

# Brazil accedes to the Madrid Protocol: an inside story – and what happens next?

Heralded as a breakthrough, Brazil's accession to the Madrid Protocol is a landmark development for the international trademark system. We take a closer look at this move and the lessons that can be learnt from it

**The Madrid System** has expanded significantly in recent years, but one region continues to trail behind: Latin America. Europe has been well covered since the protocol received a rush of new members in 1996, while a recent push in Asia means that almost all ASEAN countries are now members (see Figure 1). Africa is also doing well in terms of ratification – even if some countries are still holding back.

This lag is even more surprising considering that many national IP offices in Latin America are quite advanced. For example, *World Trademark Review* research has found that the registries in Chile and Mexico are particularly innovative when it comes to non-core functions and technology.

Spanish became a working language of the Madrid System in 2004. This was part of a move to attract more Spanish-speaking countries, with Ernesto Rubio – WIPO's assistant director general in charge of trademark affairs at the time – saying: "It gives an added incentive to hispanophone countries to join Spain and Cuba, the only two Spanish-speaking countries currently in the system, and others and paves the way for its wider use, making it a truly global registration system."

Nonetheless, it was still eight years before Colombia joined the Madrid System in 2012 and another year before Mexico joined in 2013.

**AUTHOR**  
TOVE GRAULUND

Over the next five years, it was broadly tumbleweed for developments in the region.

Thankfully, that changed earlier this year. After much resistance from many sides, Brazil finally joined the Madrid Protocol – ending a journey that had taken 15 years.

## A system for the future

Before delving into the inner workings of Brazil's accession, it is important to review how the system works. While some trademark practitioners spend time finding flaws in the Madrid Protocol, they do not always have the same interest in learning how it actually operates.

In brief, a brand owner must have a trademark application or registration in the home country of its company to use as the basis for an international application. It must then file an international application with the national IP office, which will examine the triple identity between the basic mark and the international application. When the examiner is happy with this, they will send the application to WIPO.

All fees (ie, the basic fee and a fee set by each designated office) are paid to WIPO, which will examine the list of goods and services. Once satisfied, WIPO will register the mark in its system

**PICTURE:** ANTON BALAZH/  
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and the application formally becomes an international registration. However, the trademark will be registered at WIPO level only, because each designation must then be examined by the designated national offices according to their national law and practice. It is important not to forget this when filing. For example, when designating the United States, applicants should ensure that the list of goods in the international application is specified to the actual goods for which use is intended in the country – a check that should be carried out at the filing stage.

### Pros and cons

It is also worth briefly considering the advantages and disadvantages of the Madrid System – some of which are often overlooked.

Arguably the most significant advantage is the fact that the system is simple and efficient in the sense that you file one application in one language and pay one fee. This can be easy to forget at the examination stage if you then have to jump through hoops to ensure all designations are accepted to registration, as every office has different practices, especially with regard to the list of goods and services. However, once you have passed this stage, the advantage of the system is clear. You renew in one go and making small amendments (eg, to the address) is simple. Finally, and crucially, you can assign one registration without the hassle of filing a multitude of documents that often have to be translated and legalised.

From a financial perspective, it is far cheaper to use the Madrid System than to file and maintain the same number of national applications. However, in view of the diverse practices of the designated offices, you may end up spending what you have saved at the filing stage on having to file arguments and amending the list of goods. In my opinion, the cost is worth it if your trademark is meant to be used for a long period. It is much easier to manage and maintain a portfolio of international registrations than an equal number of national registrations. Apart from the fact that time is money, the actual savings can be sizeable.

Other advantages include the following:

- Brand owners can add countries to their international registrations as the market expands through subsequent designations.
- If a brand owner loses interest in a market, it can drop the region from its registration simply by not paying the country fee at renewal.
- If a rights holder has designated the European Union and runs into trouble, it can amend the registration to designate only specific EU countries and maintain the original date of registration.
- Brand owners can add older national registrations to their international registration through replacements, meaning that they keep their original registration dates but can drop the national registration at the next renewal to optimise a portfolio.
- Finally, WIPO has several useful online tools, with new tools being added regularly.

