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COMMENTS

The United States and the Madrid Protocol: A Time to Decline, A Time to Accede

I. INTRODUCTION

Signed in 1891, the Madrid Agreement Concerning the International Registration of Marks¹ (the “Madrid Agreement” or “Agreement”) enables trademark² owners in signatory countries³ to secure an international trademark registration by filing one application and paying one fee.⁴ In view of the United States’ decision not to accede to the Agreement,⁵ the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks⁶ (the “Madrid Protocol” or “Protocol”) was drafted in 1989, its provisions intended to address the United States’ primary objections to the Madrid Agreement.⁷ Collectively, the Agreement and Protocol are known as the

1. Madrid Agreement Concerning the International Registration of Marks, April 14, 1891, 828 U.N.T.S 389 [hereinafter Agreement] (revised at Brussels on Dec. 14, 1900, at Washington on June 2, 1911, at The Hague on Nov. 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967, and amended on Oct. 2, 1979), *reprinted in* INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 260 (Marshall A. Leaffer ed., 2d ed. 1997) [hereinafter TREATIES]. The Madrid Agreement, Madrid Protocol, and associated Common Regulations are also available on the World Intellectual Property Organization website, <<http://www.wipo.org>>.

2. For a primer on trademark law, see SHELDON W. HALPERN ET AL., FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW: COPYRIGHT, PATENT, AND TRADEMARK 275-358 (1999).

3. Only states that are party to the Paris Convention may become signatories to the Madrid Agreement. *See* TREATIES, *supra* note 1, at 257-58.

4. *See id.*

5. *See* INTERNATIONAL INTELLECTUAL PROPERTY LAW 304 (Anthony D’Amato & Doris Estelle Long eds., 1997) [hereinafter D’Amato & Long].

6. Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 28, 1989, WIPO Pub. No. 204(E) [hereinafter Protocol], *reprinted in* TREATIES, *supra* note 1, at 275. *See generally* KENNETH L. PORT ET AL., INTERNATIONAL AND COMPARATIVE INTELLECTUAL PROPERTY LAW (2000) (collecting materials pertinent to the Protocol).

7. *See* TREATIES, *supra* note 1, at 259. The Protocol took effect on December 1, 1995. *See id.* at 258; *see also* Protocol, *supra* note 6, art. 14(4)(a):

This Protocol shall enter into force three months after four instruments of ratification, acceptance, approval or accession have been deposited, provided that at least one of those instruments has been deposited by a country party to the Madrid (Stockholm) Agreement and at least one other of those instruments has been deposited by a State not party to the Madrid (Stockholm) Agreement or by any of the organizations referred to in paragraph

Madrid System,⁸ and are administered by the International Bureau of the World Intellectual Property Organization (WIPO).⁹ The Madrid System effects no substantive changes to the trademark laws of signatory nations.¹⁰

The United States House of Representatives has repeatedly passed a bill to amend the Lanham Act¹¹ to conform to the Protocol.¹² If passed by the Senate¹³ and approved by the President,¹⁴ the so-called Madrid Protocol

(1)(b).

8. See William R. Cohrs, *USTA Worldwide Focus Is Greater Protection, Harmony: Trademark Bar Looks to Accords*, NAT'L L.J., May 11, 1992, at S8. As of April 15, 2000, a total of 64 countries had become contracting parties in the Madrid System. See World Intellectual Property Organization, *Status of Ratifications* (visited Apr. 27, 2000) <<http://www.wipo.org/eng/newindex/madrid.htm>>. In particular, 51 countries were party to the Agreement, and 44 countries were party to the Protocol. See *id.* These numbers underscore that a country may become party to both the Agreement and the Protocol.

9. See Agreement, *supra* note 1, art. 11; Protocol, *supra* note 6, art. 11. Established in 1967, WIPO is a specialized United Nations agency headquartered in Geneva. See TREATIES, *supra* note 1, at 561. One of its expressed objectives is "to promote the protection of intellectual property throughout the world through cooperation among States." Convention Establishing the World Intellectual Property Organization, July 14, 1967, art. 3, reprinted in TREATIES, *supra* note 1, at 565.

10. See 144 CONG. REC. S6564, S6570 (daily ed. June 18, 1998) (remarks of Sen. Patrick Leahy) ("the Protocol will not require substantive changes to American trademark law"). An international registration issued under the System coexists with national registrations issued by the trademark offices of signatory nations. See Ian Jay Kaufman, *The Madrid Protocol: Pros and Cons for U.S. Applicants*, in 1 INTERNATIONAL INTELLECTUAL PROPERTY LAW & POLICY 297, 297-98 (Hugh C. Hansen ed., 1996) [hereinafter LAW & POLICY]. Although the Protocol does not alter the substantive laws of signatory nations, its dependency scheme encroaches upon their sovereignty. See discussion *infra* Part V.

11. 15 U.S.C. §§ 1051-1127 (1994 & Supp. IV 1998).

12. On April 13, 1999, House Bill 769, H.R. 769, 106th Cong. (1999), was passed. See 145 CONG. REC. H1876 (daily ed. Apr. 13, 1999). During the previous Congress, an identical bill, H.R. 567, 105th Cong. (1998), was passed by the House. See 144 CONG. REC. H2753 (daily ed. May 5, 1998); see also *House Approves Bill Implementing Madrid Protocol on Trademark Registration*, BNA PAT., TRADEMARK & COPYRIGHT L. DAILY, May 6, 1998, at D2.

13. On February 10, 2000, the Senate Judiciary Committee of the 106th Congress approved Senate Bill 691, which "should face no . . . obstacles" when it goes to the Senate floor. See *Trademarks: Resolution of European Union Voting Issue Dislodges Stalled Trademark Registration Bill*, BNA PAT., TRADEMARK & COPYRIGHT L. DAILY, Feb. 14, 2000, at D2. Counterpart to House Bill 769, Senate Bill 671, S. 671, 106th Cong. (1999), was introduced on March 19, 1999. See 145 CONG. REC. S3000, S3003 (daily ed. Mar. 19, 1999). The 1998 version was Senate Bill 2191, S. 2191, 105th Cong. (1998). See 144 CONG. REC. S6564 (daily ed. June 18, 1998). The Senate did not act on either the 1999 or 1998 version of the bill.

14. See *House Approves*, *supra* note 12. Because the Protocol grants the European Union voting rights both collectively and individually, "a sticking point to ratification" existed for a number of years. 144 CONG. REC. H2753, H2756 (daily ed. May 5, 1998) (remarks of Rep. Howard Coble). During that period, the Clinton Administration refused to send the Protocol to the Senate for ratification. See *House Approves*, *supra* note 12. The voting rights issue was apparently resolved in early 2000 when the "European Union . . . promised it would consult bilaterally with the United States should any vote [in the General Assembly of the Protocol] be required to take place over trademark issues addressed in the Madrid Protocol dealing with world intellectual property rights."

Implementation Act would pave the way for the United States to accede to the Protocol.

One congressman stated that “opposition to the [P]rotocol . . . is nonexistent, as best I can determine.”¹⁵ This statement notwithstanding, it remains to be seen whether U.S. accession to the Protocol will bring as many advantages to U.S. companies in general, and to small U.S. companies in particular, as proponents anticipate.¹⁶ However, balancing the attendant costs and benefits, as many commentators have done, a forceful argument for accession to the Protocol may be made.¹⁷

In my view, the likely benefits of the Madrid Protocol have been exaggerated. As discussed below, while the Protocol will likely benefit some U.S. trademark owners, the class of such owners is narrowly circumscribed. Part II examines the Madrid Agreement and reasons why the United States refused to accede thereto. Part III compares the Protocol to the Agreement to show that the Protocol is a more viable option for U.S. applicants. The systemic biases of the Protocol will be emphasized, leading to the conclusion that congressional rhetoric does not conform to reality. In Part IV, an asserted objective of the Protocol—the Protocol may lead to harmonization of

Trademarks: EU to Consult with U.S. over Any Votes on Trademark Issues Under Madrid Protocol, BNA PAT., TRADEMARK & COPYRIGHT L. DAILY, Feb. 18, 2000, at D2.

Compared to other treaties, the sequence of events presented here is unusual. Although the United States has not ratified the Protocol, Congress has expended resources to enact implementing legislation. Yet until ratification, enacted implementing legislation does absolutely nothing. This truly is a case of the cart coming before the horse. However, the voting rights issue frustrated Congress's attempts to exert pressure on the Administration. Cf. 145 CONG. REC. H1876, H1878 (daily ed. Apr. 13, 1999) (remarks of Rep. Howard Berman) (“While the State Department pursues its concerns with European Commission officials, I believe it is important that we in this body signal our support for the substantive provisions of the Protocol.”).

15. 144 CONG. REC. H2753, H2756 (daily ed. May 5, 1998) (remarks of Rep. Coble); see also H1876, H1878 (daily ed. Apr. 13, 1999) (remarks of Rep. Coble) (“H.R. 769 is an important and noncontroversial bill . . .”). Rep. Coble did acknowledge the voting rights “sticking point,” however. See *supra* note 14.

16. When the Madrid Protocol Implementation Act was first introduced in the House of Representatives in 1993, Rep. Hughes declared that “[t]he protocol is expected to provide significant advantages for U.S. trademark owners by permitting ease of registration in countries other than the United States to receive the *full protection* of their trademarks in those countries.” 139 CONG. REC. E1259 (daily ed. May 17, 1993) (remarks of Rep. William Hughes) (emphasis added). Whether “full protection” will indeed be secured by accession to the Protocol is open for debate. See *infra* text accompanying notes 88-90.

17. See, e.g., Daniel C. Schulte, *The Madrid Trademark Agreement's Basis in Registration-Based Systems: Does the Protocol Overcome Past Biases? (Part II)*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 729, 758 (1995) (“The Protocol, when operated with recently modified U.S. trademark laws[,] is sufficiently improved over the MTA [Madrid Trademark Agreement] to warrant U.S. ratification.”); James T. Walsh, *The Madrid Protocol: United States Participation*, in LAW & POLICY, *supra* note 10, at 289, 296 (“In the final analysis, the Protocol offers significant advantages to the United States, on balance . . .”).

substantive trademark laws—will be questioned and dismissed as unrealizable.¹⁸ Finally, Part V asserts that the Protocol is fundamentally flawed and proposes an alternative international registration scheme.

