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Madrid System and Indian Trade Mark Owners

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A Trade mark can be protected by registration in a foreign jurisdiction in three ways: (i) registration at national trade mark office (ii) registration at regional trade mark office if the country is part of that regional set up and (iii) international registration of trade mark. The registrations of a mark at national and regional trade mark offices are acceptable options in case of management of a limited trade mark portfolio. However it may not be the case when the contours of a portfolio are broader than that of national and regional registrations. This calls for the usage of Madrid system which provides for international registration of marks. A single filing of application under the system helps the trademark owners to expand the contours of protection in a cost effective manner. India is not yet a party to the system. This article proposes a strategy which shall help the Indian Trade mark owners of other non member countries to effectively use the system.

1. Introduction

A trade mark is any distinctive element such as words, letters, numerals, drawings, pictures, shapes, colours, labels or any of their combination which helps the consumer in distinguishing the goods and services of one from that of another. The source identifying function of the mark makes it a valuable asset of any company.

A salubrious trade mark portfolio which includes an effective strategy for protection is an indispensable factor for raising the potency of a mark.¹ For instance, success of

marks such as "Coca Cola" valued at \$ 67 billion, "Microsoft" at \$ 61 billion, "IBM" at \$54 billion, "GE" at \$44 billion and "Intel" at \$33 billion can inter alia be ascribed to their vibrant trade mark portfolios.² The mark "Ford" inter alia helped the Ford Motors to withstand the winds of global economic crisis.³ This shows the significance of maintaining a credible and effective trade mark portfolio which shall essentially include a strategy for protecting the mark.

The IP laws differ in each jurisdiction in terms of registration process, legal

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1 The potency of a mark is determined by myriad factors which include quality of the product, customer satisfaction, endurance of mark etc.

2 Xuan-Thao N. Nguyen, Holding Intellectual Property, 39 Ga. L. Rev. 1155 (2005).

3 The "mortgage" strategy adopted by Ford Motors which included mortgaging the mark "Ford" helped the company to raise \$ 23 billion to place itself in a comparatively much better position than that of GM motors and Chrysler in the ongoing economic crisis. Andrew Clark, How Ford got ahead of rivals, Business Line, 12th May, 2009 at P. 9.

protection and enforcement.⁴ The registration of a mark is mandatory under civil law for claiming protection. Unlike civil law, common law protects a mark from misappropriation and unauthorised use under tort of passing off.⁵ Prior use is generally sufficient in common law for claiming rights over a given mark. However, registration is mandatory for claiming infringement rights.

A trade mark can be protected by registration in a foreign jurisdiction in three ways:

- (i) registration at national trade mark office
- (ii) registration at regional trade mark office if the foreign country is part of that regional set up
- (iii) international registration of trade mark.

The registrations of a mark at national and regional trade mark offices are acceptable options in case of management of a limited trade mark portfolio. However, it may not be the case when the contours of a portfolio are broader than that of national and regional registrations. Such registrations may create difficulties for trade mark owners in both administration and management of the portfolio. This calls for the usage of Madrid System which provides for international registration of marks i.e. protection of marks in several countries by filing one single international application.

The System is governed by two treaties: the "Madrid Agreement Concerning International Registration of Marks" (hereinafter Agreement) which dates to 1891 and the "Protocol Relating to the Madrid Agreement Concerning International Registration of Marks" (hereinafter Protocol) which came into force in 1996.

The Madrid System has become a vital tool for protecting and promoting commercial interests in the globalised world. A single filing of application under the System helps the trade mark owners to expand the contours of protection in a cost-effective manner. It can effectively protect a mark from cyber squatting.⁶ Quite often, in proceedings against such infringement, the non-registration of mark in the foreign jurisdictions precludes the courts from awarding damages.

The global economic crisis has severely affected the filing and registration of trade marks. Even then, the overall activity in this sphere of intellectual property rights remained robust last year. WIPO received a record 42,075 applications under the Madrid System for registering trade marks in the targeted countries. Applicants from Germany topped the list of top filers for the 16th year, followed by France, the United States, the European Community, Switzerland, Italy, China, Japan and Russia.