When it comes to disadvantages, the most significant is that an applicant is obliged to have a basic mark, on which the international registration is dependent for

the first five years of its life. This requirement seems to be counterintuitive in the modern IP landscape. A brand owner does not need to have a basic design to file a Hague application, so why the need to have a basic national trademark to file a Madrid application? It is an old institution that some associations have been trying to dispose of, but unfortunately the national IP offices are against this. Since no convincing reason has been given, one assumption is that they are probably afraid of losing income. However, that stance is misinformed, as brand owners would likely designate their home country, since this is often the country of production.

Fallout from this requirement is that if a basic mark is attacked and lost for some reason, the international registration will also fall. This so-called ‘central attack’ is a great tool for a rights holder battling a fraudulent applicant, but is rarely used and does not outweigh the disadvantage of forcing all applicants to have a basic mark.

A basic mark is also particularly difficult for applicants that reside in countries which do not use Latin characters. If those brand owners want to export their products to Latin character markets, and they wish to use the Madrid System to do so, they must file a version of their trademark in Latin characters in their home country – even if they will never use this version in their home market. This is made worse when the brand owner resides in a country with a shorter use requirement period, such as Japan, where the period is three years. If a Japanese basic mark in Latin characters is attacked for non-use in, for example, the fourth year, both the basic mark and the international registration will fall as a result of the five-year dependency period.

Aside from that, there are no other disadvantages to the system itself. While some applicants experience frustration due to the backlog at WIPO, this is being reduced and will hopefully reach an acceptable level thanks to the office’s ongoing efforts. The other major issue is that the system exposes the lack of harmonisation between national IP offices. For example, it can be frustrating to receive different objections to the same list of goods. In the past, an applicant would have one filing per country would receive the objections at different times due to the diverse examination times across jurisdictions. As a result, it may not notice the various versions of the list of goods and services. However, with an international registration, the applicant receives the objections around the same time in the same file, which can be frustrating – especially when all the offices have signed the Nice Treaty in an effort to prevent these hurdles.

### Why so reluctant?

Thanks to its significant advantages over national filings, the Madrid System is the trademark system of the future – and it is now truly global. But one major question remains: why do so many countries seem reluctant to join?

One reason is that a country’s government may not see the point of the system if domestic companies are trading abroad in bulk, rather than using trademarks. However, this perspective is arguably mistaken. Joining the Madrid System makes it easier for companies to protect trademarks, so they will be more willing to use

a proper trademark and eventually develop a brand which, all else being equal, will lead to bigger profits. In fact, data shows that the Madrid System is particularly interesting to SMEs, as 63% of international registration owners have only one trademark to their name, 17% have two and 6.6% have three. On the other end of the spectrum, the very biggest companies which own more than 500 international registrations constitute just 0.01% of the system.

Another reason for some countries' reluctance to join can be found when IP offices and governments consult with local IP associations as to whether it would be beneficial to implement the Madrid System. The problem with this approach is that members of IP associations in many of the countries that have not yet joined are IP firms or individuals in private practice. Many in this sector are worried that their business will decline and do not see the benefits to their domestic clients. As a result, the response from the IP association is that there is no need to join the system and sometimes even that it would be against the country's best interest to do so.

### Inside story of Brazil

On 26 June 2019 the Madrid Protocol ratification documents were signed by President Jair Bolsonaro and sent to Geneva. For many of us, it was a day for celebration given that we had been waiting 15 years for this to happen.

