2)	
Tajikistan	X			
Turkey		X		
Turkmenistan		X	X (1)	
Ukraine	X	X		
United Kingdom		X	X (1)	X
Uzbekistan	X			
Vietnam	X			
Zambia		X		

APPENDIX B

INDIVIDUAL FEES

1. The following amounts of individual fees in Swiss francs must be paid when the Contracting Parties mentioned below are designated **under the Protocol** in the international application or in a designation subsequent to international registration.

		Swiss francs	*U.S. $*
Armenia	for one class	258	191
	for each additional class	26	19
Australia	for one class	397	293
	for each additional class	397	293
Benelux	for one class	189 (201[#])	140 (148)
	for each additional class	17 (19[#])	13 (14)
	Where the mark is a collective mark:		
	for three classes	269 (286[#])	199 (211)
	for each additional class	17 (19[#])	13 (14)
Bulgaria	for one class	251	185
	for each additional class	15	11
	Where the mark is a collective or certification mark:		
	for one class	502	371
	for each additional class	30	22
China	for one class	345	255
	for each additional class	172	127
	Where the mark is a collective mark:		
	for one class	1036	765
	for each additional class	518	383
Denmark	for three classes	487	360
	for each additional class	124	92
Estonia	for one class	291	215
	for each additional class	104	77
	Where the mark is a collective mark:	364	269
	for each additional class	104	77
Finland	for three classes	236	174
	for each additional class	88	65
	Where the mark is a collective mark:		

[#] With effect from January 24, 2003.

Complementary fee 74.00 fr □ $50 (currency conversion as of April 1, 2003).

		Swiss francs	*U.S. $*
	for three classes	340	251
	for each additional class	88	65
Georgia	for one class	285	211
	for each additional class	113	83
Greece	for one class	94	69
	for each additional class	23	17
Iceland	for one class	226	167
	for each additional class	48	35
	Where the mark is a collective mark:		
	for one class	274	202
	for each additional class	48	35
Ireland	for one class	372	274
	for each additional class	106	78
Italy	for one class	112	83
	for each additional class	37	27
	Where the mark is a collective mark, independent of the number of classes	373	275
Japan	for one class	1139	841
	- first part	263	194
	- second part	876	647
	for each additional class	1075	794
	- first part	199	147
	- second part	876	647
Norway	for one class	300	222
	for each additional class	120	89
Singapore	for one class	230	170
	for each additional class	230	170
Sweden	for one class	198	146
	for each additional class	82	61
	additional fee where the mark consists of or contains figurative elements or special characters	33	24
Switzerland	for two classes	600	443
	for each additional class	50	37
Turkmenistan	for one class	320	236
	for each additional class	160	118
United Kingdom	for one class	454	335
	for each additional class	126	93

2. The following amounts of individual fees in Swiss francs must be paid in respect of the renewal of an international registration in which the Contracting parties mentioned below have been designated **under the Protocol**.

		Swiss francs	*U.S. $*
Armenia	for one class	258	191
	for each additional class	26	19
Australia	for one class	265	196
	for each additional class	265	196
Benelux	for three classes	309 (329#)	228 (243)
	for each additional class	55 (59#)	41 (44)
	Where the mark is a collective mark:		
	for three classes	563 (599#)	416 (443)
	for each additional class	55 (59#)	41 (44)
Bulgaria	independent of the number of classes *where the mark is a collective mark*:	196	145
	independent of the number of classes	392	290
China	for one class	690	510
	for each additional class	345	255
Denmark	for three classes	487	360
	for each additional class	124	92
Estonia	independent of the number of classes *where the mark is a collective mark*:	291	215
	independent of the number of classes	364	269
Finland	for three classes	266	197
	for each additional class	140	103
	Where the mark is a collective mark:		
	for three classes	384	284
	for each additional class	140	103
Georgia	for one class	285	211
	for each additional class	113	84
Greece	for one class	94	69
	for each additional class	23	17
Iceland	for one class	226	167
	for each additional class	48	35
Ireland	for one class	380	281

With effect January 24, 2003.

		Swiss francs	U.S. $
	for each additional class	190	140
Italy	for one class	75	55
	for each additional class	37	27
	Where the mark is a collective mark:		
	independent of the number of classes	224	165
Japan	for each class	2005	1480
Norway	for one class	250	185
	for each additional class	120	89
Singapore	for one class	162	120
	for each additional class	162	120
Sweden	for one class	198	146
	for each additional class	82	61
Switzerland	for two classes	600	443
	for each additional class	50	37
Turkmenistan	for one class	320	236
	for each additional class	160	118
United Kingdom	for one class	504	372
	for each additional class	126	93

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