

Report: Trademark Protection through the Madrid System to Promote Economic Development

Executive Summary



Qingdao, China

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In July 2011, WIPO and the Qingdao Municipal People's Government (Qingdao Government) signed a Memorandum of Understanding (MOU) to undertake a joint study on use of the Madrid System in China to promote local economic development.

Background

As China's emerging "brand capital" and a national base for innovative high-tech marine and port industries, Qingdao City was selected as the subject of a case study under the MOU.

The study was carried out during China's [12th Five Year Plan \(FYP\)](#) between 2011 and 2015. Despite regional economic trends, Qingdao's total cumulative exports grew 2 percentage points higher than the national average (to USD 45.917 billion) during this period.

By the end of 2015, international applications filed under the Madrid System in Qingdao experienced a remarkable 31-fold increase, rising to 1,836 filings during the five-year study period. Over 800 applications were filed in 2015 alone, representing nearly 35 percent of total filings from China and a staggering 88.15 percent of applications from Shandong Province.

This notable increase in applications under the Madrid System alongside parallel growth in economic development was dubbed the "Qingdao Phenomenon".

Key Findings

Barriers to international trademark registration identified in Qingdao

During the first phase of the case study, targeted surveys, questionnaires and in-depth interviews were used to gather data from over 2,200 companies and representatives. The data revealed **three primary roadblocks** to international trademark registration in Qingdao via the Madrid System:

1. Lack of awareness of the importance of trademarks in international commerce

Export enterprises operating in Qingdao demonstrated an overall lack of awareness regarding the intellectual property (IP) and brand-related risks of global trade, as well as how to manage such risks. Key risk-prevention personnel were found to have a relatively weak understanding of the importance of trademark protection; as a result, staff members were ineffectively trained in how to operate and manage trademarks at the international level.

An imbalance of knowledge was also identified, revealing that a solid understanding of the importance of international trademarks was limited to large enterprises with well-known brands (e.g. [Haier](#), [Hisense](#) and [Tsingtao Beer](#)).

2. Lack of government support for international trademark registration

The structure and diversity of Qingdao's export market did not encourage international trademark registration by local businesses. In addition, government-led registration systems had not been effectively promoted, and offered too few policy incentives to encourage international trademark applications.

3. Lack of expertise among trademark agencies

Research data revealed a general lack of expertise among agents in Qingdao along with poor public perception of trademark agencies. These elements were attributed to three primary causes:

- i. the *supply of trademark agents far outweighed demand* (due to (i) a lack of understanding of the importance of international trademarks by local enterprises, and (ii) ineffective promotion of services by trademark agents);
- ii. *little incentive for agents to develop and maintain expertise* in the field; and
- iii. a general *lack of control and regulation* of trademark agencies.

Overcoming barriers: targeted strategies to increase international trademark registrations

The following approach was implemented between 2011 and 2015, ultimately leading to record year-on-year growth in international trademark applications:

1. Active and ongoing guidance from WIPO

Throughout the study, the Qingdao Government extended several invitations to WIPO Deputy Director General, Ms. Binying Wang, and visited WIPO headquarters in Geneva for detailed discussions. A commemorative event celebrating the 125th anniversary of the Madrid System was also held in Qingdao in November 2016. Such collaborative efforts helped establish a solid foundation for future communication between WIPO and Chinese municipal governments.

Moving forward, WIPO has undertaken to periodically conduct high-level forums on the Madrid System in partnership with the Qingdao Government, as well as dispatch Madrid System experts to Qingdao to train local enterprises.

The Qingdao Government and WIPO will also create a promotional documentary featuring local enterprises that have effectively utilized the Madrid System to grow their brands internationally.

2. Improving trademark awareness among entrepreneurs

The Qingdao Government focused on promoting international trademark registration among export-driven enterprises. Promotional activities included:

- educational seminars highlighting the importance of “international registration before overseas expansion”;
- organization of, and participation in, special events and conferences to promote IP and trademark strategies;
- large-scale promotional displays in May Fourth Square;
- active promotion by 100 Madrid System users during the 2014 International Horticulture Exposition (hosted in Qingdao); and
- visits to local companies.

3. Nurturing proprietary brands and motivating enterprises to register trademarks internationally

Key enterprises were selected to undergo in-depth training on the Madrid System. Along the way, the [Qingdao Administration for Industry and Commerce](#) (QAIC) provided support by issuing Madrid System registration recommendations, trademark strategy guidelines, and information on trademark law.

Exporters were encouraged to register at least one international trademark through the Madrid System. To help them achieve this goal, Madrid System guides were printed and distributed at business registration windows, while monthly and quarterly visits were scheduled to help local companies overcome legal barriers in their

applications. Interested enterprises were also provided with comprehensive, one-stop overseas registration counselling services.

A joint government task force was mobilized to promote citywide trademark registration through the Madrid System. Sub-municipal governments and related authorities were evaluated on their performance in providing application assistance to local enterprises (as part of Qingdao's Comprehensive Evaluation for Sustainable Development).

4. Improving the quality and capacity of trademark agencies

To target the lack of expertise among local trademark agents, the Qingdao Government also focused its efforts on training and monitoring of agencies, as well as incentivizing business innovation.

Representatives from QAIC organized lectures and forums for agents on international trademark management, protection and development. Specialized materials and service platforms were designed to encourage self-development, and a number of agents were also selected or assigned to attend university programs on trademark law and theory.

To help improve and maintain service quality, the government's five-star rating system was used to establish quality-based incentives. Agencies with a rating of three stars or higher were rewarded with priority seating at trademark agent service windows located in the local Administrative Services building.

In addition, financial incentives and policy funds were established to support or reward trademark agencies for business innovation. The government also worked with several agencies to compile a complete public database of trademarks, providing agents with information on the local trademark landscape to further encourage innovative business development strategies.

Conclusions

Results from the Qingdao case study demonstrate that the implementation of a targeted promotional, educational, and incentive-based program gave rise to considerable growth in international trademark applications under the Madrid System, alongside parallel economic expansion.

By the end of December 2015, the “Qingdao Phenomenon” resulted in a 31-fold increase in international applications over a five-year period. Growth in Madrid System filings was recorded across all major sectors in Qingdao, including services.

Despite sector diversity, distribution of international trademark registrations remained unevenly concentrated around large manufacturing brands, suggesting that future efforts should also focus on developing awareness amongst private SMEs and startups.

The strategy outlined above could also be used to effectively encourage use of the Madrid System throughout China and beyond its borders.

[Read the full report](#)

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