II. THE MADRID AGREEMENT

A. Salient Provisions

Under the Agreement, a trademark applicant seeking international protection for a mark may—instead of filing separate applications in each foreign country's trademark office—file one international application through the applicant's home office, which then forwards the application to WIPO's International Bureau.¹⁹ A condition precedent to filing is that the applicant has already registered the mark in his country of origin;²⁰ this home country registration is also termed a "basic registration."²¹ Thus, an international registration depends on the underlying home registration, and this relationship is referred to as "dependency."²² The holder of an international registration does not receive international trademark rights in all signatory nations by virtue of the international registration. On the contrary, the applicant must request trademark rights in signatory countries on an individual basis. A "request for extension of . . . protection" may be made within the application for international registration itself.²³ Subsequent to registration, a "request for territorial extension" may be made in writing.²⁴ Once the International

18. One commentator has apprehended "a practical misunderstanding among the advocates of trademark harmonization." Kenneth L. Port, *Trademark Harmonization: Norms, Names & Nonsense*, 2 MARQ. INTELL. PROP. L. REV. 33, 35 (1998). Such concerns notwithstanding, I couch this overarching question in terms of harmonization, with discussion to follow. See Part IV *infra*.

19. See Agreement, *supra* note 1, art. 1(2). The applicant must be domiciled or must have "a real and effective industrial or commercial establishment" in a country that is party to the Agreement. *Id.* art. 1(3). Accordingly, a U.S. company may not enjoy international protection under the Agreement unless it files in the name of a subsidiary corporation domiciled in a signatory country; downstream, this backdoor approach may hamper the company's efforts to enforce its rights. See D'Amato & Long, *supra* note 5, at 304. Applicants availing themselves of the Agreement receive foreign filing dates in accordance with the Paris Convention. See Agreement, *supra* note 1, art. 4(2); see also Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, art. 4, 21 U.S.T. 1583, 828 U.N.T.S. 305 (revised at Brussels on Dec. 14, 1900, at Washington on June 2, 1911, at The Hague on Nov. 6, 1925, at London on June 2, 1934, at Lisbon on Oct. 31, 1958, and at Stockholm on July 14, 1967), reprinted in TREATIES, *supra* note 1, at 20 (according trademark applicant the same filing date in foreign countries as that attaching to his home application provided that foreign applications are filed within six months of the corresponding home application).

20. See Agreement, *supra* note 1, art. 1(2).

21. D'Amato & Long, *supra* note 5, at 304.

22. Schulte, *supra* note 17, at 731-32.

23. Agreement, *supra* note 1, art. 3ter(1) ("[a]ny request . . . must be specially mentioned").

24. *Id.* art. 3ter(2).

Bureau notifies a national office that a party seeks trademark rights, the national office has one year in which to refuse to grant protection to the party's mark.²⁵ If the national office misses the one-year deadline for communicating its refusal, the office cannot deny protection to the party's mark.²⁶ If the office does communicate its refusal before the one-year deadline, the party may invoke any remedies available in that country to challenge the refusal.²⁷ Assuming that protection is extended, a holder of an international registration receives in each designated country the same protection as that obtained had he filed directly with its trademark office. However, the scope of protection may differ.²⁸

The Agreement's dependency requirement leads to several important corollaries. First, because international rights depend on a basic registration, such rights may be vitiated by invalidating a trademark owner's basic registration.²⁹ Denominated "central attack,"³⁰ this loss of rights may occur within five years of the date of the international registration. Thereafter, the international registration and basic registration become independent;³¹ a trademark owner's international rights can no longer be summarily divested.³² A second corollary of dependency is that the basic registration defines the metes and bounds of the trademark protection obtainable internationally. In other words, the scope of protection granted through extensions of protection of an international registration may never exceed the correlative scope of protection granted in the basic registration.³³

25. *See id.* art. 5(2).

26. *See id.* art. 5(5).

27. *See id.* art. 5(3).

28. *See* Agreement, *supra* note 1, art. 4; *see also* Carlisle E. Walters, *The Madrid Protocol*, 4 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 407, 409 (1993) ("The international registration itself is meaningless; it has no territory of its own. The territoriality comes with the request for an 'extension of protection' . . . to a certain country.").

29. *See* Schulte, *supra* note 17, at 732-33; *see also* Agreement, *supra* note 1, art. 6.

30. Schulte, *supra* note 17, at 733. Pursuant to this scheme:

[An] objector, by making one single objection in the country of origin, can bring down a series of trade mark registrations in the countries to which the mark has been extended where in fact he has minimal or no prior rights at all! This unfairness is generally recognised as a flaw in the system.

Roger E. Schechter, *Facilitating Trademark Registration Abroad: The Implications of U.S. Ratification of the Madrid Protocol*, 25 *GEO. WASH. J. INT'L L. & ECON.* 419, 426 (1991) (quoting David Tatham, *Central Attack and the Madrid Agreement*, 7 *EUR. INTELL. PROP. REV.* 91, 92 (1985)).

31. *See* Agreement, *supra* note 1, art. 6(2).

32. This is not unlike incontestability under United States trademark law, wherein a registered mark becomes much less vulnerable to attack after the first five years of registration. *See* Lanham Act §§ 15, 33(b), 15 U.S.C. §§ 1065, 1115(b).

33. *See* Schulte, *supra* note 17, at 732.

International applications must be filed in the French language.³⁴ In fact, all communications with the International Bureau must be in French.³⁵ Fees collected by national offices to handle international applications must be remitted to the International Bureau, which then divides the monies among the countries party to the Agreement.³⁶ No additional fees may be charged by individual trademark offices.³⁷

B. Systemic Bias Against the United States and the United States' Principled Rejection of the Agreement

Despite the apparent simplicity and efficiency offered by the Madrid Agreement, the United States never acceded.³⁸ To understand why, it is necessary to examine what distinguishes U.S. trademark law from the laws of many countries.³⁹ In the United States, trademark rights flow from use, not registration.⁴⁰ Thus, the U.S. trademark system is use-based.⁴¹ By contrast, in registration-based systems, trademark rights arise, *ipso facto*, when an individual first registers a mark with the government.⁴² It follows that American companies, unlike their counterparts in registration-based countries, cannot secure home registrations "for months or years" after introducing a product in the marketplace.⁴³ By requiring a home registration as a predicate for an international registration, that is, by mandating dependency, the Madrid

34. See Common Regulations Under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to That Agreement, *as in force on Jan. 1, 1998*, Rule 6(1)(a) [hereinafter Regulations], available in <http://www.wipo.org/eng/iplex/m_common.htm>.

35. See *id.* Rule 6(2)(a).

36. See Agreement, *supra* note 1, art. 8.

37. See Schechter, *supra* note 30, at 429 & n.40 (comparing art. 8(1) and 8(2) of the Agreement).

38. See D'Amato & Long, *supra* note 5, at 304.

39. See *id.* at 305.

40. See 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:109 (4th ed. 1998) ("It is fundamental to United States trademark registration practice that use must precede registration. Without use, there is no 'trademark' to be recorded on the federal register of marks."); see also Anthony R. DeSimone, *United States Adherence to the Agreement of Madrid*, 56 TRADEMARK REP. 320, 320 (1966) (expressing "my basic trademark philosophy that trademarks are tools of commerce and a trademark right should follow use of goods in commerce"); Stephen P. Ladas, *Additional Memorandum*, 56 TRADEMARK REP. 361, 363 (1966) [hereinafter *Ladas Memo*] ("I hold to the philosophy that the law may throw its protection around a trademark by a system of registration on the assumption that the applicant has an intention to use his trademark. It is an abuse of the trademark law . . . to grant registration to a mark in any country when there is no such intention").

41. See Daniel C. Schulte, *The Madrid Trademark Agreement's Basis in Registration-Based Systems: Does the Protocol Overcome Past Biases? (Part I)*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 595, 608 (1995).

42. See *id.* at 605.

43. Schechter, *supra* note 30, at 425.

Agreement is systemically biased against the United States, for individuals in other countries may receive international protection much more swiftly.⁴⁴

The Madrid Agreement's insistence on dependency also prejudices the Agreement against the United States with respect to (1) the scope of international protection afforded to U.S. applicants' marks and (2) the possibility that central attack may summarily defeat U.S. applicants' international trademark rights.⁴⁵ First, unlike some countries, the United States Patent and Trademark Office (PTO) requires that applicants define with particularity the goods or services associated with a trademark.⁴⁶ Because the specification of goods defines the metes and bounds of international protection, U.S. applicants are disadvantaged; the narrow scope of rights acquired domestically forecloses applicants from securing broad rights internationally.⁴⁷ Second, in the United States, a "battery of potential registration invalidating procedures" exists.⁴⁸ This means that U.S. trademark registrants are more vulnerable to central attack and face the attendant specter of losing all international trademark rights.⁴⁹

A number of other secondary issues account for the United States' decision not to accede to the Agreement. Because, for purposes of the

44. See Schulte, *supra* note 17, at 739-40. In particular, French applicants have historically been able to secure home registrations relatively quickly. Thus, the Agreement is biased in favor of France. See *id.*; cf. Stephen P. Ladas, *The Position Against Adherence: The Madrid Agreement for the International Registration of Trademarks and the United States*, 56 TRADEMARK REP. 346, 350 (1966) ("[T]he Madrid Agreement was therefore in effect an extension of the French system giving to French nationals automatic registration in a number of countries.").

45. See Schulte, *supra* note 17, at 734.

46. See *id.* at 738; see also 2 MCCARTHY, *supra* note 40, § 19:48 ("In drafting the specification of goods, the applicant must walk a tightrope between vagueness and over-specificity.").

47. See Schulte, *supra* note 17, at 738. But see Norman St. Landau, *Some Comments on Possible Adherence to the Madrid Agreement*, 56 TRADEMARK REP. 337, 340 (1966) ("[T]he argument about restrictiveness of the United States registration, or breadth of the European registration, is partly a play on words and partly something which participation in the Madrid Agreement will modify.").

48. Schulte, *supra* note 17, at 743. See generally 3 MCCARTHY, *supra* note 40, §§ 20:52-20:63 (enumerating grounds for cancellation of registration).

49. See Schulte, *supra* note 17, at 743. Central attack also renders problematic the licensing of one's mark abroad. See Schechter, *supra* note 30, at 427 ("[T]he treaty contemplates that when an international registration is transferred without a simultaneous transfer of the home country registration, the assignee's rights continue to be dependent on the validity of the assignor's home country registration."); see also WORLD INTELLECTUAL PROPERTY ORGANIZATION, GUIDE TO THE INTERNATIONAL REGISTRATION OF MARKS UNDER THE MADRID AGREEMENT AND THE MADRID PROTOCOL para. 77.05, WIPO Pub. No. 455(E), available in <http://www.wipo.org/eng/madrid/guide/part_b2/dependnc.htm> ("Since however the international registration continues to be dependent on the fate of the basic mark, the holder of an international registration runs a risk if, during the five-year dependency period, he does not control the basic mark . . .").

