



MM/A/53/3
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Special Union for the International Registration of Marks (Madrid Union)

Assembly

**Fifty-Third (23rd Ordinary) Session
Geneva, September 30 to October 9, 2019**

REPORT

adopted by the Assembly

1. The Assembly was concerned with the following items of the Consolidated Agenda (document A/59/1): 1, 2, 3, 4, 5, 6, 8, 11(ii), 13, 14, 24, 32 and 33.
2. The reports on the said items, with the exception of item 24, are contained in the General Report (document A/59/14).
3. The report on item 24 is contained in the present document.
4. Mr. Denis Bohoussou (African Intellectual Property Organization (OAPI)) was elected Chair of the Assembly; Mr. Isaack Hassan (Kenya) and Mr. Philippe Cadre (France) were elected Vice-Chairs.

ITEM 24 OF THE CONSOLIDATED AGENDA

MADRID SYSTEM

5. The Chair welcomed five new Contracting Parties that had acceded to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (hereinafter referred to as “the Madrid Protocol”) since the last session of the Madrid Union Assembly (hereinafter referred to as “the Assembly”) in October 2018, namely Brazil, Canada, Malawi, Malaysia and Samoa.

Proposed Amendments to the Regulations Under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks

6. Discussions were based on document MM/A/53/1.

7. The Secretariat indicated that document MM/A/53/1 concerned proposed changes to the Regulations Under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (hereinafter referred to as the “Regulations”). The changes were recommended for adoption by the Working Group on the Legal Development of the Madrid System for the International Registration of Marks (hereinafter referred to as the “Working Group”), at its seventeenth session. The proposed amendments would contribute to ongoing efforts to simplify the Regulations and to make the Madrid System more user friendly for both trademark holders and Offices of its Contracting Parties. More specifically, the proposed amendments, which were quite technical in nature, concerned replacement, change in ownership, division, merger and renewal. It was proposed that all amendments enter into force on February 1, 2020, except for the amendments to Rule 21, which were proposed to enter into force on February 1, 2021.

8. The Delegation of Brazil announced that, following Presidential Decree No. 10.033, the Madrid Protocol had entered into force nationally and internationally in respect of Brazil, which had become a full member of the Madrid System. The Delegation also informed that Arezzo, a prominent Brazilian firm from the fashion and footwear industry, had filed the first international application under the Madrid System in Brazil. The Delegation underscored that the support received from the WIPO Brazil Office was vital throughout the process of acceding to the Madrid Protocol, from delivering technical assistance to adapt the internal systems of the intellectual property office, to organizing seminars to raise awareness on the benefits of the Madrid System among enterprises, lawyers and academics. The Delegation said that it believed and hoped that the entry of Brazil into the Madrid System would be a game-changer for the Latin American region. The main advantage was the guarantee of providing access to the Madrid System from the Brazilian territory, which would benefit domestic small and medium-sized enterprises (SMEs), in particular, innovators and creators, as well as large exporting enterprises, in particular, users in agribusinesses. The Madrid Protocol would work as a strategic tool to promote the competitiveness and to protect the Brazilian enterprises and their trademarks when seeking to adopt a model to internationalize their businesses, in addition to benefit those businesses that decided to invest in the new Brazil.

9. The Delegation of China stated that the amendments to the Regulations provided guidance to both trademark holders and Offices on the operation of replacement; clarified the conditions that multiple transferees must meet in a request for the recording of a change in the ownership of an international registration; and, made it easier for holders to renew their international registrations. The Delegation said that it agreed with the proposed changes because they provided more facilities for users. The Delegation recalled that, during that year's session of the Working Group, the delegations had held in-depth discussions on the options for introducing new languages into the Madrid System and that a preliminary agreement had been

reached on such introduction. The Delegation said that it hoped more progress would be made on this subject at next year's session of the Working Group.