4 The variation can largely be ascribed to the different legal traditions in these jurisdictions, namely common law system and the civil law system. While the common law system has largely evolved through case laws and statutes, civil law has evolved through written laws i.e. civil code and statutes.

5 The tort of passing off protects a mark only if goodwill and reputation are effectively demonstrated. It is generally not very easy to prove passing off as the plaintiff will have to gather survey evidence for demonstrating the possibility or existence of confusion.

6 It refers to mala fide registering, trafficking or using a domain name to profit from the goodwill of a trade mark.

The continued growth in the use of international trade mark system particularly at the time of economic crisis, underlines the pivotal importance of trade marks in business. China accounted for 4.7 per cent of the total number of new designations with 17,829 designations. This was followed by the Russian Federation with 16,768 designations.⁷

India is not yet a party to the System. Thus, an Indian trade mark owner prima facie is left with two options for protecting the mark in foreign jurisdictions—filing at national and regional trade mark offices. However, as mentioned earlier, it may not always be a prudent option. This article proposes a strategy which shall help the Indian trade mark owners in effectively using the Madrid System. Since the System is procedural in nature, the strategy shall be proposed after discerning its procedural intricacies. The strategy put forward in this article can be a guide for trade mark owners of other non-Madrid countries as well.

2. Madrid System

The Madrid System for the international registration of trade marks, administered by the International Bureau of World Intellectual Property Organization (hereinafter WIPO), provides one single procedure for the registration of a mark in several territories. Any State which is a party to the "Paris Convention for the Protection

of Industrial Property" can become a party to the Agreement or the Protocol or both.⁸ An Intergovernmental Organisation can become a party to the Protocol when at least one of the member states of the Organisation is a party to the Paris Convention and the Organisation maintains a regional office for the purposes of registering marks within its territory.⁹

The Madrid Agreement is the oldest multilateral regime to simplify and harmonize the standards and procedures for trade mark registration and protection. The Madrid Protocol which was adopted in 1989 introduced certain new provisions into the system of the international registration of marks. It was aimed at removing difficulties which prevented certain countries from adhering to the Madrid Agreement. As compared with the Madrid Agreement, the Protocol introduces the following provisions:

(i) international registrations can be based upon national applications as well as national registrations,¹⁰ under the Agreement, an international application can be based only upon a registration in the Office of origin;¹¹

(ii) each contracting party in which the Applicant seeks protection may elect for a period of 18 months (instead of one year) or an even longer period in the case of opposition within which to declare whether protection can be

7 D.Ravi Kanth, India undecided on Madrid System, *Business Standard*, 10th March, 2009.

8 Madrid Agreement Concerning International Registration of Marks, Art.14(2)(a), 14th April, 1891, 828 U.N.T.S. 389 (hereinafter Agreement) and Protocol Relating to the Madrid Agreement Concerning International Registration of Marks, Art. 14(1)(a), 27th June, 1989, 1997 U.K.T.S. No. 3 (Cmd. 3505) [hereinafter Protocol].

9 Protocol, *id.*, Art. 14(1)(b).

10 Protocol, *supra* note 8, Art. 2(1).

11 Agreement, *supra* note 8, Art. 1(2).

granted to the mark in its territory;¹² under the Agreement, this period is limited to one year;¹³ (iii) Office of each contracting party may receive higher fees than under the Agreement; (iv) an international registration which is cancelled at the request of the office of origin, for instance owing to the refusal of the basic application or cancellation of registration within five years from the date of the international registration, may be transformed into national (or regional) applications in the respective contracting parties in which the international registration had effect, each benefiting from the date of the international registration and where applicable, its priority date;¹⁴ this mechanism does not exist under the Madrid Agreement.