Agreement, the International Bureau's working language is French, the United States would need to hire many translators to handle applications forwarded by the International Bureau; trademark fees would thus increase.⁵⁰ In addition, a great influx of foreign applications into the United States is anticipated were the United States to adhere to the Agreement, thus burdening the PTO.⁵¹ Given that the Agreement would allow the PTO only one year in which to issue a refusal to extend protection to foreign marks, the PTO would be forced to subordinate domestic applications to the foreign ones, leading to extended turnaround times for domestic applications.⁵² And because the Agreement forbids the PTO from exacting fees of international registrants, the PTO would need to increase domestic filing fees. After all, additional examiners would need to be hired to manage the increased workload; increased domestic filing fees would fund their salaries.⁵³

Cognizant of all the above biases, the United States opted not to accede to the Agreement. As one scholar so aptly declared in 1966:

(a) The Madrid Agreement for the International Registration of Trademarks is fundamentally objectionable in the light of present needs of international commerce.

(b) While American trademark owners may obtain a saving of expense through international registrations, there are serious disadvantages to such registrations as compared with national registrations in individual countries.

(c) Extension to the United States of many thousand foreign marks by operation of the Madrid Agreement would involve serious difficulties and substantial increase of personnel and expense in the United States Patent Office, and grave prejudice to American trademark owners.⁵⁴

50. See Schechter, *supra* note 30, at 429-30.

51. See *id.* at 428.

52. See *id.* at 429-30.

53. See *id.* This could lead to an externalities problem wherein "smaller U.S. firms, with no interest in the advantage of international registration, would subsidize both larger U.S. firms and firms based in other nations who avail themselves of the Madrid Agreement opportunity to register in the United States." *Id.* at 429.

54. Ladas, *supra* note 44, at 359-60. But see Edward G. Fenwick, Jr., *United States Participation—Madrid Agreement*, 56 TRADEMARK REP. 323, 324-25 (1966) (advocating ratification of the Madrid Agreement on the assumption that Patent Office procedures will protect U.S. citizens); Landau, *supra* note 47, at 342 ("[M]any of the fears expressed in regard to United States adherence seem at least exaggerated.").

III. THE MADRID PROTOCOL

A. *Salient Provisions*

In 1989 the Protocol was drafted to provide a more attractive international registration vehicle for countries that had not adhered to the Agreement.⁵⁵ Importantly, the Protocol does not purport to supersede the Agreement; the systems exist in parallel.⁵⁶ The Protocol differs from the Agreement in several significant respects.⁵⁷ First, a registration in one's home country is not a condition precedent to filing an international application. One need only *apply* for registration in one's country.⁵⁸ In other words, if one has filed a "basic application," one may file an international application, ultimately obtaining an international registration.⁵⁹ Second, a national office has a larger window—eighteen months—in which to communicate its refusal to extend protection to an applicant's mark.⁶⁰

Third, the Protocol somewhat mitigates the effects of central attack. As with the Agreement, the international registration remains dependent on the underlying basic application and the subsequent basic registration, assuming one results from the application.⁶¹ And dependency is time-limited, lasting

55. See TREATIES, *supra* note 1, at 259.

56. See Walsh, *supra* note 17, at 289; see also Protocol, *supra* note 6, art. 1 ("The States party to this Protocol . . . shall be members of the same Union of which countries party to the . . . Agreement are members."); *id.* art. 9*sexies* (Titled "Safeguard of the Madrid (Stockholm) Agreement," this clause accords primacy to the Agreement when an applicant from a country that is party to both the Agreement and the Protocol seeks international protection in another such country.).

57. For a discussion of other differences, see generally Ian Jay Kaufman, *How the Madrid Agreement Differs from the Protocol*, N.Y.L.J., Oct. 23, 1992, at 5 [hereinafter Kaufman III] (declaring, *inter alia*, that Article 14 links the Protocol to the European Community Trade Mark because intergovernmental organizations may become signatories to the Protocol). Dr. Kaufman's views on the Agreement and Protocol appeared in five other installments of *The New York Law Journal*. See *The Madrid Protocol: Should the U.S. Join?*, N.Y.L.J., Oct. 9, 1992, at 5 [hereinafter Kaufman I]; *The Madrid Protocol: Step Toward 'Harmonization,'* N.Y.L.J., Oct. 16, 1992, at 5; *Modifications, Applications Can Further Backlog Agency*, N.Y.L.J., Oct. 30, 1992, at 5 [hereinafter Kaufman IV]; *Protocol Impact on Trademark Office and Trademark Lawyers*, N.Y.L.J., Nov. 6, 1992, at 5; *Draft Regulations, Like Protocol, Lack Answers*, N.Y.L.J., Nov. 13, 1992, at 5.

58. See Protocol, *supra* note 6, art. 2(1).

59. *Id.* A proposal by the Netherlands delegation—aptly dubbed the "Dutch proposal"—led to this scheme in the Protocol. Kaufman III, *supra* note 57. As with the Agreement, an applicant under the Protocol must file the international application with the applicant's home office. See Protocol, *supra* note 6, art. 2(2). Before forwarding the international application to the International Bureau, see *id.*, "[t]he Office of origin shall[, *inter alia*,] certify that the particulars appearing in the international application correspond to the particulars appearing, at the time of the certification, in the basic application or basic registration, as the case may be," *id.* art. 3(1).

60. See Protocol, *supra* note 6, art. 5(2)(b). Where pending oppositions are involved, the time for refusal may exceed 18 months. See *id.* art. 5(2)(c).

61. See *id.* art. 6(3).

five years from the date of international registration.⁶² However, unlike the Agreement, the Protocol furnishes a second chance for international protection when an international registration is cancelled due to loss of rights in a party's home country: the party may file individual applications in the national offices covered by the international registration, but retains the same priority date as the international registration.⁶³ This process is termed "transformation,"⁶⁴ and the individually filed national applications are the transformed applications.⁶⁵ When filing the transformed applications, the applicant forfeits the priority date if he attempts to enlarge the scope of protection beyond that prescribed by the cancelled international registration.⁶⁶

Finally, the Protocol's language and fee provisions differ from those of the Agreement. Unlike the Agreement, the Protocol has two working languages, English and French.⁶⁷ Additionally, the Protocol enables a signatory country to declare that, instead of receiving a share in the supplementary and complementary fees⁶⁸ collected by WIPO for a given registration, it will receive an individual fee from WIPO, the amount commensurate with that paid by applicants who file directly with the country's trademark office.⁶⁹

62. See Protocol, *supra* note 6, art. 6(2).

63. See *id.* art. 9*quinquies*. The applicant forfeits the priority date if he fails to file the applications within three months of cancellation of the international registration. See *id.*

64. *Id.*

65. See Schulte, *supra* note 17, at 754.

66. See Protocol, *supra* note 6, art. 9*quinquies* (The transformed application "shall enjoy the same priority [as the international registration enjoyed], provided that . . . the goods and services listed in the application are in fact covered by the list of goods and services contained in the international registration.").

67. See Regulations, *supra* note 34, Rule 6(1)(b), 6(2)(b).

68. See Protocol, *supra* note 6, art. 8(2):

Registration of a mark at the International Bureau shall be subject to the advance payment of an international fee which shall, subject to the provisions of paragraph (7)(a), include, (i) a basic fee; (ii) a supplementary fee for each class of the International Classification, beyond three, into which the goods or services to which the mark is applied will fall; (iii) a complementary fee for any request for extension of protection under Article 3*ter*.

69. See *id.* art. 8(7)(a) (The fee may not exceed "the equivalent of the amount which the . . . [country] would be entitled to receive from an applicant for a ten-year renewal of that registration, of the mark in the register of the said [country], the said amount being diminished by the savings resulting from the international procedure."). In any event, the basic fee, see *supra* note 68, is "divided equally among the Contracting Parties by the International Bureau, after deduction of the expenses and charges necessitated by the implementation of this Protocol." *Id.* art. 8(4).

B. An Improved International Registration System for the United States

Several of the above-enumerated provisions make the Protocol much more acceptable to the United States than the Agreement ever was. First and foremost, because an international registration is predicated on a basic application, U.S. applicants may, immediately after filing an intent-to-use application with the PTO, file an international application.⁷⁰ Accordingly, they are not temporally prejudiced vis-à-vis their foreign counterparts.⁷¹ Second, that the Protocol allots an examining office eighteen months in which to act on an extension of protection relieves the PTO of the time constraints operative under the Agreement.⁷² Third, the United States is much more amenable to the language and fee provisions of the Protocol. Clearly, that English exists alongside French as a working language makes the Protocol more acceptable to the United States;⁷³ translation costs are reduced.⁷⁴ And since the United States may charge international applicants its national fee, costs of examining marks submitted under the Protocol need not be borne by domestic applicants.⁷⁵

Applicants may realize cost savings under the Protocol. As a matter of course, an international applicant under the Protocol need not retain local counsel in those countries in which the applicant seeks international protection.⁷⁶ However, representation does become necessary if a national office refuses to extend protection to the applicant's mark, or if another party

70. See Schulte, *supra* note 17, at 754.

71. See *id.*

72. See *id.* at 755; see also Walsh, *supra* note 17, at 293 (“[C]urrent and projected pendency in the PTO and planned safeguards to ensure timely notifications indicate that the PTO will be able to work within these limits.”).

73. See Andrew Baum, *Madrid Protocol: Will United States Join? If So, What Will It Mean for U.S. Companies?*, N.Y.L.J., May 20, 1996, at S3.

74. See Schechter, *supra* note 30, at 433.

75. See *id.*

76. During the opening remarks of her speech, one commentator enumerated the “top five reasons why the United States should adhere to the Madrid Protocol.” Among them, she quipped, was “Reason # 4, so that foreign trademark lawyers can spend more time at home with their families.” Virginia Richard, *Madrid Protocol: Pros and Cons for U.S. Applicants*, in *LAW & POLICY*, *supra* note 10, at 301, 301. For an alarmist view describing the parade of terribles the author opines will accompany adherence to the Madrid Protocol, see Richard Nicholas Brown, *Does the Madrid Protocol Put Trademark Rights in Peril?*, *IP WORLDWIDE*, May/June 1997 (visited Jan. 30, 1999) <<http://www.ipww.com/may97/p3madrid.html>> (admonishing local trademark counsel to “beware,” for “the agreement will decimate ranks of these specialists”). For a contrastive view, see Bruno Machado, *Unfounded Fears Cloud Madrid Protocol*, *IP WORLDWIDE*, May/June 1997 (visited Jan. 30, 1999) <<http://www.ipww.com/may97/p6fears.html>> (“Globally, increased pre-registration and post-registration activity should more than compensate for any loss in filing activity.”).

files an opposition;⁷⁷ costs are incurred.⁷⁸ In contrast, post-registration savings are not subject to contingencies.⁷⁹ Specifically, international registrations may be renewed by the payment of a single fee.⁸⁰ Similarly, assignments of the registration may be made by the filing of a single request and payment of a single fee.⁸¹

C. *The Systemic Bias Continues Under the Protocol*

It has been said that “[i]n the U.S., where a home invalidation is a credible threat, the Protocol does not allow the potentially unfair consequences provided by central attack under the [Agreement].”⁸² When juxtaposing the central attack provisions of the Protocol with those of the Agreement, such a statement may well be accurate because central attack under the Protocol is tempered by the transformation procedure described above.⁸³ Viewing the Protocol in isolation, however, one realizes that U.S. applicants remain disadvantaged compared to their foreign counterparts. After all, the many possible grounds for cancellation of a U.S. registration increase the risk of central attack.⁸⁴

If a United States trademark registrant or applicant loses his domestic rights, he may file transformed applications in each foreign trademark office that had previously extended him trademark protection.⁸⁵ Yet the applicant must start anew. It is true that he retains his priority, but now he must incur substantial costs.⁸⁶ Such costs necessarily include hiring local counsel abroad

77. See Walsh, *supra* note 17, at 293; see also Regulations, *supra* note 34, Rule 17(2)(vii) (“where applicable, that the request for review or the appeal has to be filed through the intermediary of a representative whose address is within the territory of the Contracting Party whose Office has pronounced the refusal”).

