

2010: Madrid to expand into Latin America?

After years of fierce debate and political procrastination, several important jurisdictions in Latin America seem poised to accede to the Madrid Protocol in 2010. *WTR* investigates the efforts to push through accession, and how brand owners and local agents are adapting their practices in preparation

The Madrid Protocol has been a political football in Latin America for years. On the one hand, industry demands accession. On the other, private practice is less convinced, fearing that it will be bad for business.

Meanwhile, international organizations and user associations have been trying to stimulate constructive dialogue between the private sector and the respective governments for the past five years.

The World Intellectual Property Organization (WIPO), the International Trademark Association (INTA) and European trademark attorney association MARQUES have co-hosted seminars designed to explain why the region should embrace Madrid. “Industry was misinformed and ignorant of the system,” explains Damaso Pardo, a partner at Perez Alati, Grondona, Benites, Arntsen & Martinez de Hoz in Argentina, “because most IP attorneys in the region do not take the time and effort to tell them about it.”

Jane Collins, IP counsel from Syngenta and former chair of MARQUES, helped to present the industry insight that was regarded as essential to the success of such workshops. “Industry in Latin America really needed the in-house perspective,” she told *WTR*. “I shared my experiences, and the pros and cons of the Madrid system.”

In the end, local industry did not need much persuading. “We immediately recognized the relevance of the international registration system for our company,” comments Lucio Crespo, a director of leading Argentine exporter Molino Chacabuco. “That is why we signed a manifesto supporting the adoption of that system by Argentina.” Crespo and his peers from other companies even met with Argentina’s under-secretary of industry and the president of the IP office.

Thus galvanized, local companies are now becoming more proactive. As Collins notes, “industry has taken a very soft approach, but we are still talking to politicians, chambers of commerce and IP offices.” Pardo is convinced that the only way that governments will understand the need for accession is if industry lobbies for it. “Industry must push on the congressmen and politicians,” he says.

Tiffs and tantrums

But industry will have to act largely alone, as private practice has been deadlocked for years over the issue. A number of Latin America’s largest and oldest firms have built up successful and highly profitable businesses from filing work conducted for foreign companies. Some firms’ business models are now entirely dependent on foreign clients; without trademark prosecution

work from foreign brand owners, some firms in the region could struggle to survive. Additionally, there is scepticism as to the true benefit to domestic industry. As one lawyer in Colombia told *WTR*, "There would be more international trademarks easily registered here than domestic industry internationalizing its trademarks."

Many local agents are thus stridently opposed to accession. One practitioner attending a seminar about Madrid reportedly decried the protocol as "just another way for big foreign multinationals to exploit developing countries", by providing for cheaper trademark protection in a range of jurisdictions around the world.

"The majority of IP practitioners in Latin America are against the protocol," Pardo confirms. "They fear change and a loss of work." WIPO appreciates this dilemma. Explains José Graça-Aranha, WIPO's regional director in Latin America and the Caribbean: "It's a legitimate concern because if you are used to a system with which you have had professional success, it's natural to fear a change."

However, in the view of Eduardo Magalhães Machado, a partner at Montauray Pimenta, Machado & Lioce in Brazil, things may not be all that bad. In Brazil, he suggests, the profession has by and large got over its fear of change: "We have had lots of discussion and now all parties in Brazil are in favour of the protocol."

But while the Brazilians may now back the protocol in principle, there is doubt as to whether the domestic trademark office is up to the challenge. This is a concern shared elsewhere in the region – few, if any, offices in Latin America can meet the standards required by

the Madrid Protocol. "There are some legitimate concerns that trademark offices aren't ready," admits Collins. "Some of the countries have or have had very long delays in issuing registrations."

WIPO would certainly hope to see this problem ironed out before new members are accepted into the Madrid community. It is keen to avoid a repeat of the problems that previously arose when national offices were not fully prepared for the regime upon accession. For example, when Portugal first joined the protocol, it could take mark owners up to a decade to register a domestic mark, as the trademark office had to prioritize international applications. This may be an extreme example, but it underscores a genuine concern: the Colombian Association of Intellectual Property recently predicted "discrimination against national applicants in favour of international applicants".