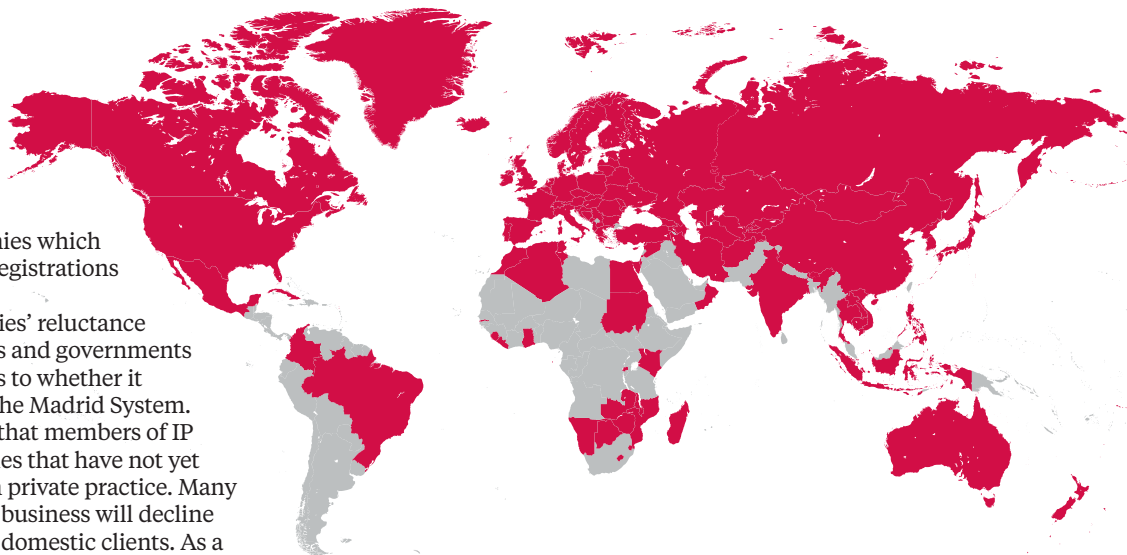
In 2005 representatives from INTA, MARQUES and WIPO travelled to Brazil to educate the local industry about the benefits of the Madrid System. The initiative led to the adoption of a proposal for a bill to join the Madrid Protocol by the Brazilian Chamber of Foreign Trade in 2006. Brazil was selected as a target in the hope that if it became a member, other Latin American countries would be incentivised to follow – something that remains to be seen, especially since trade in the region is complex. Unfortunately, the proposed bill was held up in the Civil Cabinet of the Presidency and rumours persisted that major law firms were actively lobbying officials to keep it there.

In fact, the Brazilian Intellectual Property Association released a document in 2002 and again in 2018 in which it put forward a list of obstacles to joining Madrid without including any of the benefits. The 2018 paper in particular included the following objections:

- Foreign parties would be treated more favourably than national parties.
- The National Institute of Industrial Property (INPI) would lose revenue as a result of joining the protocol.
- Brazilian businesses would be harmed due to the absence of Portuguese as a language in the protocol.
- It should be a requirement for all applicants designating Brazil to submit a declaration of business activity.

Later that year, representatives of several Brazilian associations and Brazilian groups of international associations – supported by some major law firms –

**FIGURE 1:** Members of the Madrid System



participated in a parliament hearing putting forward their requests for amendments, including obligations to appoint a representative in Brazil and to file an affidavit of use, as is procedure in the United States. The former request also referenced an obligation that had been introduced a couple of weeks previously in the United States, without regard to the fact that this was as a result of substantial numbers of fraudulent applications at the USPTO and had nothing to do with the Madrid System, under which the obligation does not yet exist.

One of the major objections to Brazil joining the system was the fact that INPI was not ready and the examination time was very long. However, the examination time has now fallen to eight months. On the other hand, it is almost inevitable that there will be issues in the beginning – as has been the case for other joining offices. Nevertheless, INPI has demonstrated its willingness, has worked hard to prepare and will receive help from WIPO and its users to ensure that the first period is as short as possible.

Since 2006, local industry organisations have tried to resume progress on the issue a number of times but failed to make an impact until shortly before the recent presidential elections. As it turned out, the new Brazilian president is extremely pro-business, which may account for why things suddenly started to move quickly. Another contributing factor to the rapid progress made in the past six months is the fact that INPI has worked hard to reduce its trademark application backlog and concurrently decrease examination times to under 18 months. Further, WIPO also had people on the ground in Brazil to explain the advantages of joining the system, which has undoubtedly helped the country to get to a point where the system could finally be ratified.