78. Hiring local counsel may significantly diminish the savings realized by the applicant. See *infra* text accompanying notes 109-11, 117.

79. See Jeffrey M. Samuels, *The Madrid Protocol and Trademark Harmonization*, in ADVANCED SEMINAR ON TRADEMARK LAW 231, 245 (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course Handbook Series No. 387, 1994) (“While the Protocol does not guarantee savings to the trademark owner in obtaining protection abroad, significant economies will be realized in maintaining protection and in assigning rights.”).

80. See Protocol, *supra* note 6, art. 7; see also Regulations, *supra* note 34, Rules 29-31.

81. See Protocol, *supra* note 6, arts. 9, 9ter; see also Regulations, *supra* note 34, Rules 25-27.

82. Schulte, *supra* note 17, at 754-55.

83. See *supra* text accompanying note 63.

84. See *supra* note 48 and accompanying text; see also Kaufman IV, *supra* note 57 (“Applicants from countries recognizing . . . [common law or used-based] rights are more susceptible to attack from common law claims of priority thereby increasing the likelihood of successful central attack.”).

85. The economic effects of central attack described in this paragraph apply to all international registrants, not only to U.S. registrants.

86. See Kaufman, *supra* note 10, at 298 (observing that should central attack occur, “the

to handle trademark prosecution before the national offices. In short, the transformation process “may be more costly and time-consuming than filing separate national applications in each country would have been in the first place.”⁸⁷

Recall that under the Agreement, U.S. registrants may not receive international protection exceeding the relatively narrow protection granted by the U.S. registration.⁸⁸ This problem continues under the Protocol.⁸⁹ Unlike filing with the national offices of individual countries, which often enables U.S. companies to obtain broad trademark protection, filing under the Protocol limits the scope of protection: U.S. trademark owners may only receive international protection coextensive with that granted by the PTO.⁹⁰

In light of these imperfections,⁹¹ one commentator has analogized the Protocol to the Parker Brothers game Monopoly[®]:

In any event, the Madrid Protocol . . . is a bit of a game, and most games are gambles. Why do I say that? Well, you toss the dice by filing your application in your home country—we’ll say the United States—and then you see what happens. Because now, as the dice go

whole thing fails”).

87. Baila H. Celedonia & Jeffrey H. Epstein, *Limitations of the Madrid Protocol for U.S. Companies*, in *ADVANCED SEMINAR ON TRADEMARK LAW 257, 283* (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course Handbook Series No. 387, 1994).

88. See *supra* text accompanying note 47.

89. See Baum, *supra* note 73.

90. See *id.*; see also Celedonia & Epstein, *supra* note 87, at 263-66; Marshall A. Leaffer, *The New World of International Trademark Law*, 2 *MARQ. INTELL. PROP. L. REV.* 1, 17-18 (1998); Schechter, *supra* note 30, at 438-40.

91. Over the years, some have presaged that U.S. adherence to the Agreement or to the Protocol would lead to an influx of marks on the PTO’s Principal Register, and thus to problems of “deadwood” or “clutter.” See, e.g., Ladas, *supra* note 44, at 360; Ladas *Memo*, *supra* note 40, at 362-63; Kaufman IV, *supra* note 57. But see David B. Allen, *A Report on the Madrid Agreement*, 56 *TRADEMARK REP.* 290, 298 (1966) (“The point is that the Madrid Agreement does not dictate the provisions of national law which regulates the size of the register.”); Norm J. Rich, Comment, *United States Participation in the Madrid Protocol: What Is the Price of Admission?*, 5 *TEMP. INT’L & COMP. L.J.* 93, 99-100 (1991) (expressing confidence that the PTO will be able to make “internal adjustment[s]” in order to handle the influx); Schechter, *supra* note 30, at 437-38 (PTO strictures “provide some assurance that problems will remain within manageable bounds.”); Walters, *supra* note 28, at 415-16 (“I do not think that a floodgate of filings is going to be an issue”); Schulte, *supra* note 17, at 755-57 (“In light of [PTO] anti-proliferation safeguards, concern over an influx of international trademark applications causing deadwood on the U.S. register may be overstated.”); Walsh, *supra* note 17, at 296 (“Although no one can predict the effect with certainty, it is equally reasonable to expect no significant increase.”); Richard, *supra* note 76, at 302 (“The increase of applicants may present a burden on the U.S. Patent Office, but the Patent Office has been strongly behind the Madrid Protocol, so it appears that it believes it has the staff and the facilities on hand to meet that demand.”). For present purposes, I assume that the influx issue, if indeed an imperfection of the Protocol, is of secondary importance vis-à-vis central attack and the scope of protection problem.

and as the little pieces go, you have several little squares with several possibilities of getting a Chance card—because what’s going to happen?⁹²

D. The Supposed Beneficiaries: A Sampling of Congressional Rhetoric

Congressional supporters of the Madrid Protocol Implementation Act have spoken of the Protocol in glowing terms. In 1993, when he first introduced the bill to the 103rd Congress, Representative Hughes declared that “[t]he protocol is expected to provide significant advantages for U.S. trademark owners by permitting ease of registration in countries other than the United States to receive the *full protection of their trademarks* in those countries.”⁹³ Senator DeConcini asserted that “[t]he protocol will alleviate the lengthy and costly application process for U.S. trademark owners.”⁹⁴ In 1997 Representative Coble reintroduced⁹⁵ the Act to the 105th Congress, arguing that the savings in “cost, time and effort” offered by the Protocol are “*especially important to our small businesses[,] who may only be able to afford worldwide protection for their trademarks though a low-cost international registration system.*”⁹⁶ In 1998, on the day the Act passed in the House, Representative Coble emphasized that “participation in the protocol is critical not just for the world community, but for those *American individuals and small businesses* who otherwise lack the resources to acquire worldwide, country-by-country protection for their trademarks.”⁹⁷ Six weeks later, when the bill was introduced in the Senate, Senator Leahy articulated the purpose of the Act: “to ensure that American trademark holders receive strong protection in today’s world of changing technology and complex international

92. Kaufman, *supra* note 10, at 298.

93. 139 CONG. REC. E1259 (daily ed. May 17, 1993) (remarks of Rep. Hughes) (emphasis added).

94. 139 CONG. REC. S6017, S6026 (daily ed. May 18, 1993) (remarks of Sen. Dennis DeConcini). Sen. DeConcini acknowledged that since some countries confer broader trademark protection on registrants than does the United States, some U.S. applicants may elect to file directly with the national offices of such countries. *See id.*

95. In 1994 the House had attempted to pass the bill, but failed. *See* 140 CONG. REC. H10462 (daily ed. Oct. 3, 1994).

96. 143 CONG. REC. E158, E158 (daily ed. Feb. 4, 1997) (emphasis added); *see also* Howard Coble, *The Spring 1998 Horace S. Manges Lecture—The 105th Congress: Recent Developments in Intellectual Property Law*, 22 COLUM.-VLA J.L. & ARTS 269, 347-50 (1998) (discussing the Act in terms mirroring those used on the House floor).

97. 144 CONG. REC. H2753, H2756 (daily ed. May 5, 1998) (emphasis added); *see also* 144 CONG. REC. S6564, S6570 (daily ed. June 18, 1998) (remarks of Sen. Leahy) (“Registering in multiple countries is a time-consuming, complicated and expensive process—a process which places a disproportionate burden on smaller American companies seeking international trademark protection.”).

markets.”⁹⁸

Although they are confident that the legislation would “send a signal to the international business community, United States businesses, and trademark owners that . . . Congress is determined to help our Nation . . . become part of an inexpensive, efficient system that allows the international registration of marks,”⁹⁹ congressional supporters have been quick to emphasize that “the Protocol will not require substantive changes to American trademark law.”¹⁰⁰ Instead, the legislation “only would make those technical changes to American law necessary to bring the U.S. into conformity with the Protocol.”¹⁰¹ In 1993 Senator DeConcini did acknowledge the Protocol as “provid[ing] an easy and economical alternative to the country-to-country approach to obtaining international trademark protection,” yet “not preclud[ing] those trademark owners who, for whatever reason, wish to file an application directly with a foreign country.”¹⁰² Nonetheless, such language, which tacitly recognizes that the Protocol may not be worthwhile for all U.S. trademark owners,¹⁰³ is absent from other House and Senate proceedings.

Taken together, the above remarks evidence the collective belief of members of Congress that the Madrid Protocol, by providing a “one-stop” international registration system,¹⁰⁴ will greatly benefit all U.S. trademark owners.¹⁰⁵ Small business owners, for whom the costs of securing international trademark rights are often prohibitive, are viewed as special beneficiaries of the Protocol.¹⁰⁶ An official at the PTO declared that “[t]he benefits to smaller businesses which may have been virtually barred from seeking international protection through other means are most obvious.”¹⁰⁷

98. 144 CONG. REC. S6564, S6570 (daily ed. June 18, 1998).

99. 144 CONG. REC. H2753, H2756 (daily ed. May 5, 1998) (remarks of Sen. Coble).

100. 144 CONG. REC. S6564, S6570 (daily ed. June 18, 1998) (remarks of Sen. Leahy).

101. *Id.*; see also 140 CONG. REC. H10462, H10464 (daily ed. Oct. 3, 1994) (labeling the changes as “procedural” in nature).

102. 139 CONG. REC. S6017, S6027 (daily ed. May 18, 1993).

103. Note that Sen. DeConcini did not say *why* trademark owners, and more particularly, small business trademark owners, might choose not to file under the Protocol. See *id.*

104. 144 CONG. REC. S6564, S6570 (daily ed. June 18, 1998) (remarks of Sen. Leahy).

105. See 145 CONG. REC. S8252, S8252 (daily ed. July 12, 1999) (remarks of Sen. Leahy) (“an enormous benefit for American businesses”).