10. The Delegation of Colombia recalled that it had been seven years since Colombia had acceded to the Madrid System, which had been a vital instrument to attract and facilitate trademark registration by foreign nationals. The Delegation highlighted that 24 per cent of the total number of applications for the registration of distinctive signs filed with the Superintendence of Industry and Commerce, the national industrial property authority in Colombia, were requests for territorial extension. Over the previous three years, the number of applications had averaged 45,000, with 10,800 of them being requests for territorial extension. On the other hand, international applications filed in Colombia under the Madrid Protocol designating other Contracting Parties represented only 0.49 per cent of the number of applications filed by Colombians abroad, that is, no more than 40 applications per year. The Delegation said that it was aware of the need to continue promoting the Madrid System and its advantages so that it could become a useful tool for Colombian entrepreneurs to expand their businesses abroad, in particular, for SMEs. The Delegation suggested exploring alternatives to continue working closely with WIPO in disseminating and promoting the Madrid Protocol among domestic entrepreneurs and traders.

11. The Delegation of the Russian Federation stated that it had no objection to the proposals contained in the document. The Delegation said that it welcomed the activity of the Working Group on the expansion of the linguistic regime of the Madrid System, which was also supported by the regional group of which the Russian Federation was a member and by its professional community. Such expansion would be beneficial for applicants from the countries in the said regional group and it would help to increase the number of users of the Madrid System in the Russian Federation and in other countries as well. The Delegation said that the Russian Federation was pleased to cooperate with WIPO by contributing with the relevant terminology in Russian and recalled that, at that moment, the Madrid Goods and Services Database had an interface in Russian and 80 per cent of its content was already available in that language. The Russian Federation was prepared to assist in the continuation of that work, to ensure that the entire database was available in Russian, a goal which could be achieved without much further expenses. The Delegation recalled that users of the Madrid System in the Russian Federation were the most active in the region and stated that it shared the conclusion that the Secretariat had reached in its study that the expansion of the language regime was essential to increase the use of the Madrid System and, certainly, users would benefit from it. The translation regime of the Madrid System should keep the sustainability of the system while avoiding additional expenditures. Having a more effective translation regime would help optimize expenditures which could be done by using automated translation tools.

12. The Delegation of Malaysia recalled that Malaysia had deposited its instrument of accession to the Madrid Protocol on September 27, 2019, and thanked WIPO for its continued support and guidance, which had enabled Malaysia to make the necessary preparations for its entry into force. The Delegation said that the implementation of the Madrid Protocol would facilitate international protection for Malaysian trademark owners and encourage foreign trademark owners to seek protection in Malaysia. Malaysian and trademark owners from all the Contracting Parties of the Madrid System would benefit from the system, which would make it easier to do business and would boost economic growth for mutual prosperity.

13. The Delegation of Samoa thanked WIPO for the pre and post accession support that Samoa had received in 2018. The Delegation indicated that, year to date, after six months from the entry into force of the Madrid Protocol, trademark registration had increased more than 300 per cent. The Delegation said that it trusted WIPO's support would continue and looked forward to working with all members for the mutual benefit of all.

14. The Delegation of the United Kingdom stated that the United Kingdom continued to participate positively in the Madrid Union, a system that its stakeholders valued highly, and that it had ensured that right holders with international registrations designating the European Union would not lose any rights when it left the European Union, at the end of October. The Delegation recalled that the United Kingdom had set out clear positions on future changes it would like to see in the Madrid System in a policy paper tabled at the 2017 session of the Working Group and said that it looked forward to working with WIPO and with other Madrid members to progress these priorities in the following months.

15. The Delegation of Tajikistan, speaking on behalf of the Group of Central Asian, Caucasus and Eastern European Countries (CACEEC), expressed its hope for a comprehensive study on the prospect for expanding the language coverage of the Madrid System. The Group also expressed its interest in including the Russian language as one of the official languages of this system for wider access of the applicants from CACEEC countries to WIPO services.

16. The Assembly of the Madrid Union adopted the amendments to Rules 21, 25, 27 *bis*, 30 and 40 of the Regulations Under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, as set out in the Annexes to document MM/A/53/1.