3. A Brief Description of the System

An application for international registration must be presented to the International Bureau through the office of origin.¹⁵ The application may designate one or more contracting parties in which the mark is to be protected. Subsequently, more contracting parties may be designated.¹⁶

WIPO, upon receipt of Madrid application, enters the information in its database and determines whether the applicable Madrid filing

requirements are met. If the application does not conform to the established requirements, WIPO, depending on the nature of the deficiency, will contact either the trade mark owner or office of origin.

When WIPO confirms that the necessary Madrid requirements have been met, it registers the mark and publishes it in the WIPO Gazette of International Marks. The International Bureau notifies each contracting party in which protection has been requested. The request for protection of the mark in each of the designated contracting parties is treated as if the mark has been deposited directly with the office of that contracting party from the date of the international registration or subsequent designation.¹⁷ Each designated contracting party has the right to refuse protection within the time limits specified in the Agreement or Protocol. If the refusal is not notified to the International Bureau within the applicable time limit, then the request for protection of the mark in the designated contracting party is taken as granted.¹⁸ In contrast to the Agreement which establishes a strict 12-month period for notifying WIPO of a refusal,¹⁹ the Protocol allows a national office of up to 18 months to consider a request for national extension if a declaration is made to that effect.²⁰ This period of time may be extended in countries having an opposition system if, within the initial eighteen-month period, the office notifies WIPO of the

¹² Protocol, supra note 8, Art. 5(2) (b) and (c).

¹³ Agreement, supra note 8, Art. 5(2).

¹⁴ Protocol, supra note 8, Art. 9 quinquies.

¹⁵ Agreement, supra note 8, Art. 1(2) and Protocol supra note 8, Art. 2(2).

¹⁶ Agreement, supra note 8, Art. 3ter and Protocol, supra note 8, Art. 3ter.

¹⁷ Agreement, supra note 8, Art. 4(1) and Protocol, supra note 8, Art. 4(1).

¹⁸ Agreement, supra note 8, Art. 5(5) and Protocol, supra note 8, Art. 4(1) and 5(5).

¹⁹ Agreement, supra note 8, Art. 5(2).

²⁰ Protocol, supra note 8, Art. 5(2)(b).

possibility of a refusal based on an opposition.²¹ As the request for extension is processed, the national office may require the Applicant to provide additional information or to respond to office actions. The Applicant, at this point of time, will most likely need to appoint a local trade mark Attorney for such communication with the national office.

An international registration remains dependent on the mark registered or applied for in the office of origin for a period of five years from the date of its registration/application. If, and to the extent that the basic registration ceases to have effect whether through cancellation following a decision of the office of origin or a Court or voluntary cancellation or non-renewal within this five year period, the international registration will no longer be protected.²² Similarly, where the international registration was based on an application in the Office of origin, it will be cancelled if, and to the extent that, the application is refused or withdrawn within the five year period, or if, and to the extent that, the registration resulting from that application ceases to have effect within that period.²³ This is often referred to as "central attack". After the expiry of five years, the international registration attains a status independent of the basic registration or basic application.²⁴

The cancellation or limitation of application/registration under the Protocol does not necessarily cost the trade mark owner its rights and priority. The Protocol incorporates a mechanism called "transformation" which in a way mitigates the effects of "central attack". As per this mechanism, extensions applications/registrations can be transformed into new non-Protocol applications in designated countries within three months from the invalidation or cancellation of the home application or registration. These new non-Protocol applications are permitted to retain filing and priority dates of the invalidated and cancelled home application.²⁵ This mechanism does not exist under the Agreement.

The protection in designated countries ceases to exist with the expiry of the Madrid registration. The Madrid registration is valid for 20 years under the Agreement²⁶ and 10 years under the Protocol.²⁷ The renewal which is also for a term of 20 years under the Agreement²⁸ and 10 years under the Protocol²⁹ is accomplished through a single filing with WIPO. It may be noted that both the Agreement and Protocol are silent on the number of renewals of a mark.

The Madrid System does not permit an owner to amend the mark for obtaining protection in a member country. In contrast, national filings may allow the Applicant to amend the mark for avoiding conflicts.