106. See *id.* (“I introduced this legislation . . . to help American businesses, and especially small and medium-sized companies . . .”); cf. Allen, *supra* note 91, at 291 (“This problem [of obtaining full protection on a country-by-country basis] is most acute for . . . small companies which today have increased opportunities for broad scale export expansion into many areas but are unable to support large trademark expenditures or to administer extensive protection programs effectively.”).

107. Walsh, *supra* note 17, at 295. Walsh was the PTO’s Administrator for Trademark Policy and Procedure. See *id.* at 289. At least within the context of his article, Walsh did not explain *why* the benefits are so obvious.

Thus, the notion that benefits will redound to small businesses that file under the Protocol seems to be accepted without hesitation. Given the aforementioned biases in the system, is not some hesitation in order? Will small business owners truly derive unbridled benefits from the Protocol?

E. The Supposed Beneficiaries: A Reality Check

Assuming, *arguendo*, that all small businesses realize substantial cost savings through the Protocol and thus are able to obtain international trademark protection otherwise unobtainable, the Protocol appears to live up to the expectations of its adherents. Operating under this economic assumption, one commentator has discussed present problems, concluding that the Protocol will solve them for *all* small businesses:

Today, smaller businesses are not able to file in many countries. Often, smaller companies will choose their major markets, register there first, and start a long-term program, over the years, to file in other countries.

One of the major problems with this approach is that many of these companies' marks are being stolen or counterfeited in these countries in which the marks are not protected. . . . Unless they can show that their mark is a well-known mark, . . . [t]hese U.S. trademark owners are forced to take a license from the owner in the foreign country, buy that person out, or not use their mark in that market. . . .

So, I believe that the Protocol will be *extremely useful* to all companies in a variety of circumstances—not all circumstances—and *to smaller companies across the board*.¹⁰⁸

But the economic assumption underlying this assessment of the Protocol—cost savings certainly will accrue to trademark owners—is faulty. Indeed, if the trademark office of a country designated on the international application enters a preliminary refusal, the U.S. trademark owner must retain local agents to prosecute the application.¹⁰⁹ In short, “[t]he cost savings from filing under the Protocol are realized only if a mark does not encounter an objection in the designated countries.”¹¹⁰ When objections arise, the “chance of saving money has evaporated. This has turned out to be every bit as expensive as a national filing, if not in the long run more, . . . if you get hit with central attack and you have to refile.”¹¹¹

108. Walters, *supra* note 28, at 414-15 (emphasis added).

109. See Samuels, *supra* note 79, at 245.

110. Baum, *supra* note 73.

111. Kaufman, *supra* note 10, at 300; see also Richard, *supra* note 76, at 302 (“With respect to *ex parte* objections and oppositions, little savings will accrue since such objections will have to be dealt with by local counsel. Opposition proceedings will also be handled by local counsel without

Consider the following hypothetical. The Worldwide Wicket Company (“Worldwide Wicket”), a small U.S. startup company, has resolved to market its wickets in a number of European countries: the United Kingdom, France, Switzerland, and the Benelux countries. Well aware of the importance of trademark protection, and well aware that the Protocol is presently unavailable to his company, J. Pierrepont Finch, vice president of advertising, instructs his company’s American trademark attorney¹¹² to arrange for the filing of individual trademark applications in each of the above countries. Accordingly, Finch’s attorney enlists local counsel in the above countries. The estimated¹¹³ total cost to file the applications is 3,967.37 Swiss francs, or \$2,552.¹¹⁴

Now assume that the United States has acceded to the Protocol, and that the Madrid Protocol Implementation Act has been passed by both houses of Congress and signed by the President. Hoping to minimize costs incurred by Worldwide Wicket, the American attorney, having already secured a U.S. intent-to-use application, files an international application¹¹⁵ with the PTO designating the above countries. The estimated total cost of filing the

any savings.”); Baum, *supra* note 73 (“This often raises the cost of responding to the objection to the point where the initial savings are wiped out.”). Some commentators have predicted that local agents will charge fees for defending an international application that exceed those for defending an ordinary national application. After all, when the Protocol is used, agents are not retained to process a national application. Presumably they will wish to recoup their losses. See Kaufman IV, *supra* note 57.

112. Because Worldwide Wicket is a small company, it does not employ any attorneys.

113. I acknowledge that the estimates herein are subject to much criticism. Specifically, the estimated total cost does not include fees charged by the American attorney to act as intermediary between the client and local counsel abroad. Most U.S. firms apparently do not publish their fees, and the several firms I contacted were unwilling to disclose such data. Estimates of the fees charged by national trademark offices and by local counsel are found in JOHN R. OLSEN & SPYROS M. MANIATIS, TRADE MARKS, TRADE NAMES AND UNFAIR COMPETITION: WORLD LAW AND PRACTICE (rel. 9 May 1999) (three-volume work with periodic sectional updates). The methodology employed in generating these figures is wholly unclear: “We have sought to set out what the average fees are for various actions to be taken in connection with trade marks in each local jurisdiction. It should be stressed, however, that the fees, as depicted, do not necessarily represent the fees of our contributors.” 1 OLSEN & MANIATIS, *How to Use This Work*, at 8 (rel. 6 1998).

114. In the above countries, the respective estimated costs to file an application for one mark in one class, including government fees and the fees of local counsel, are as follows: (1) 695.00 Dutch guilders (NLG) for the Benelux countries, 1 OLSEN & MANIATIS, *supra* note 113, *Benelux*, at 6 (rel. 9 May 1999); (2) 3,450.00 French francs (FF) for France, *id. France*, at 8; (3) 1,580.00 Swiss francs (CHF) for Switzerland, 2 OLSEN & MANIATIS, *supra* note 113, *Switzerland*, at 8 (rel. 8 Dec. 1998); and (4) 405 British pounds (GBP) for the United Kingdom, *id. United Kingdom*, at 10 (rel. 9 May 1999). According to OANDA’s Classic 164 Currency Converter, on January 7, 2000, these costs totaled 3,967.370 Swiss francs, or about \$2,552. See OANDA, *Classic 164 Currency Converter* (visited Jan. 7, 2000) <<http://www.oanda.com/converter/classic>>.

115. See *infra* note 172.

international application is 2,058 Swiss francs, or \$1,324.¹¹⁶

The difference between the estimated cost incurred when filing individually in each of the countries and the cost incurred under the Protocol is \$2,552–\$1,324, or \$1,228. Admittedly, from Worldwide Wicket's vantage point, the savings in filing ostensibly achieved under the Protocol—nearly 48 percent—appear substantial. However, consider what happens to the cost of filing under the Protocol if an objection is raised by a national office or an opposition is asserted by an adversary. Downstream in the registration process, local counsel must be retained to intervene, and Worldwide Wicket must pay for the services of such counsel; the Protocol's price tag begins to climb.¹¹⁷ In the alternative, consider what happens if the underlying U.S. application or registration is invalidated. Central attack has succeeded, and

116. The WIPO website includes a downloadable fee calculator that is useful in estimating Protocol-incurred costs. See World Intellectual Property Organization, *International Trademark Registration Fee Calculator* (Microsoft Excel file retrieved Jan. 7, 2000) <<http://www.wipo.org/eng/newindex/madrid.htm>>. The fee calculator produces the sum total of fees payable to WIPO, including individual fees set by designated parties, but excludes fees charged by the office of origin, see Protocol, *supra* note 6, art. 8(1) ("The Office of origin [i.e., the home trademark office, which forwards materials to WIPO's International Bureau] may fix, at its own discretion, and collect, for its own benefit, a fee which it may require from the applicant for international registration or from the holder of the international registration in connection with . . . filing . . . or . . . renewal . . .").

For purposes of the present hypothetical, a country such as Sweden doubles for the United States when costs are estimated via the fee calculator. Like the United States, Sweden has acceded to the Protocol, but not to the Agreement. Additionally, in lieu of sharing in the complementary and supplementary fees collected by WIPO, Sweden receives its own individual fee. See World Intellectual Property Organization, *Individual Fees* (visited Jan. 10, 2000) <<http://www.wipo.org/eng/madrid/fees/individ.htm>>. To maximize its receipts under the Protocol, it is expected that the United States would opt for an individual fee. See *supra* text accompanying notes 69 and 75. Therefore, the fee calculator was run with the following inputs: (1) Office of Origin = SE (Sweden); (2) No of classes = 1; (3) For Date = 5.1.2000; (4) Type = International Application; and (5) Designations = BX (Benelux), CH (Switzerland), FR (France), and GB (United Kingdom). For a black-and-white mark, the estimated cost is 1,933 Swiss francs; for a color mark, the cost is 2,183 Swiss francs. The average of these costs is 2,058 Swiss francs, or \$1,324.

This estimated cost excludes (1) fees that the PTO may charge to forward the international application to WIPO, and (2) fees charged by the American attorney to prepare the international application.

117. See *supra* text accompanying notes 77 and 78. As with the Protocol, the cost of filing individually with the national offices probably will also increase if problems are encountered; local counsel must provide additional legal services. Nevertheless, when local counsel is involved in the filing process from its inception, the likelihood that roadblocks to registration are encountered is arguably reduced, for local counsel may be better positioned to anticipate and avert potential problems. See *infra* quoted text accompanying note 123. In any event, the point to be made here is that the total cost of filing under the Protocol certainly must increase, making the Protocol not nearly as inexpensive as rhetoricians assert, see generally discussion *supra* Part III.D. Additionally, one must not forget that the American attorney, who acts as an intermediary between his client and local counsel, will also bill Worldwide Wicket for services rendered in connection with overcoming the roadblocks to registration.

the international application or registration is cancelled. Its attempts to secure an international registration under the Protocol having failed, Worldwide Wicket must file individual applications in each of the above countries.¹¹⁸ Under the Protocol, Worldwide Wicket's \$1,324 investment in its good will has been in vain, and the company must now expend an additional \$2,552 to obtain the trademark protection it desperately needs in order to expand into the European marketplace.