The Argentine office has made significant headway in upgrading its systems in preparation for Madrid, according to Iris Quadrio, a partner at Marval, O'Farrell & Mairal in Argentina. "The office has developed a website for users to check the trademark database," she reports, "but it will need to streamline the registration process further." *WTR* contacted Jorge Avila, the president of Brazil's IP office, to ask how his office was preparing to make the changes necessary for the country to accede to Madrid, but received no response.

Industry and users will persist in demanding the necessary improvements. "MARQUES wants governments to restructure their trademark offices to make sure they can handle the extra work," says

Madrid Protocol seminar report

Below are the unofficial positions of various bodies and associations present at a seminar on accession to the Madrid Protocol held in Colombia on October 14 2009.

Colombia's trademark office

The adoption of mechanisms which facilitate globalization and promote national competitiveness is legitimate – and the Madrid Protocol is one of these mechanisms. The protocol can be a real instrument for competitiveness.

Industry associations

There are only benefits in the adoption of the Madrid Protocol. The savings would amount to \$40,000 to \$50,000 a year.

World Intellectual Property Organization

There will not be a saturation of the national registration system following the adoption of the Madrid Protocol.

With regard to the conditions of registrability, those set forth in the protocol are not limited to the conditions of the Paris Convention for the Protection of Industrial Property. However, the conditions established in the national laws are based only on those set forth in the Paris Convention.

'Central attack' is not a disadvantage because the effects of a successful central attack can be mitigated by transforming the international registration into a series of applications in each of the countries designated by the international registration, with the benefit of the international filing date.

The 'positive administrative silence' rule – whereby a lack of response from the national trademark office with regard to an international application within 18 months will result in registration in Colombia – is also not a disadvantage. If the trademark office does not give a response within the relevant period, this indicates that it

found no good reason to reject the application.

Colombian Association of Intellectual Property

The only reasons why an international application designating Colombia could be rejected in accordance with the Madrid Protocol are those established in Article 6^{quinquies} B of the Paris Convention. The conditions established by Andean Community Decision 486 on a Common Industrial Property Regime are broader.

The 'positive administrative silence' rule must be harmonized with national laws so as to ensure that national applicants are not discriminated against in favour of foreign applicants.

Central attack implies the need to defend applications against oppositions filed in other countries and to oppose applications in other countries, which results in additional costs for the surveillance and defence of trademarks. This must be acknowledged and understood by national enterprises.

The Madrid Protocol creates a different system for the acquisition of trademark rights in Colombia. It is unacceptable for this system to be more favourable to foreign applicants than the national system. For national applicants, the only system available is that established by national laws. Therefore, national applicants cannot choose between the two systems.

Participants:

- The Superintendence of Industry and Commerce;
- The Colombian Private Council of Competitiveness;
- The National Federation of Coffee Growers of Colombia;
- The Colombian Association of Micro, Small and Medium-Sized Enterprises;
- The World Intellectual Property Organization;
- The Colombian Association of Intellectual Property; and
- Miguel Torres SA (a winemaker).

Collins. "Reform of the system is the first step. Waiting five years for a registration is in no one's best interest."

The race for Madrid

It takes time for an IP office to reorganize in order to accommodate Madrid, and political obstacles hinder the process further. But with accession apparently inevitable, the question is now: which will be the first jurisdiction to accede?

Argentina

"In Argentina in 2007, a petition was filed with the House of Representatives aimed at encouraging the executive power to sign Madrid," recalls Pardo. "We were very excited and everybody thought Argentina was going to be the first Latin American country to accede." Then the global recession slowed the momentum and efforts eventually halted altogether with the general election in April 2009. "Madrid is now not something that is relevant," notes Pardo. Quadrio agrees, suggesting that she will believe that Madrid has arrived only when she sees it. "I've been told for so many years that it is going to be 'next year,'" she says. "It could be 2010 but I'm not convinced."