21 Protocol, supra note 8, Art. 5(2)(c).

22 Agreement, supra note 8, Art. 6(3) and Protocol, supra note 8, Art. 6(3).

23 Protocol supra note 8, Art. 6(3).

24 Agreement, supra note 8, Art. 6(2) and Protocol, supra note 8, Art. 6(2).

25 Protocol, supra note 8, Art. 9 quinquies.

26 Agreement, supra note 8, Art. 6(1).

27 Protocol, supra note 8, Art. 6(1).

28 Agreement, supra note 8, Art. 7(1).

29 Protocol, supra note 8, Art. 7(1).

4. Eligibility for using the System

The Madrid System for international registration of marks may be used only by a natural person or a legal entity which has a real and effective industrial or commercial establishment in, or is domiciled in, or is a national of, a country which is party to the Agreement or the Protocol, or who has such an establishment in, or is domiciled in, the territory of an Intergovernmental Organisation which is a party to the Protocol, or is a national of a member state of such an organisation.³⁰ In other words, the System cannot be used by a person or entity which does not have the necessary connection, through establishment, domicile or nationality, with a member of the Madrid Union.

5. Priority Date

Madrid registrations enjoy the right of priority provided for by Article 4 of the Paris Convention.³¹ Therefore, the Madrid System enables trade mark owners to benefit from the priority attached to their national filings without instituting separate national filings.

The date on which a Madrid application is filed with the Applicant's national office is the date of the Madrid registration provided WIPO receives the application within two months of its being filed and the application meets the requirements set forth in the Common Regulations. If the application is not received by WIPO within two months, or if it is not complete, the Madrid registration bears the date on which the application is received or made complete.³²

6. Advantages of the Madrid System

The Madrid System offers myriad advantages to the trade mark owners. An Applicant using the System can file a single application in any of the following languages, namely English, French or Spanish by paying a single set of fees. The instances of innocent trade mark infringements can be reduced owing to free online databases of marks registered under the System. The System offers reasonably quick (within 12 or 18 months) examination of the application by the national trade mark offices. If the office of a contracting party does not notify a refusal within the time limit that is specified in the Madrid System, the mark will automatically enjoy protection in the contracting party in question. All changes subsequent to the international registration such as change in name and/or address of the holder, total or partial change in ownership of the holder or a transformation of the list of goods and services in respect of all or some of the designated contracting parties may be recorded and have effect by means of a single procedure with the International Bureau. There is one single expiry date irrespective of the number of contracting parties designated in the international registration of mark using the System.

7. Madrid System and Indian Trade Mark Owners

An Indian trade mark owner who manages a vast trade mark portfolio must be guided by a global filing strategy for its effective management. This strategy shall be fine tuned by

³⁰ Agreement, supra note 8, Art. 1(3) and Protocol, supra note 8, Art. 2(1).

³¹ Agreement, supra note 8, Art. 4(2) and Protocol, supra note 8, Art. 4(2).

cogent but flexible considerations as it needs to be modulated to the legal and economic milieu in each state. The Madrid System shall be chosen only if it is beneficial over filing at national and regional trade mark offices. It may be noted that the benefits of the System cannot be realised if the mark encounters strong objections in designated countries.³² If a mark is challenged, the Applicant must designate a local representative and pay representation fees. Further, some jurisdictions require showing secondary meaning or acquired distinctiveness for obtaining registration. If chosen, the following aspects shall be considered by Indian trade mark owners for using the System:

(i) Creation of Intellectual Property Holding Companies (IPHC)

Madrid System requires both the Applicant and assignee to have real and effective industrial or commercial establishment in the office of origin and countries intended to be designated.³⁴ Hence, Indian trade mark owners can take advantage of the System only if it shows real and effective industrial or commercial establishment in member states where protection is sought using the System. The most effective way to satisfy this criterion is by

creating Intellectual Property Holding Companies (IPHC).³⁵ The creation of IPHC shall inter alia, consider factors such as tax planning³⁶ and administrative synergies.³⁷ IPHC shall not be made a mere passive owner of IP as non-use of IP is a valid ground for revocation in some jurisdictions.

