

## **MADRID PROTOCOL IMPLEMENTATION ACT BECOMES LAW**

On November 2, 2002, President Bush signed into law the “Madrid Protocol Implementation Act” (the “Act”), which implements one of the most significant trademark treaties in many years, the Madrid Protocol. Once the Madrid Protocol is effective, U.S. trademark owners will have access to a “one-stop” international trademark registration system that will make it easier and less costly to register trademarks abroad. U.S. trademark owners will be able to obtain trademark registration in all countries that are parties to the Madrid Protocol by filing a single application with the U.S. Patent and Trademark Office (“PTO”). Currently 56 countries are parties to the Madrid Protocol, including many European countries, China, and Japan, and that number is expected to increase. American businesses, including small and medium-sized companies that previously may not have been able to afford international trademark protection, should benefit considerably from the streamlined procedures and reduced costs for registering trademarks abroad.

### **When Will The Protocol Become Effective In The United States?**

- It will be at least one year before the Protocol becomes effective in the United States. It will take effect on November 2, 2003 or three months after the United States deposits the instrument of accession with the World Intellectual Property Organization (“WIPO”), whichever occurs later.
- The PTO expects to issue proposed regulations by next summer and final regulations within a year, and to begin accepting international applications on the Act’s effective date.

### **Disadvantages Of The Current System**

- Currently, U.S. trademark owners who want to register trademarks abroad generally must undergo the complicated, time-consuming, and expensive process of individually registering their marks, and subsequently renewing their registrations, in each country in which they seek protection. (A notable exception, the one-stop system for the European Community trademark, partially simplifies this process.)
- Foreign trademark counsel generally must be retained in each country in which registration is sought.
- Name and address changes of a trademark holder, and assignments of ownership of a trademark, must be recorded in each country where registrations or pending applications are held. Consequently, acquisitions of worldwide brands can involve significant costs for recordation of corporate name changes and trademark assignments.

### **Advantages Of The Madrid Protocol System**

- The owner of a U.S. trademark registration or pending application may file one international application in English, together with one fee, in one currency, with a single agency -- the PTO. This will eliminate the need to hire foreign trademark counsel unless the international application encounters obstacles.
- Total registration costs for foreign registrations will be lower.

- An international registration, which lasts for ten years, can be renewed for additional ten-year terms by paying the requisite fee to a single entity -- WIPO's International Bureau.
- Changes in ownership of an international registration, or in the name or address of the holder of an international registration, can be recorded with WIPO's International Bureau.

### **Disadvantages Of The Madrid Protocol System**

- The scope of protection for an international registration under the Madrid Protocol cannot be broader than that of the "basic" application filed in the United States. The United States requires that the goods and services for which a registration is sought be identified with specificity, whereas some member countries permit registrations for very broad classifications of goods and services. A U.S. trademark owner who uses the Madrid Protocol system accordingly must be prepared to forego the advantage of obtaining a broad registration that otherwise could be obtained in such countries.
- If the "basic" U.S. registration were cancelled within the first five years of the international registration term, trademark protection in other Madrid Protocol countries also would terminate. While a trademark owner could convert the international registration into separate applications in the designated countries and retain the international registration date, additional filing fees would be incurred.
- An international registration may be assigned only to a third party that has a recognized tie to a Madrid Protocol country. The assignee must be a national of, or domiciled in, or have a "bona fide and effective" industrial or commercial establishment in, a Madrid Protocol country, or have such a business in a country that is a member of an intergovernmental organization that is a member. Notably, the European Union as a whole, and a handful of E.U. member states, are not yet members of the Madrid Protocol. Accordingly, the restriction on the transfer of international registrations under the Madrid Protocol could interfere with common types of otherwise lawful asset sales and acquisitions.

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