

## **Trademark Registration: From Colombo to Madrid**

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The Madrid Protocol is a global mechanism for registering trademarks outside one's home country. It reduces the time, inconvenience and cost incurred by companies attempting to ensure international recognition and protection of their trademarks. In the 2016 budget, the Government of Sri Lanka, allocated LKR 100 million to speed up accession to the Madrid Protocol. This was a positive response to a long-standing request of Sri Lankan exporters. It will assist and encourage Sri Lankan exporters to invest in branding and trade-marks in their market strategy and growth.

This insight shows that the path to Madrid, and its benefits for Sri Lankan exporters, faces a singularly daunting pothole. That pothole is in Colombo, and is created by very low level of trademarks registered each year despite the increase in the number of applications and the extensive delays in processing applications by the public institution responsible for registering trademarks. A path to 'Madrid' is not enough, the pothole in Colombo needs a separate solution.

### **First: What is the Benefit of Trademarks?**

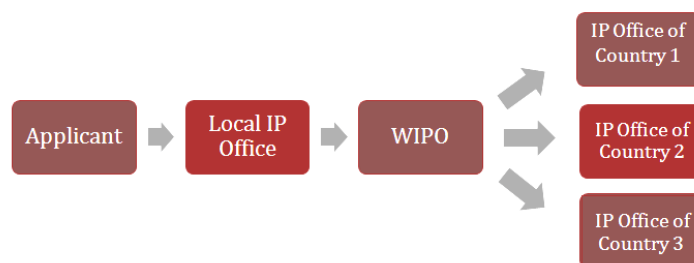
A market economy expects to generate price reductions and quality improvements to consumers by creating competition between producers to deliver the best value for money. For producers to compete and distinguish themselves amongst buyers their product should be uniquely recognizable; that means other producers should not be able to mimic their trademarks. Trademarks are words, images or a combination of these and act as unique identifiers. When the product of a company comes to be trusted and valued for its quality the trademarks of the company become the repository of that value: this is how the customer recognizes the historically established credibility of the product.

This competitive drive for improvement and trust amongst producers can only be sustained by allowing trademarks to be protected from mimicry. If the benefit of a hard-earned reputation can be stolen by copying it, there will be little incentive to earn that reputation. The logic is like that of protecting the intellectual property of innovators. This is the reason for having a system of national and international registration of trademarks and providing concomitant protection. They are normally registered with the Intellectual property (IP) offices in each country.

## Second: What does the Madrid Protocol achieve?

The Madrid Protocol is a centralised, global system for registering and maintaining trademarks in foreign countries. It is administered by the World Intellectual Property Organization (WIPO). Under the Madrid Protocol a trademark application must first be registered at the IP office in the applicant’s home country and thereafter it is forwarded to WIPO, and through WIPO it is sent to all the countries designated by the trademark owner (Exhibit 1).

**Exhibit 1: Madrid Protocol Procedure**



The Madrid Protocol helps to significantly reduce time by adopting a simplified process of registering in multiple countries (Exhibit 2). It ensures that the application is processed within 1- 1½ year period, and reduces the cost of registering in multiple countries. Calculations made by the International Trademark Association of the United States as far back as in 2003 shows the cost to register a trademark in the USA and 10 other countries under the national route (i.e. by applying through individual IP offices in each country) amounts to US\$ 14,600 and under the Madrid route it amounts to only US\$ 5,800.

**Exhibit 2: Comparison of Madrid route vs. National route**

	National Route	Madrid Route
Applications	Multiple	Single
Language	Multiple	Single
Processing Fees (Basic)	Multiple	Single
National registration fees	Multiple	Multiple
Legal fees	Multiple	None
Renewal	Multiple	Single
Time taken	Not fixed Average 3-4 years	Fixed 1year to 1.5years