Proposal for Distribution of the Madrid Union Surplus for the 2020/21 Biennium

17. Discussions were based on document MM/A/53/2.

18. The Delegation of the United States of America introduced the document and stated that it had been submitted to ensure the members of the Madrid Union had an opportunity to decide how they wished to use any surplus in the 2020/21 biennium. The Delegation recalled that under the Madrid Agreement and the Protocol any surplus could be distributed to each member, in equal parts. The Madrid Union anticipated a significant surplus, which existed despite the capacity to pay methodology in place, which shifted a higher proportion of common costs to the Madrid Union to pay because certain other registration systems generated insufficient income. Given that the Madrid Union had reserves in excess of its target, the Delegation said that it believed it would be appropriate for the Madrid Union to decide that the surplus be distributed to its members, in equal shares, as proposed in paragraph 8 of the document. The Delegation noted that the Delegation of Switzerland had made a very different proposal in document A/59/11, one that would create a unitary budget and, among other things, would deprive the Madrid Union members from deciding on the distribution of any future surplus. The Delegation asked the Secretariat to explain to the Assembly when it would need to take a decision regarding the distribution of a surplus for a particular biennium. The Delegation said that it had received somewhat inconsistent information regarding this point and, given that it had been quite a few years since the Madrid Union last had a surplus to distribute, it would be helpful to have a reminder as to the required timing for taking such decision.

19. The Delegation of France thanked the Delegation of the United States of America for its proposal but indicated that this proposal seemed to be premature. The Delegation added that, owing to the lateness of its publication, it had not been in a position to carry out a detailed analysis of the proposal or consider its consequences on the long term functioning of the system or its impact on the general policy of the Organization when it came to reserves. The Delegation recalled that, to attract new members and make the system more attractive and easier to operate, WIPO should continue to modernize it by investing in information and communication technology, as well as in technical assistance, which could be expensive. Computer systems had to be developed to guarantee a high-level of quality and, in particular, to ensure that the system could accept new types of marks by developing new technologies and by modernizing the communication between Offices and WIPO. The progressive introduction of new languages, mentioned by the Delegation of the Russian Federation and requested by

several delegations, if it happened, would require a significant investment in terms of human resources, technological support and databases. Due to all these reasons, it seemed premature to distribute the surplus of the Madrid Union to its members. The Delegation stated that, if further discussions were to be held on the proposal, it would request the application of Rule 4.7 of the WIPO Financial Rules and Regulations; that is, that the surplus be accounted under the reserve funds of the Union so it could make the investments previously mentioned to guarantee the delivery of high quality services to the users of the international trademark system.

20. The Delegation of Switzerland thanked the Delegation of the United States of America for its proposal and indicated that Switzerland attached great importance to the smooth operation of the Madrid System. The attention of the International Bureau had to remain focused on the core tasks of the international trademark registration system. The first item that came to mind was the modernization of the Madrid System by, for example, developing a new computer platform. The good functioning of this platform would be a key element for WIPO to fulfill its role as global provider of trademark services. Attractiveness for users was closely linked to the quality of international registrations, which meant the shortest processing time, correct inscriptions in the International Register and appropriate electronic solutions. That would mean, for the members of the Madrid Union, making sure that the necessary financial resources were available to further develop computer tools and systems to meet the needs of users and Offices. The Delegation stated that it did not consider it appropriate for the surplus for the 2020/21 biennium to be distributed, in equal shares, to the members of the Madrid Union, as the Delegation of the United States of America was proposing in document MM/A/53/2. The Delegation stated that priority should be given to improving the services provided, by making the necessary investments in computer systems and that, in accordance with Article 4.7 of the WIPO Financial Rules and Regulations, it wished that the surplus be retained in the reserves of the Madrid Union, so it could be used for making the investments essential to ensure the smooth operations of the Madrid System. The Delegation recalled a comment made by the Delegation of the United States of America regarding its proposal in document A/59/11, which, according to the Delegation of the United States of America, would prevent the members of the Madrid Union from taking the decision suggested in the document under consideration. The Delegation said that this comment was not accurate. The Delegation clarified that what was being proposed in document A/59/11 under a unified budget, concerned the presentation of the Program and Budget and, in particular, its Annex III. The proposal did not concern the obligations of members bound by treaties, in this case, the Madrid Union. Each union would continue to take its decisions based on what was decided in the assembly of that union and nothing about the way in which the unions functioned would change. The Delegation indicated that it could come back to Agenda Item 13, should this be necessary.