Colombia

Madrid is further up the agenda in Colombia. At the time of going to press, accession had been approved by the Senate, but had not yet occurred. Colombia's eagerness may be down to pressure from the United States. According to the two countries' free trade agreement (signed on November 22 2006), "Colombia shall ratify or accede to the Madrid Protocol by January 1 2009". With this in mind, Colombia may be hoping to avoid delaying accession by more than one year past this deadline. "It looks like Colombia could be the first in Latin America to accede to Madrid," predicts Ernest Rubio, a special adviser and former deputy director at WIPO. "I think the Colombian administration is aiming at that."

Brazil

WIPO Director General Francis Gurry takes a different view, however, suggesting that Brazil may be the first country to join. Collins agrees: "The user associations' efforts have worked more in Brazil than anywhere else – partly because the lobby has generated press in the mainstream newspapers and partly because the IP office, under its new director of trademarks, reformed and sped up its processes and moved over to the international classification system."

In actuality, however, accession may be stymied by a political impasse. The amendments to the domestic law are ready to be sent to

Perspective: Colombian Association of Intellectual Property

Colombia's accession to the Madrid Protocol: disadvantages and solutions

The introduction of the 'positive administrative silence' rule – whereby a lack of response from the national trademark office with regard to an international application within a certain period will be interpreted in the applicant's favour and protection will be extended to Colombia – goes against the nation's sovereign authority to grant trademark registrations. It also contradicts the constitutional principle of due process and implies that foreign applicants will be treated more favourably than national applicants.

Lack of benefits

The benefits of the Madrid Protocol are greater for foreign applicants in Colombia than for national enterprises in foreign markets. The number of multinationals and medium-sized enterprises with interests in Colombia is larger than the number of Colombian multinationals and medium-sized enterprises which can enter foreign countries that are party to the protocol.

Proposed amendments

Given that the provisions of the protocol are more favourable to foreign applicants than the national legislation is to national applicants, the national laws should be amended to guarantee:

- a rigorous application of the principle of speciality;
- due process through the publication in Colombia of international applications designating this country to facilitate the filing of oppositions;
- a clear determination of enforcement and renewal periods, among other things; and
- the harmonization of national official fees (so that foreign applicants do not benefit from lower application fees).

(Unofficial translation of a document prepared by the National Association of Intellectual Property)

Congress for approval, but instead have been stuck in the Civil Cabinet of the President for two years now. According to sources, this could be due to one or a combination of three reasons: more pressing political priorities, bad faith of agents who do not want to see the amendment passed or a fear on behalf of the president that his authority could be compromised if Congress were to reject the amendments. It is a delicate situation that neither WIPO nor the user associations want to get involved in: instead, local agents are leaning on congressmen to give assurances to the president that the amendments will not be rejected.

Renewed efforts

Despite all the obstacles in Madrid's path, there is now a renewed drive towards accession. For example, Argentina's newly elected

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Madrid Union: update

States which acceded to the Madrid Protocol in 2009:

- Bosnia and Herzegovina (January 27);
- Egypt (September 3);
- Liberia (December 11); and
- Sudan (November 16).

States that are widely expected to accede to the protocol in 2010/11:

- Argentina;
- Brazil;
- Colombia;
- India;
- New Zealand; and
- Thailand.

Congress took power in December 2009, meaning that Madrid is once again back on the agenda. Equally, local industry is becoming more demanding of politicians – as Crespo told *WTR*: “I would like the government and congressmen to be more proactive.”

Users and bodies are also stepping up their educative efforts. “In 2010 there’ll be another good chance to see whether this process can move forward,” says Pardo. He is hopeful that the debate on adoption of the protocol will be reignited by a new programme of meetings and conferences on the topic. “With the economic crisis over, we have to start working again,” he says. WIPO is naturally supporting these efforts: it has made its commitment clear by opening a regional outpost in Rio de Janeiro in 2009. This is a firm statement that it is dedicated to convincing Latin American jurisdictions of the benefits of accession. Now that WIPO has a base of operations in the region, Graça-Aranha confirmed that he plans to organize workshops in Brazil and Colombia, plus “a few other places”, although dates have not yet been finalized.