(ii) Threshold Level for Granting Protection in the Office of Origin

The threshold level for granting protection varies from one state to another. This is a vital factor for choosing the office of origin considering the provision of "central attack" under the Madrid System. If the office of origin is a signatory to the Protocol, then the Applicant can make use of the "transformation" provision under the Protocol.³⁸ However, such a provision does not exist under the Agreement. In other words, when an Indian trade mark owner anticipates strong opposition to his trade mark, it is not advisable to file in an office of origin which is a party only to the Agreement and maintains a high threshold criterion for granting protection. Thus, the status of office of origin is a pertinent factor in the evaluation of threshold for granting protection in an office of origin.

³² Agreement, supra note 8, Art. 3(4) and Protocol, supra note 8, Art. 3(4).

³³ For instance, Japan which is party to the Madrid Protocol is known to have lengthy opposition procedures.

³⁴ Agreement, supra note 8, Art. 1(3) and Protocol, supra note 8, Art. 2(1).

³⁵ According to this business model, a separate company is created for holding the Intellectual Property assets.

³⁶ For instance, if the tax structure allows for deduction of dividends from taxable income, the parent company, for reducing the tax burden, may funnel back the income of the subsidiary in the form of dividends.

³⁷ For example, it has to be evaluated whether an IPHC, as a specialised entity, helps in accurate calculation of cost/benefit analysis of IP holdings.

³⁸ Protocol, supra note 8, Art. 9 quinquies.

(iii) Status of Office of Origin

The status of office of origin shall be considered while choosing it, as it determines the countries which can be designated under the System. If the office of origin is a party only to the Agreement, then the Applicant can designate only countries which are parties to the Agreement.³⁹ If the office of origin is a party only to the Protocol, then the Applicant can designate only countries which are parties to the Protocol.⁴⁰ If the office of origin belongs to both the Agreement and the Protocol, then the Applicant can extend its international registration to all the contracting parties of the Madrid Union.⁴¹

(iv) Classification of Goods and Services

The Madrid applications are required to identify the classes of goods and services for which registration is sought. The goods and services must be set forth in precise terms, preferably according to the classification established by "International Classification of Goods and Services for the Purposes of the Registration of Marks under the Nice Agreement".⁴²

The classification of goods and services by the office of origin defines the extent of the rights of the trade mark owner in other countries. If the office of origin permits broad classification of goods and services for national applications and registrations, then the scope of protection that an Applicant can obtain in other member states under the System will also be broad. However, this is subject to the domestic laws of those countries. The converse is also true. For instance, United States does not allow broad classification of goods and services.⁴³ It does not allow an Applicant to identify an entire Class or even a Class heading in its classification. The United States Patent and Trade mark Office (USPTO) generally, accords a filing date to an application reciting most Class headings.⁴⁴ However, during examinations, goods and services are required to be narrowed to those upon which the mark is used or for which there is a bona fide intention to use the mark.⁴⁵ Since, the Madrid registration and its extensions are based on the home application or registration, the trade mark owner who intends to use United States as office of origin will be limited in

39 The Madrid Agreement has 66 member states (as on 15th October, 2009).

40 The Madrid Protocol has eighty contracting parties (as on 15th October, 2009).

41 There are fifty members who are parties to both the Agreement and Protocol (as on 27th October, 2008).

42 Agreement, supra note 8, Art. 3(2) and Protocol, supra note 8, Art. 3(2). The ninth edition of the Nice Classification is in force from 1st January, 2007.

43 International Trade mark Association, *The Madrid Protocol: Impact of US adherence on trade mark law and practice*, 92 TRADE MARK REP. 1430 (2002).

44 However, overly broad wordings are not accorded filing dates. e.g. "Business" (Class 35) or "Miscellaneous" (Class 42).