Therefore, whether a small business actually achieves the cost savings promised under the Protocol is a function of whether it encounters problems in the designated countries or at home. For which companies are objections or oppositions unlikely? "Clearly, the beneficiaries under the Madrid Protocol will be *large companies*, such as the multinational pharmaceuticals who conduct worldwide searches, followed by multi-country filings."¹¹⁹ "Relatively secure" that problems are unlikely to arise, such companies will derive benefits from the Protocol.¹²⁰ In other words, unless a company, whether large or small, has chosen a "wonderful"¹²¹ mark, a preliminary refusal is highly probable.¹²² Furthermore, even if such a mark is chosen, the company should be wary to forsake the input of local counsel:

In securing international protection for their marks under the Madrid Protocol, U.S. companies may be tempted, as a cost-saving measure, to forgo the input of local agents at each step in the registration process, preferring instead to limit the role of such agents to mere problem-solving. When dealing either with marks or countries of secondary importance, cost saving may be the most important consideration. However, for a company's primary marks, or in its primary markets, it can be extremely dangerous to forego the input of local agents, given the idiosyncrasies of foreign law and practice.¹²³

For small companies whose lifeblood depends on unimpeded expansion into new foreign markets, it is doubtful that "toss[ing] the dice" under the Protocol is a judicious business tack in most cases.¹²⁴

118. See *supra* text accompanying note 63.

119. Leaffer, *supra* note 90, at 16 (emphasis added).

120. Baum, *supra* note 73.

121. An arbitrary or fanciful mark might qualify.

122. Kaufman, *supra* note 10, at 299.

123. Celedonia & Epstein, *supra* note 87, at 272-73. The Trademark Law Treaty, whose "objective . . . is to harmonize the procedural and administrative aspects of trademark law among the member countries," ameliorates the idiosyncrasies problem to some extent. *Id.* at 275. See generally Trademark Law Treaty and Regulations, Oct. 27, 1994, in WIPO, Industrial Property and Copyright, Industrial Property Laws and Treaties, Multilateral Treaties, Jan. 1995, at 1-12, reprinted in TREATIES, *supra* note 1, at 308.

124. Cf. *supra* quoted text accompanying note 92.

Contrary to the rhetoric of Congress, the reality is that the class of U.S. companies and, more particularly, small companies, for which the Protocol is useful is narrowly circumscribed.¹²⁵ In general, only companies which are reasonably confident¹²⁶ that (1) their requests for protection will meet no objections¹²⁷ abroad, and that (2) their U.S. registration is unlikely to be cancelled, should file under the Protocol. Perhaps to a lesser extent, another consideration—the narrow scope of the specification of goods and services in a U.S. registration¹²⁸—further limits this class of companies. Only companies for which “[o]btaining the broadest possible specification of goods” is not essential should file under the Protocol.¹²⁹ In view of the foregoing, characterizing the Protocol as a panacea for all small business owners desirous of expanding abroad is disingenuous. However, those commentators who contend that the Protocol is an “option” whose benefits may inure to certain companies, but by no means to all companies or small businesses, seem to have arrived at a rational conclusion. Even when the Protocol’s systemic biases are acknowledged, “[t]his is not to say that the international registration system would not be welcomed and widely used by many U.S. companies. But it would likely be only an option to be considered rather than an exclusive means of filing abroad.”¹³⁰

125. Ironically, in 1991, two years before the Madrid Protocol Implementation Act was first introduced in Congress, one commentator concluded that

[a]s all of the various objections detailed [in the commentator’s article] suggest, the constituency that would be most adversely affected by adherence is probably the small business community. However, there is no indication that the usual organizations that speak for this constituency are opposed to, or even troubled by, the notion of U.S. adherence. To be blunt, the issue is so esoteric and technical that it is highly unlikely to engage the attention of those groups. In this climate, a prediction of U.S. adherence seems like a fairly safe bet.

Schechter, *supra* note 30, at 444. Such a view is diametrically opposed to the congressional rhetoric described above. See *supra* text accompanying notes 96 and 97.

126. Confidence is not free. A company must fund the cost of worldwide searches to ascertain whether the mark appears likely to encounter objections. Whether most small businesses, which are economically disadvantaged to begin with, have the economic wherewithal to foot the bill for such search costs is debatable.

127. A company seeking trademark protection abroad should beware of savvy competitors that may file oppositions in foreign trademark offices, thereby making it more expensive for the company to gain access to foreign markets.

128. See *supra* text accompanying note 89.

129. Celedonia & Epstein, *supra* note 87, at 264.

130. Baum, *supra* note 73; see also Leaffer, *supra* note 90, at 18 (“In sum, the international registration system will be employed advantageously by many companies, but it will not supersede country by country filing in the proper circumstances.”).

IV. THE PROTOCOL AND HARMONIZATION OF TRADEMARK LAW

Opinions differ as to precisely what objectives the Madrid Protocol is intended to accomplish. Specifically, dissension goes to whether and to what extent the Protocol will “harmonize” trademark laws. It is reasonable for one to inquire whether the Protocol will realistically accomplish this “harmonization objective.”¹³¹

Collecting the views of various commentators, it appears that the United States should accede to the Protocol for several reasons, each of which expresses an objective the Protocol is intended to accomplish. First, the “Protocol should produce positive gains for U.S. trademark owners,”¹³² bearing in mind the caveat that this class of trademark owners is narrowly circumscribed.¹³³ Second, U.S. involvement will promote the international filing system and induce additional nations to accede.¹³⁴ Third, by acceding the United States positions itself to influence the development of international trademark law systems.¹³⁵ Fourth, by acceding the U.S. may reap a possible benefit of the Protocol: future uniformity in substantive trademark laws.¹³⁶ These latter two objectives of the Protocol are of concern here, for they implicate the overarching harmonization objective.

Commentators fundamentally disagree about whether the Protocol will achieve the harmonization objective. Consider the meanings of the following Protocol-related propositions and the extent to which they are reconcilable:

Proposition 1: “The Protocol is an international trademark registration filing system. It is not intended to be a harmonization treaty, and it is not intended to be a registration system.”¹³⁷

Proposition 2: “Future harmonization of the substantive trademark law arising from Madrid Protocol adherence may be a long-term benefit of U.S. participation.”¹³⁸

131. I am coining this identifier for purposes of discussion.

132. Leaffer, *supra* note 90, at 18. Because the PTO must erect the administrative infrastructure necessary to process Protocol-based filings, it seems likely that implementation of the Protocol could prove costly to the U.S. government in the short term. Similarly, American attorneys must climb the Protocol learning curve; until they become versed in the system, efficiency may be compromised. *See, e.g., Kaufman V, supra* note 57 (“[T]he parallel existence of the Madrid Agreement and the Madrid Protocol will cause confusion.”).

133. *See supra* text accompanying notes 125-30.

134. *See Leaffer, supra* note 90, at 18.

135. *See Walsh, supra* note 17, at 296.

136. *See Richard, supra* note 76, at 303.

137. Walters, *supra* note 28, at 408.

138. Richard, *supra* note 76, at 303.

As noted above,¹³⁹ the Protocol does not modify the respective substantive trademark laws of signatory countries. Such countries continue to act as sovereigns, granting or refusing an applicant's request for protection based on their own laws. Thus, it appears that Proposition 1 is accurate if "harmonization" means present uniformity among the substantive laws of signatory countries. Taken at its face value, Proposition 2 seems to imply that, by adhering to the Madrid Protocol, countries may be moving towards a world in which substantive laws are harmonized. Underlying this proposition is the assumption that participation in the Protocol will make sovereigns increasingly receptive to such harmonization. Does viewing harmonization under the Protocol as comprised of two incarnations—one present and one future—serve to reconcile these arguably antithetical propositions?

Not surprisingly, given the shared underpinnings of the Madrid Agreement and Madrid Protocol, debate about the harmonization objective dates back to the era in which the United States assessed the merits and demerits of the Agreement. Further, such debate largely parallels that embodied in the two propositions presented above. While some asserted that the Agreement could not harmonize trademark law because substantive laws were not modified in any way by the Agreement,¹⁴⁰ others countered that the Agreement represented a stepping stone toward future harmonization.¹⁴¹ Inevitably, normative questions emerged in the debate, the principal one being whether the United States should hold fast to its use-based system.¹⁴² That the United States did not abandon its use-based system for sake of the Agreement—and that the system continues yet today—seems probative of American unwillingness to deviate from that conceptual model.¹⁴³

139. See *supra* note 10 and accompanying text.

140. See, e.g., Eric D. Offner, *The Madrid Agreement and Trends in International Trademark Protection*, 56 TRADEMARK REP. 368, 378 (1966) (arguing that "adherence would not further the cause of harmonization" because the Agreement "is not a treaty which harmonizes the laws"; "the national laws of each of the member states will remain the same").

141. See, e.g., Gerald D. O'Brien, *The Madrid Agreement Adherence Question*, 56 TRADEMARK REP. 326, 335 (1966) (arguing that the Agreement was a "short-range goal[]" on the path to "the long-range possibility of substantive unification of trademark law on a regional or world-wide basis").

142. See *Ladas Memo*, *supra* note 40, at 365 ("And most important: are we willing or are we able constitutionally to change the basic principle of our common law that trademark rights are based on user?"); Offner, *supra* note 140, at 378 ("The United States should not aid or further trademark systems under which rights are acquired by registration"); O'Brien, *supra* note 141, at 335 ("In the area of trademarks, the long-range possibility of substantive unification of trademark law on a regional or world-wide basis should not be ignored"); *infra* note 153.

143. In the final analysis, is it for all practical and theoretical intents and purposes *impossible* for the United States to forsake the use-based model? See *infra* note 154 and quoted text accompanying note 150.

Whether or not one believes that the Protocol will harmonize substantive trademark law, a sense that the United States *must* accede to the Protocol to remain a viable participant in the international marketplace seems prevalent. One adherent to such harmonization declared that:

[I]t appears to me that the harmonization bus is leaving the station and it is better to be on the bus than off the bus. The Madrid Protocol is a first step toward global harmonization of trademark law and protection. The United States should not miss this bus.¹⁴⁴

Similarly, another commentator, though not a proponent of global harmonization of trademark law, has asserted that:

We have to recognize that we are coming to the end of the 20th Century. The United States can't live with the drawbridge pulled up. There is no doubt that at one time, either now or in the near future, the United States has got to be a party to some sort of an international treaty of this type.¹⁴⁵

Implicitly, these views repudiate isolationist regimes wherein the United States would lose out on the benefits offered by the Protocol. Unfortunately, they do not assist one in assessing whether the Protocol may achieve the harmonization objective. After all, adherence will likely bring attendant economic benefits¹⁴⁶ whether or not the harmonization objective is achieved.

One is thus led back to the harmonization objective itself. It has been noted that much confusion pervades scholarly treatment of "harmonization" issues.¹⁴⁷ The present analysis is no exception. Must harmonization entail uniformity of substantive trademark laws internationally? Or would less ambitious mechanisms of harmony constitute harmonization?¹⁴⁸ Significant definitional problems thus confound the harmonization analysis.¹⁴⁹ One commentator has categorically declared that

144. Richard, *supra* note 76, at 303; cf. DeSimone, *supra* note 40, at 320-21 ("[M]y first preference would be to see the Agreement of Madrid abolished. . . . I have come to recognize that perhaps the concept of adherence merits some consideration upon the old theory that if you can't lick them, join them.").

145. Kaufman, *supra* note 10, at 297.

146. See *supra* text accompanying notes 132 and 134; cf. Schechter, *supra* note 30, at 445 ("The Madrid Agreement [& Protocol] represent[] an effective way to facilitate . . . commercial expansion. Congress should be highly receptive to arguments that adherence will promote U.S. participation in Europe.").