Assuming that WIPO will not take no for an answer, or because they actively support accession, many Latin American firms are now making internal preparations for a new era under Madrid. “This will be a big change, but we will have to adjust or we won’t survive,” insists Quadrio. “It’s important to adapt to the needs of your clients: they need to reduce costs and they can do that by filing via Madrid.” Quadrio’s firm is building up its enforcement department and other areas that could pick up when the filing work drops off. Additionally, practitioners in the region are seeking advice from their counterparts in jurisdictions that have already acceded to the protocol on how to restructure practice areas accordingly.

This is a commercially sound and progressive stance. And increasingly, practitioners are reaching the same conclusions as Quadrio. According to Machado, though, getting there has been an uphill struggle. “Originally, many practitioners raised lots of obstacles,” he comments, adding that every one of their arguments was quashed by the user association lobby. Critically, it was proved that Madrid is merely an alternative filing tool; practitioners who disagree can continue to use the traditional route. “So now I can say that everyone is in favour, because even those who are not in favour do not have the courage to say so, as they must represent the interest of their clients,” quips Machado.

Domino run

The accession of, say, Brazil or Colombia would be a major breakthrough for WIPO. It would encourage, if not force, other jurisdictions in the region to join Madrid too. “More countries will see that there is no negative impact on the income of agents in the region,” explains Graça-Aranha, adding that the same thing

happened with the Patent Cooperation Treaty (PCT) 30 years ago. “Some countries had similar concerns. But after accession to the PCT, they saw that they did not lose money.”

The predicted economic benefits will be crucial if other countries are to follow the lead of the first Latin American jurisdiction to join. “Commerce between our countries is very strong,” notes Machado. “One government is going to look at a neighbouring country which has acceded to the protocol and see that it has an unfair advantage in the regional market.”

The case for Madrid

This is just one of many strong justifications for accession. Sticking to the commercial rather than the legal or ideological reasons, observers have noted that Latin American brand owners find it prohibitively expensive to launch elsewhere in the world due to the cost of protecting their brands within numerous different regimes. This means that few companies invest seriously in brand building, which has a detrimental effect on their position in the global market. “If they started to brand more,” says Collins, “Latin American companies would get more added value when they exported.”

Crespo is well attuned to this dilemma. He notes: “We support Argentina’s accession to Madrid because it would help Argentine exporting companies to gain access to third markets by simplifying and reducing the costs of the trademark registration system.” Crespo told *WTR* that Molino Chacabuco has seen the real benefits of developing a strong brand for the international market.

Latin America’s predisposition for exporting commodities, rather than consumer products, has created an environment in which the value of branding is not self-evident. This means that governments have not been alive to the importance of brands in the global marketplace – another major stumbling block. “We need political support,” observes Quadrio. “For that to occur there must be pressure from local companies, and I’m not sure we have that.”

One reason for this is that companies are simply too busy with the day-to-day running of their businesses to lobby governments about the value of branding. And yet the demands of business are having another curious effect with regard to Madrid. As a way of cutting costs, a number of Latin American companies are using the system anyway – via subsidiaries in other markets. WIPO’s research shows that a significant number of Latin American brand owners are filing international registrations via the Madrid Protocol from their holdings and co-ventures in, for example, Spain and Germany.

Interestingly, this means that local agents who fear that Madrid would lead to a decline in work are already losing out. It is just another reason why user associations and WIPO are encouraging the region to accede. “There is no reason to oppose accession to the Madrid Protocol,” says Graça-Aranha. “This is for the benefit of the companies of each country, especially in developing countries because only a few go abroad. The Madrid Protocol will open a new door: the Latin American companies will have cheaper, faster access to European, North American, African and Asian markets.” [WTR](#)

Adam Smith, *World Trademark Review*, London