45 *in re: Societe Generale Des Eaux Minerales de Vittel SA*, 1 USPQ2d 1296 (TTAB 1986), (rev'd on other grounds), 3 USPQ2d 1450 (Fed. Cir. 1987) (The Court of Appeals for the Federal Circuit affirmed the requirement of USPTO for a more specific identification of goods and services than those given in other foreign jurisdictions).

all the designated countries to the goods and services identified in its home application or registration.⁴⁶

(v) Trade mark Search and Clearance Procedures

If the trade mark registration in a member state by non-nationals is more efficient and/or less costly under the Madrid System, then the non-national applications are likely to rise. Accordingly, the potential for conflict may be more considering the rise in trade mark applications. This may also result in longer period of uncertainty i.e. the time during which a search will not reveal all possible conflicts. It may thus, result in rise in risk of filing of third-party applications in the interim. The national databases may not be updated to include all such applications. Thus, search must not be confined to national databases as it will not reveal all the potential conflicts. If filing in such a country is intended either for using it as an office of origin or for designating it in the international registration, then it is safer to expand the search parameters to include WIPO's free online trade mark databases—Madrid Express and Romarin databases.

Even if an Applicant intends to register his mark in a member country of Madrid System but does not intend to use the System, it is still advisable to search the above mentioned databases to confirm that no party has designated this member country for protecting the same mark. This will,

nevertheless, give prospective trade mark owners less uncertainty in adopting a mark.

(vi) Language in which the Application can be Filed at the Office of Origin

An international application can be filed in any one of the three languages of the Madrid System, namely, English, French or Spanish. However, the office of origin can restrict the choice of the Applicant. This is a significant factor as a favourable language can help the trade mark owner in acquainting himself with the formalities of the office.

8. Conclusion

The registration of a trade mark brings in legal certainty regarding the protection of a mark. The Indian trade mark owners may prudently choose the avenue for registration for protecting their marks in foreign jurisdictions. The Madrid System may be chosen only if national and regional registrations do not effectively cater to the requirements of trade mark portfolios of the owners.

If chosen, the filing strategy of the Indian trade mark owner shall consider the intricate procedural aspects of the System. The lack of such knowledge may in fact prove to be highly detrimental. For instance, usage of the Agreement, in ignorance of "central attack" provision, may turn out to be highly portentous as Agreement does not incorporate "transformation" provision. In fact,

46 The US Applicant may file an intent-to-use application covering a broad description of goods or services. The Applicant may then immediately file a Protocol application claiming Convention priority. If the Applicant is required to limit or specify with particularity its goods or services to meet the USPTO guidelines, then the Protocol registration could be transformed into national applications in the extension countries, preserving the broader coverage. Even if USPTO grants registration to an application which contains descriptions broader than the actual intent-to-use, it might be opposed on the ground of non-assertion of bona fide intention to use.

when using the Agreement, the Indian trade mark owners may consider not designating commercially significant member states in the international registration in order to bring down the risks of "central attack". They may opt for national registrations in such member states. These strategies can be drawn only in the light of sufficient knowledge of functioning of the System. In other words, the optimal use of the System is possible only with a thorough knowledge of procedural aspects of the System.

The Indian trade mark owners are not oblivious to the usage of Madrid System for management of their trade mark portfolios. For instance, WIPRO Limited, through United Kingdom as office of origin, used Madrid System for obtaining protection for its mark "WIPRO" in various member states.⁴⁷ However, the knowledge and utilisation of the System is confined to a limited number of trade mark owners.

The Trade Marks Amendment Bill was introduced in 2009

incorporating a new chapter containing special provisions relating to the international registration of trade marks under the Madrid Protocol. The Bill, if passed by both the houses, will be a significant step towards alignment of our intellectual property regime with the existing global standards and practices.

The ingenious use of the Madrid System has become pertinent when Indian trade mark owners are increasingly becoming global in production and marketing lines. Each Indian trade mark owner, in the light of their commercial interests, shall have a well-articulated trade mark portfolio in place for using the System. If strategically well advised, the System can be effectively used by Indian trade mark owners including Small and Medium Enterprises (SMEs) for making trade marks valuable assets of their enterprises. The proposed global filing strategy can always be a guide for Indian trade mark owners in this regard.

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