Will the Road to the U.S. Go Through Madrid?

- Intellectual Property Today™, April, 2004

Author(s): Max Vern

Introduction

Accession of the United States to the Madrid Protocol and its significance for the United States trademark owners has been extensively covered in professional media. However, little attention has been paid to the aspects of extending the umbrella of trademark protection through the Madrid Protocol to the U.S. Of course, the procedure for filing international applications and extension by designation is identical in all Protocol-member countries. However, since an international registration (IR) does not establish substantive rights, and the protection is created through registration in each designated country's Trademark Office, the situation varies from Office to Office.

Since the U.S. Patent and Trademark Office's (USPTO) rules of practice have not been as yet "tested", and IRs designating the U.S. start coming up for examination only now, there is certain confusion among foreign trademark owners and their counsel as to the practical advantages in pursuing trademark protection in the U.S. through the Madrid Protocol vehicle, as compared to the traditional national U.S. applications filed directly with the USPTO.

Since the advantages of the Madrid Protocol are common to all member-countries, this article will endeavor to review major shortcomings, unique to the U.S. trademark practice that should be considered before selecting the road to obtain trademark protection in the United States.

Filing Cost

Obviously, the most significant advantage of the Madrid Protocol for a foreign trademark owner aspiring to register its trademark in the United States is that the application and registration costs may be markedly lower than in a countryby- country approach. This rule, although generally true, may not be necessarily valid in the specific case of the U.S. designation. The USPTO - like some other countries, such as Japan and the United Kingdom - refused to adopt the standard low-cost schedule established by WIPO, and instead adopted an "individual fee". A side note, whether an application is filed nationally or is extended by designation from the IR, there is no USPTO registration fee and the only government fee is paid at the application stage. Presently, the individual supplementary fee for Designating the United States is CHF456 (US$ 350) for each Class claimed, as compared to US$ 335 per Class if the mark is filed in the U.S. as a national application. Although the USPTO did not intend to penalize international applicants, the present devaluation of the U.S. dollar against European currencies makes Swiss Frank more "expensive" to foreign, primarily - non European Community applicants, leading to a premium over cost of national applications filed directly with the USPTO.

Examination Cost

Undoubtedly, another significant advantage in extending IR to the U.S. (or any other member-country) is that it eliminates the need to hire a local trademark counsel, at least until the U.S. IR extension encounters an Office Action. This is indeed a significant saving and a “pro-Madrid” factor for trademark owners in non-examining countries, such as France. However, the USPTO has repeatedly indicated that national extensions of IR will not enjoy a special status and will be examined up to the same stringent standards as national applications. Presently, it will take the form of 75% to 80% of the IR extensions to encounter objections, necessitating retainer of a U.S. counsel. Many (if not most) foreign trademark practitioners charge a flat fee of 50% to 100% of the “national” professional filing fee for being retained by an applicant whose domestic extension faces an Office Action from the Trademark Office, and taking over the representation. A similar practice is already being followed in the U.S. as well. Already, these two considerations - the U.S. individual supplementary fee and the expense in hiring a U.S. counsel - significantly erode the savings generally expected when an IR is extended to a member-country.

Maintenance Cost

Another factor to be considered when contemplating trademark protection in the United States via a national application or an IR extension is the maintenance cost. Although the IR is renewed by paying a single renewal fee to WIPO, the statutory duty to declare, between the fifth and sixth years from the registration date, that the mark is in use in the United States in commerce is imposed on all U.S. registrations without exception; and, thus, is binding on registrations resulting from an IR extension. Another Declaration of Use is due by the end of the tenth year from the registration date and every ten years thereafter (coinciding with the national registrations’ renewal periods). Such Declarations of Use are subject to an official fee (presently, US$ 100 per Class). These Declarations are a sine qua non for continuous maintenance. Therefore, foreign owners of U.S. registrations by extension of an IR should not only be prepared to pay the prescribed WIPO and USPTO fees but actually use the mark in the U.S.