147. See Port, *supra* note 18, at 35.

148. One commentator "believe[s] in harmonization of laws so that there are no incongruous situations and undue favoritism applied to nationals of one country prejudicing foreigners and their ability to obtain and protect their rights." Kaufman I, *supra* note 57. Not only does this belief make no allusion to substantive laws, but it also seems deferential to the sovereign trademark laws of nations.

149. See Port, *supra* note 18, at 47 (observing that commentators often do not define what they mean by "harmonization").

To actually harmonize trademarks laws is impossible. Just as the United States is reticent to give up its use-based system, so are other countries unlikely to give up their registration-based systems. It seems wise to never state an objective that is impossible to attain.¹⁵⁰

I qualify this view slightly and posit the following: Trademark laws could be harmonized, but realities render harmonization effectively impossible.¹⁵¹ With this postulate in mind, it becomes apparent that Proposition 2,¹⁵² which asserts that the Protocol may lead to future uniformity of substantive trademark law, at best amounts to wishful thinking. Sovereign nations will only go so far.¹⁵³ From an American perspective, for instance, it seems dubious to presume that other countries would jettison their registration-based trademark systems at some future juncture in favor of the use-based model, long held by the United States as normatively correct.¹⁵⁴

If harmonization is effectively impossible, then perhaps the rhetoric of harmonization should be forsaken and replaced by the rhetoric of internationalization:

Harmonization of trademark laws . . . seems to me to be focused on . . . provid[ing] relationships between inconsistent systems of trademark protection. The word harmonization implies that their differences are smoothed out or are made to no longer be of consequence. In reality, the objective of creating relationships and filling in bridges among differences is a good and valid one from

150. *Id.*

151. In theory, delegates from every country in the world could assemble at a world trademark summit. At the summit, the delegates could draft a model trademark act. Upon completion of the summit, every country could repeal its existing trademark laws, and enact the model trademark act. In that event, harmonization of trademark laws would have occurred. Because the likelihood of such an eventuality is so remote, I contend that harmonization is effectively impossible.

152. *See supra* quoted text accompanying note 138.

153. *See* Leaffer, *supra* note 90, at 29 ("Countries may agree on a certain amount of harmonization and centralized filing mechanisms, but few will forego their sovereignty in favor of some 'supernational' court that would adjudicate the enforcement of trademark rights."); *cf. Specialists Offer Views on Trademark Issues: From Asia to Brazil, Trademark Owners Face Protection Challenges*, NAT'L L.J., May 17, 1993, at S2 ("Because of differences between nations and regions . . . a worldwide European Community-type system does not appear feasible" (omissions in original)); *id.* ("Theoretically, a worldwide system of harmonized national laws and a parallel single unified law would be tremendously desirable. I seriously doubt it would be feasible, however, practically speaking" (omission in original)).

154. *See supra* note 40 and accompanying text. Jettisoning the Lanham Act's "use in commerce" requirement, *see* 15 U.S.C. § 1051, would raise a troubling question: By what authority will Congress continue to enact trademark legislation? Historically, the Commerce Clause, U.S. CONST. art. I, § 8, cl. 3, has been used to justify trademark legislation. *See* William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 GEO. WASH. L. REV. 359, 391 (1999); *id.* at 393 ("the constitutional basis for trademark protection, namely consumer confusion over goods placed in interstate commerce").

which all parties . . . can benefit. But this is not harmonization. This is really merely the internationalization of trademark law.¹⁵⁵

In other words, perhaps an “internationalization objective,” not a harmonization objective, may realistically be accomplished by the Protocol.¹⁵⁶ Indeed, “[m]uch more realistic than the idea of global harmonization is the continuation of the trend toward adoption of generally accepted basic norms of trademark protection.”¹⁵⁷ By getting on the internationalization bus,¹⁵⁸ the United States will reap benefits from the Protocol.

V. A HYPOTHETICAL REGISTRATION SYSTEM: PROPOSAL AND ANALYSIS

As previously discussed,¹⁵⁹ under the dependency rationale of the Protocol, an international registration is predicated on an individual’s basic application or registration, that is, the domestic application or registration. Central attack, a consequence of dependency, cancels the international registration if the underlying basic application or registration is cancelled. It was underscored that, as embodied in the Protocol, dependency visits inequities on trademark holders in countries such as the United States, where many grounds of cancellation exist and the scope of protection granted is relatively narrow.

Insofar as dependency places trademark owners from different sovereign signatories on unequal footing, it is unjust. In my view, because dependency is the touchstone of the Protocol, the Protocol is fundamentally flawed. Let us explore whether an international trademark registration scheme not premised on dependency, or one premised on an attenuated form of dependency,¹⁶⁰ might be developed to mitigate or wholly eliminate the inequities. We shall denominate our hypothetical system the Hypothetical Trademark System (the “HTS”). Further, let us assume that the HTS is administered by an organization much like WIPO, which we shall term the Hypothetical

155. Port, *supra* note 18, at 47-48.

156. Some commentators couch their views in terms of both notions, which tends to exacerbate the problem of sorting out what they mean. See, e.g., Michael I. Davis, *Uniformity Flows from IP Treaties and EU Law: The Results Have Included More Simplified Provisions as Well as Removal of Filing Technicalities*, NAT’L L.J., May 12, 1997, at C13 (“[T]rends suggest that, as the year 2000 approaches, the movement toward the *internationalization* of trademark law will gain momentum.” (emphasis added)); *id.* (“The trend toward *harmonization* has resulted in the simplification of various provisions of many countries’ laws and has led to more uniform registration mechanisms worldwide.” (emphasis added)).

157. *Specialists*, *supra* note 153.

158. The foregoing analysis concludes that the “harmonization bus,” *see supra* note 144, is a fictive construct, or at least a vehicle that is going nowhere.

159. See *supra* Part III.A, C and authorities cited therein.

160. See *infra* note 171.

Intellectual Property Organization (“HIPO”).

Our development of the HTS begins with a postulate borrowed from our earlier discussion of harmonization:¹⁶¹ harmonization is effectively impossible. Flowing from this postulate is the normative precept that the substantive trademark laws of each and every nation ought to be revered as a manifestation of sovereignty. Additionally, a trademark corollary of the Golden Rule¹⁶² should be an elemental normative predicate of the system, for its application ensures that foreign applicants are treated the same as domestic applicants.¹⁶³ In sum, an international trademark registration system such as the HTS should enable international registrants to avail themselves of the fullest possible scope of protection available under the trademark laws of a given sovereign. That such registrations are filed under the HTS through HIPO, not directly through the sovereign’s trademark office, should not constrain the scope of protection granted.

In essence, the Protocol’s dependency calculus divests sovereign nations of an important element of their sovereignty—their power to grant as much trademark protection as they see fit. As shown in Figure 1, from the perspective of domestic trademark holders, the home country’s sovereignty is effectively extended into the foreign countries in which protection is sought. Specifically, the scope of protection available internationally is limited to that granted domestically. In addition, via central attack, the domestic holder’s international registration is vulnerable to the set of grounds for cancellation available in each foreign country *and* domestically.¹⁶⁴ Ironically, the Protocol imposes the home country’s trademark jurisprudence on foreign countries to the detriment¹⁶⁵ of the home country’s registrants.¹⁶⁶ Effectively, the home

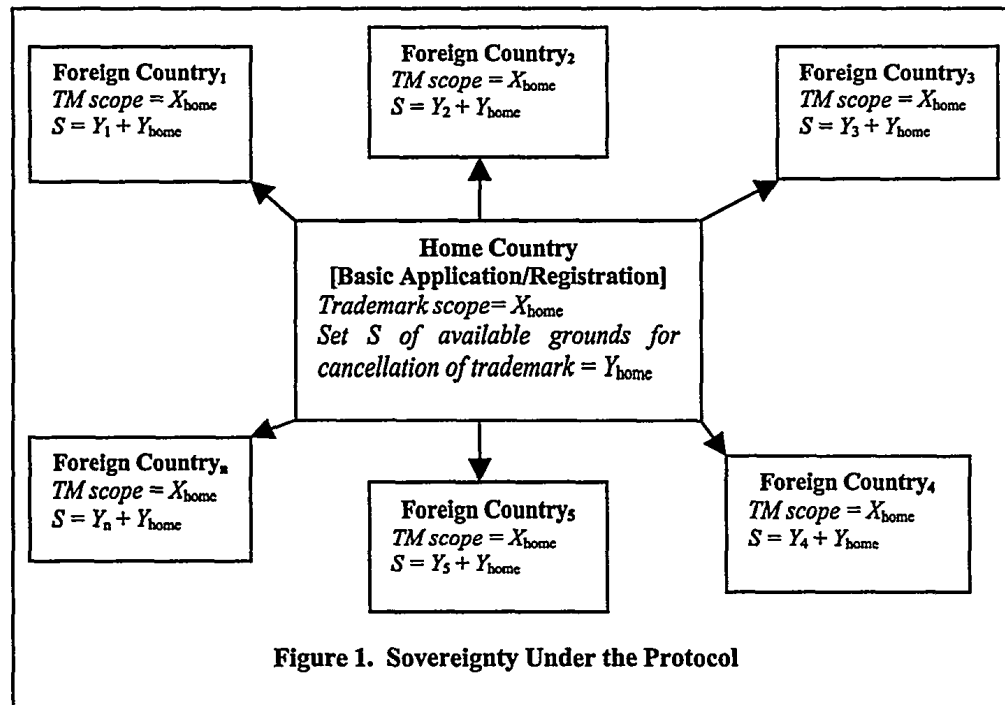
161. See *supra* Part IV, especially note 151 and accompanying text.

162. Do unto foreign trademark applicants as you would have their trademark offices do unto applicants from your country.

163. This predicate is not new to international systems for the protection of intellectual property. See, e.g., Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, art. 5, para. 2, 828 U.N.T.S. 221 (revised at Paris on July 24, 1971 and amended in 1979), reprinted in TREATIES, *supra* note 1, at 360, 362 (“The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work.”); Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, art. 3, para. 1, 33 I.L.M. 1197, 1199, reprinted in TREATIES, *supra* note 1, at 588, 590 (“Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property . . .” (footnote omitted)).

164. Figure 1 illustrates that in each foreign country, two sets of grounds for cancellation of the trademark—one set flowing from the foreign country’s laws, and one set flowing from the laws of the applicant’s home country—combine to form a relatively large set.

165. The Protocol diminishes the amount of international protection available to U.S. registrants. Thus, for the United States and similarly-situated countries, the imposition is to the detriment of the registrants. That the Protocol does benefit the registrants of other countries further



country becomes the center of the trademark world,¹⁶⁷ so to speak.