While there is reason to celebrate on behalf of brand owners – both large and small, local and international – the level of hostility surrounding the debate has been upsetting at times. Attorneys expressing support for joining were called “traitors” or “a lobby against the nation”, while the subject of Madrid was referred to as “an unburied dead body” and “a zombie”.



It has been disappointing to see how reluctant some local IP law firms are to understand the benefits of joining. From a human perspective, it is natural for some people to look after their own interests first. However, some firms seem to spend more time finding flaws in the system than learning how it functions and how it may benefit their business. In recent years, conferences have been held in the region where it seems that only individuals who oppose the Madrid System have been invited to speak, when it would benefit the profession to hear from users with actual experience of the system. As such, so-called 'fake news' about how the system functions ends up being repeated, when it would take moments to establish how it really works.

For example, some practitioners were offended by the claim that WIPO keeps all fees paid by applicants. In fact, WIPO keeps only its own fee (the basic fee) and distributes all other fees to the designated offices. The national offices often charge individual fees (ie, a fee similar to the filing fee for a national filing) and consequently suffer no loss of income as a result of joining Madrid. It is quite sad to see incorrect information such as this being circulated and, when debate is not held in the open, it is impossible to correct it. Thankfully, this is changing, and speakers with a lot of experience to share are finally beginning to appear on programmes.

### The impact

Now that Brazil has ratified the Madrid System, it seems that some trademark practitioners in other Latin American countries are coming together to prevent their own countries from joining. There is even talk of a court case to have Colombia resign. For that reason, it is important to look at what the real impact of joining is.

In Mexico, for example, some law firms experienced a significant decrease in filing work after Madrid was implemented. This is inevitable in countries where the IP office functions well and users have confidence. However, after the initial period, firms experienced a recovery due to the number of provisional refusals against designations. Indeed, one local expert told me that joining Madrid has provided a "very interesting" volume of work for the firm. Statistics show that more than 50% of the designations are met with initial refusals in Mexico, so there is still a lot of work to go round. Meanwhile in Singapore, which acceded in 2000, there was initially a lot of apprehension, but after a while things levelled out. Although filing work decreased, joining the system led to more prosecution and dispute work.

Ultimately, the role of a trademark attorney – whether in-house or in private practice – is essential to businesses, and that remains true regardless of whether the Madrid System is in operation. Considering the difficulties that some applicants face getting designations through, preparation is key to reducing objections when filing for an international registration. Therefore, working closely with a local trademark attorney remains essential, as it is still vital to conduct trademark clearance searches, ensure that the basic mark is secure and get local advice to ensure a brand or product can launch without unexpected difficulty. The external filing agent will change to a value-adding trademark attorney.



Tove Graulund together with the delegation from Brazil at the Madrid Working Group at WIPO in July 2019

### What will it take to get more to join?

Human beings are often averse to change and it cannot be denied that joining the Madrid System is a big step. But if the industry is prepared, practitioners will have little to worry about. Firms that rely on filings from international clients will need to take measures and train existing employees to handle the more sophisticated work of dealing with searching, prosecution, disputes, negotiations and agreement. Prepare well and all will be fine.

On top of that, we need to ensure that inaccurate information about the Madrid System does not travel. Instead, we should familiarise ourselves with how the process works, how to fill in the WIPO forms and how to effectively deal with WIPO. If law firms understand that they need not worry and local companies become more vocal and request ratification, then countries will join faster than we have seen before. It is also important that IP associations that work for the interests of brand owners – especially MARQUES and INTA – work with local brand owner associations and continue to actively push the benefits of the Madrid System at a government level. At the same time, these associations should also continue to push for improvements to the international trademark system.

In addition, it would be helpful if international clients were more vocal before their local trademark attorneys and asked for active support. This does not happen enough – perhaps because clients feel that they are asking too much when they want to continue working with their partners. However, if Madrid is to happen, that client-attorney relation will develop in a different way and lead to more intellectually stimulating work.

Brazil has some great, smart professionals who will learn quickly. It is a big, important country and there will always be lots to do. For that reason, I am confident that trademark practitioners will prosper there. **WTR**



Tove Graulund is principal of Graulund Consulting  
[tove@graulund.com](mailto:tove@graulund.com)