Scope of Protection

A further issue in trademark protection and maintenance relates to the scope of protection. Since the USPTO will not afford a privileged status to applications based on an IR, the direct effect of this rule is that broad specifications of goods and services that may be acceptable in the basic application or registration will be rejected by the USPTO, and the trademark owner will have to limit the U.S. extension to specific goods and services. Even though the mark is extended to the U.S. from an IR and is not filed nationally, the applicant must declare under oath its intent to use the mark in the U.S. and thus identify specific goods and services. Being a “use” country, the U.S. nevertheless allows foreign trademark owners to register a trademark without showing actual use of the mark, if the application is based on an extension of the IR or on a “country of origin” registration. As described above, this advantage is eliminated between the fifth and sixth years from registration when all, U.S. and foreign, registrants must submit a Declaration of Use with respect to specific goods.

Scope of Protection - Dependency

Another concept of the Madrid Protocol with a direct bearing on owners of IR extensions, including of course the United States, is that the resulting registration is dependant on the list of goods and services in the basic mark; namely, any amendment of specification in the latter necessitates amendment of all national extensions. This is a certain disadvantage to international trademark owners who wish to secure and maintain protection in the U.S. for the widest list of goods possible. In addition to the USPTO rules which dictate a narrow specification, and the Declaration of Use requirement with respect to specific products, such amendment of the basic mark will further narrow the range of protection. This is a three-prong restriction, as compared to use/intent-to-use “only” requirements for national registrations.

Central Attack

The next significant shortcoming of the IR extension to the U.S. is the issue of dependency and central attack. Rejection of the trademark owner’s basic application or cancellation of basic registration within the first five years of the IR life span will cause a domino effect, effectively invalidating all designated countries extensions. In context, this should be analyzed through the lens of the fact that the U.S. trademark owners are consummate litigants and, therefore, an IR owner of the U.S. extension may face not only an opposition or a cancellation action in the United States, but should also be prepared for an attack in its home country against the basic registration.

Transformation A further important consideration is that the Madrid Protocol, unlike the Madrid Agreement, allows transformation of a cancelled IR into national trademark applications. However, such transformed applications will not be accepted automatically by the USPTO and will be examined de novo as a regularly filed national application, meaning that the application is subject to payment of the full USPTO application fee of US$335 per Class. Further, once the transformed application comes up for examination, an Office Action may issue (though primarily on the procedural, e.g. specification of goods, and not substantive grounds) and the mark may be opposed. A not too distant example in such scenario: if an opposition is brought against the IR extension in the U.S. by a U.S. third party but the mark is eventually registered, such third party, within the five years period of the IR registration, may bring a cancellation action against the basic registration. As the result, if the plaintiff is successful and the U.S. registration is accordingly cancelled and transformed into a national application, that same plaintiff will have another chance to attack the mark in the U.S. by filing another opposition. As the result, this will drastically increase the costs, as compared to the scenario when an application is filed nationally ab initio and two additional litigations are thus effectively avoided.

Ownership Restrictions

Finally, foreign trademark owners who wish to extend trademark protection to the United States should be conscious of the fact that the U.S. is virtually the only country in the Western

Hemisphere which joined the Madrid system. It is therefore important to recognize that a foreign trademark owner who secures trademark protection for its mark in the United States through the Madrid Protocol would be unable to assign its mark later on to another party in the Americas, including NAFTA countries (Mexico and Canada).

Summary

On the balance, this article is not intended to persuade foreign trademark owners to file national U.S. applications and to refrain from extending trademark protection to the United States through the Madrid Protocol vehicle, but rather to identify possible roadblocks that should be steered around. For example, if the basic registration exists for more than five years and the derived IR is no longer vulnerable to a central attack, and if the mark is strong (such as a fanciful coined mark or a mark with established goodwill) and is not likely to attract USPTO objections, then the trademark owner should indeed consider the option of an IR extension to the U.S. Of course, since the United States has just joined the Madrid family, much is to be learned from the actual practice to be developed in the next few years. In the meantime, foreign trademark owners should carefully weigh all pros and cons in both approaches towards trademark registration in the United States.

Max Vern

Max Vern is an associate in the International Department of Amster, Rothstein & Ebenstein LLP, an intellectual property boutique located in New York City. The author wishes to thank Anthony F. Lo Cicero, a partner in the firm, for his assistance.