21. The Delegation of Italy said that, while it had taken note of the proposal made by the Delegation of the United States of America, it would be better to allocate the surplus to the reserve funds for the same reasons that had already been expressed by the Delegations of France and Switzerland.

22. The Director General addressed the question by the Delegation of the United States of America and explained that the existence of a surplus would have to be determined at the end of the closure of a financial period, and after the auditors had signed off on the accounts for the closure of that period. That would normally be in the course of the month of April, following the closure of the financial period in December. The Director General recalled that WIPO worked on the basis of annual financial statements but on biennial budgets and transfers into the reserves. Revenue for some unions, such as the Madrid Union, comes from fees for services rendered directly to the market and it is thus vulnerable to downturns in market activity. If a surplus was declared at the end of the first year of a biennium, it would leave the union concerned exposed for the second year of the biennium. A look at the history of the development of WIPO services in the course of the previous 10 years would serve to

understand what a financial crisis could do to WIPO's systems, in particular, a look at 2009, which followed the global financial crisis precipitated by the banking crisis in the United States of America. The Director General recalled that WIPO had a dramatic downturn in the receipts of both the Patent Cooperation Treaty (PCT) and the Madrid System, and explained that the Madrid System was particularly vulnerable because it concerned new products and services. Trademarks were taken out of new products and new services. When there was a financial downturn, one of the first things that suffered was investment in new products and new services. Therefore, it would be in the course of the month of April, following the closure of a biennium, that the existence of a surplus would be determined. That was the prudent financial management approach, given the vulnerabilities previously mentioned. The Director General indicated that the possibility of a surplus for the 2020/21 biennium would be determined in the course of April 2022, adding that it was hoped that, by that time, the general conversation that was going on amongst the Member States concerning the financial management of the Organization would have reached some conclusion.

23. The Delegation of the United States of America thanked the Director General for his explanation and said that, since the financial situation of the Madrid Union would be clear in April 2022, the decision would have to be taken during the General Assembly in 2021 to avoid the surplus from automatically going into the reserve funds. The Delegation stated that it was clear that there was time before a decision had to be made and, as the Delegations of France, Switzerland and Italy had recognized, there were a number of important items on which the Madrid Union would need to invest, such as, for example, on new information and technology projects. The Delegation said that the main purpose of the proposal was to emphasize that only the Madrid Union could make such decision and that the Madrid Union had a responsibility to discuss its funding priorities and that, should it not decide to spend the surplus, it would go into the Madrid Union's reserve funds.

24. The Director General clarified that the first occasion for the Madrid Union Assembly to decide on the distribution of a surplus for the 2020/21 biennium, should it so wish, would be in September 2022.

25. The Delegation of China thanked the Delegation of the United States of America for its proposal. The Delegation said that, as the Director General had explained, there remained uncertainty in the implementation of the Program and Budget for the 2020/2021 biennium, and it was premature to discuss the distribution of a surplus that had not yet been generated. The Delegation recalled that the Madrid System continued to develop and faced a series of new challenges, such as, for example, attracting new members or introducing new languages. The surplus of the Madrid Union should be geared towards promoting the development of the Madrid System. The surplus distribution was a high-stakes matter which required all members to treat it in a cautious manner, making an in-depth analysis of the proposal as well as of its consequences on the Madrid System and on the financial situation of the Organization. The Delegation stated that discussing the distribution of the surplus was not appropriate at that time.

26. The Assembly of the Madrid Union:

- (i) took note of the "Proposal for the Distribution of the Madrid Union Surplus for the 2020/21 Biennium" (document MM/A/53/2); and
- (ii) decided to discuss the proposal at a forthcoming session of the Assembly.

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