The Protocol's dependency scheme is both normatively and economically flawed. From a normative perspective, the scheme aggrandizes the sovereignty of the home country relative to other nations, thereby contravening the normative precepts discussed earlier. From an economic perspective, the scheme leads to inefficient outcomes. Limitations on property rights are "designed to induce the correct (not an insufficient or excessive) level of investment in the exploitation of a valuable resource."¹⁶⁸ By circumscribing international protection within the bounds set by the applicant's home country, the Protocol does just the opposite: it induces an excessive level of investment. When a U.S. applicant needs broader

attests to its inherent flaws.

166. This imposition is built into the Protocol, occurring transparently from the vantage point of the foreign countries that examine the applications forwarded by WIPO. However, the imposition may be keenly felt by international applicants, for from the outset, the scope of international protection is limited to that granted by their respective home countries.

167. Of course, this centric arrangement exists only with respect to the scope of protection of the home mark and the available grounds for cancellation of the home mark. In other aspects, foreign trademark laws remain sovereign.

168. RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 42 (5th ed., Aspen Law & Bus., Aspen Publishers, Inc. 1998). In the United States, a common law system, trademarks do not have the status of property. See HALPERN ET AL., *supra* note 2, at 321. However, the right of U.S. trademark holders "to exclude others from using the mark to the extent they have used the mark themselves," *id.*, is tantamount to a property right.

protection than that available in the United States, the applicant is forced to file directly with a national trademark office, incurring the increased costs attendant with hiring local counsel to prosecute the application.

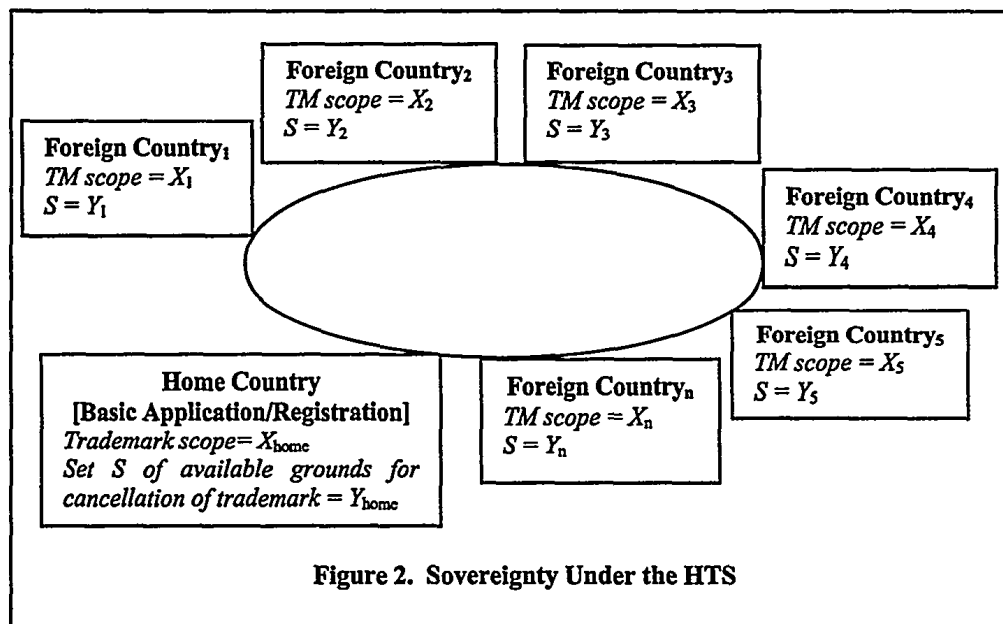
Furthermore, a “basic principle of economics is that resources tend to gravitate toward their most valuable uses if voluntary exchange—a market—is permitted. . . . When resources are being used where their value is highest, . . . they are being employed efficiently.”¹⁶⁹ The Protocol flies in the face of this principle. Assume that when a U.S. applicant files directly, the relationship between the applicant and the national office is that of contracting parties. For a given consideration, the national office grants the applicant as much trademark protection as the law in that country allows. The office does so because the nation’s lawmakers have determined that such a grant will not upset the delicate balance among participants in the nation’s trademark system—the trademark holder, competitors, and consumers. Resources have gravitated toward their most valuable use because the applicant has paid consideration to obtain the maximum protection obtainable. In contrast, the Protocol places artificial limits on the scope of protection an applicant may obtain. For the same consideration,¹⁷⁰ the applicant receives less protection than the national office is willing to grant. Certainly, resources are not being used where their value is highest. Thus, the Protocol leads to inefficient outcomes and defies economic sense.

To rectify the normative and economic failings of the Protocol, the HTS must accord foreign nations unfettered sovereignty, not token sovereignty. Accordingly, let us wholly divorce the HTS from notions of dependency. Consider Figure 2. As shown, international trademark protection is not predicated on a basic registration or application. On the contrary, on a nation-by-nation basis, the scope of trademark protection accorded the international registrant corresponds to that lawfully granted by the foreign nation. Similarly, only those grounds for cancellation available in a particular foreign nation may imperil the grant of protection in that nation. One sees that absent a dependency requirement, the sovereignty of the home country is not allowed to preponderate over that of foreign nations. The HTS thus eliminates the injustices of the Protocol.¹⁷¹

169. POSNER, *supra* note 168, at 11.

170. The consideration is the same if (a) one assumes that the national office charges comparable fees within the Protocol scheme and without, and (b) one ignores the costs of local counsel.

171. In theory, the HTS is a viable international trademark registration system. Nevertheless, from a U.S. perspective, one might object to the HTS on practical grounds: The HTS makes it too easy for entities to obtain trademark protection abroad. For strategic business reasons, competitors might apply for marks which they have no intention of ever using on or in connection with goods or services. See generally POSNER, *supra* note 168, at 42 (“Allowing such ‘banking’ of trademarks



Therefore, under the HTS, an international applicant may freely seek trademark protection abroad that is not necessarily coterminous with that secured at home. This scheme opposes that of the Protocol, in which applicants merely designate countries where protection is desired,¹⁷² and in which the scope of protection granted by the home country controls. The filing machinery of the HTS must thus provide a mechanism by which an international applicant, and later the registrant,¹⁷³ may tailor the scope of protection sought on a country-by-country basis. To effectuate this need, an HTS international application might contain a field associated with each

might draw excessive resources into the activity of thinking up trademarks . . .").

To deter such practices, the HTS could be modified such that a basic application or registration is a condition precedent to filing an international application. However, once access to the system is gained, the home application has absolutely no bearing on the fate of the international registration and its associated extensions of protection. In other words, such a modified HTS incorporates a severely attenuated dependency. Although it is arguably an effective pragmatic response to the above objection, the modified HTS does usurp the sovereignty of nations by including a dependency requirement, albeit to a lesser extent than the Protocol.

172. The Protocol application form contains boxes which an applicant must check off to designate one or more contracting parties. See World Intellectual Property Organization, *Form MM2(e): Application for International Registration Governed Exclusively by the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Rule 9 of the Common Regulations)* (Microsoft Word 6.0 file retrieved Feb. 2, 2000) <<http://www.wipo.org/eng/madrid/forms/index.htm>>.

173. After obtaining an international registration, the registrant may of course make additional requests for territorial extension in other countries. See Protocol, *supra* note 6, art. 3ter(2); see also *supra* text accompanying note 24. For the remainder of the discussion, it is assumed that the protection is sought at the time the international application is filed.

member country listed on the application. By leaving the field blank, an applicant signifies that the scope of protection desired in the country associated with the field is coextensive with that defined in the basic application or registration.¹⁷⁴ However, if the applicant wishes to seek broader or narrower protection vis-à-vis that obtained at home,¹⁷⁵ the applicant records the desired scope in the field. Upon receiving the international application, HIPO forwards the application, including the country-specific information, to the designated countries for examination by the respective trademark offices.

Admittedly, the HTS is administratively more complex than the Protocol. In fact, it might accurately be viewed as an amalgam of the Protocol and direct filing with national trademark offices. And admittedly, the additional layers of complexity would likely prevent the HTS from achieving savings as great as those achievable under the Protocol. However, to the extent that it realizes economies via central filing, recognizes the sovereignty of each member nation's trademark laws, *and* enables trademark owners to secure the maximum protection cognizable under each nation's laws, the HTS is an improvement over the Protocol.

VI. CONCLUSION

It is time for the United States to accede to the Madrid Protocol.¹⁷⁶ By basing international trademark applications on a registration or an application in an applicant's home country, and by establishing English and French as its working languages, the Protocol is a significant improvement over the Agreement, which prejudiced use-based countries and countries in which French is not widely spoken. Additionally, the Protocol enables an applicant to transform the international application into individual national applications without loss of the international filing date should the underlying home application or registration be cancelled. In short, accession to the Protocol will provide U.S. companies wishing to secure trademark protection abroad with an option to consider besides filing directly with national trademark offices.

Nevertheless, it does not follow that if the Protocol is available as an option for companies to consider, most companies would be advised to

174. In other words, with respect to scope, the HTS defaults to a Protocol-like arrangement.

175. For many companies, [obtaining broader protection than that obtained at home] will not be a relevant concern. For example, if a major food company applies to register a mark for a new breakfast cereal in class 30, it will probably not care much about getting coverage for ice cream or frozen pizza.

Baum, *supra* note 73.

176. The Senate must also pass the Madrid Protocol Implementation Act. *See supra* note 13.

exercise that option. Contrary to the rhetoric of American politicians, the class of companies benefiting from the Protocol is narrowly circumscribed, likely excluding many small companies. Monies ostensibly saved through filing under the Protocol may vanish when objections are raised by national trademark offices or oppositions are filed by competitors. Unless a company has selected a mark impervious to attack, filing directly with national offices—and employing local agents from the outset—may be the most prudent strategy. And in the United States, with its many grounds for cancellation of a mark, the potential sting of central attack may dissuade applicants from filing under the Protocol.

Those who hold that accession to the Protocol will go a long way towards achieving harmonization of substantive trademark laws are encouraged to scrutinize the Protocol *de novo*. The world is comprised of sovereign nations, each with a unique set of laws justified by unique ideologies, policies, and histories. Absent significant internal or external influences, sovereign nations seldom effect sweeping changes. Therefore, the Protocol may realistically be predicted to further the cause of internationalization, wherein diverse trademark systems coexist, but applicants from home and abroad may avail themselves of the associated protections with relative ease and without prejudice.

Notwithstanding the Protocol's flaws, by acceding the United States positions itself to work in concert with the world community to engineer and implement improved international trademark registration systems. Though such systems may or may not structurally resemble the hypothetical registration system proposed herein, their underlying philosophy must mirror that of the HTS: In the final analysis, the sovereignty of nations must not be compromised, and international applicants must be accorded the maximum protection available under a given country's laws. As suggested, elimination or attenuation¹⁷⁷ of the Protocol's dependency requirement may achieve both an efficient and equitable outcome for all concerned. With such an outcome, an international registration system could become much more than an option for U.S. trademark applicants.

CARLO COTRONE

177. *See supra* note 171.