### **Third: Who is served by Sri Lanka's accession to the Madrid Protocol?**

There are two constituencies that directly benefit through Sri Lanka's accession to the Madrid Protocol. The first are international companies in Madrid member countries that are keen to supply to Sri Lanka but have not yet registered their trademark in Sri Lanka. They are helped by Sri Lanka's accession because, then, if they lodge their application through WIPO, their application will be processed within 18 months in Sri Lanka. The second group that is benefited is Sri Lankan exporters who have already registered their trademark in Sri Lanka. Currently, Sri Lankan exporters seeking trademark registration internationally must file separate applications with the IP offices in each country of interest, after having registered in Sri Lanka. This entails multiple applications, in multiple languages, in multiple countries through multiple lawyers. It is cumbersome, lengthy and costly. After accession they can immediately follow the process of lodging their application with WIPO and fast track their trademark being registered in 113 countries that are now within the Madrid Protocol.

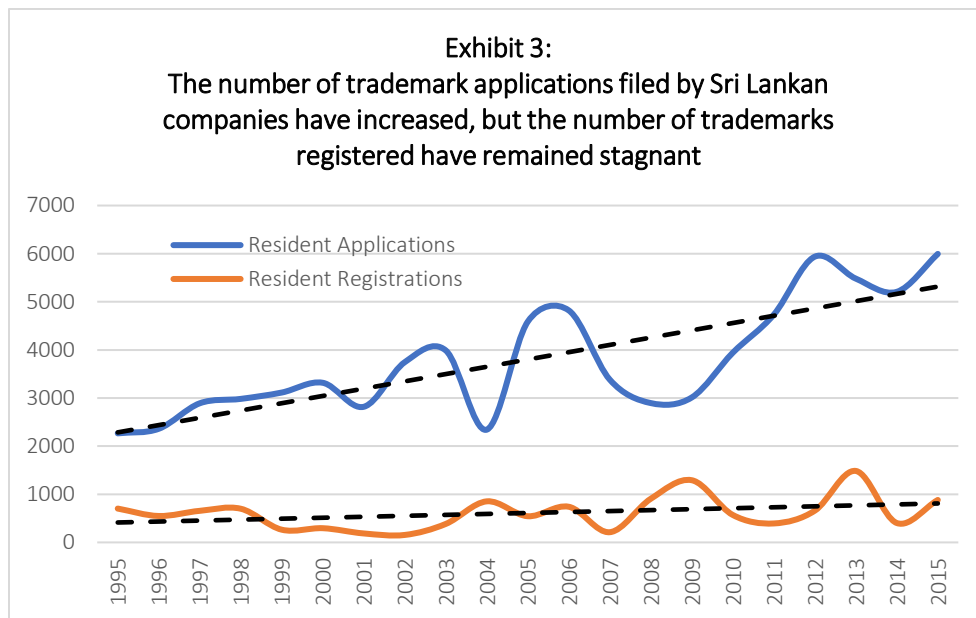
Accession to the Madrid Protocol will enable Sri Lankan exporters overall to develop their product and brand with confidence, knowing the investment in consumer confidence can be duly protected. This in the longer term also encourages them to develop and sell products under their own trademarks/brand names in export markets, rather than being invisible to customers and remaining a supplier to brands/trademarks owned by others.

### **Problem: Pothole on the Path to the 'Madrid'**

Research over the last few months has revealed a gaping pothole on Sri Lanka's path to benefiting from the Madrid Protocol. The pothole is in Colombo. Accession to the Madrid Protocol requires Sri Lanka to comply with the 18-month time frame in processing applications from other nations that come to it from WIPO. It has no compliance requirement on the time taken to process trademark application from local companies. This is a concern for two reasons. First, under the Madrid Protocol, registration with National IP office is an important first step that enables a firm to register their trademark abroad. Although lodging an application with National IP office allows a firm to lodge an international application with WIPO, if the local application gets rejected or cancelled, the international application in all designated countries also risk being rejected. Therefore, it is always better to lodge the international application after registering with the National IP office. Second, a company's success in registering trademarks and developing a brand image at home is likely to increase the probability of success abroad. Thus, fast international access through Madrid is only useful after success in Colombo, which presently seems to be the critical obstacle to Sri Lankan firms moving to register and benefit from their trademarks.

However publicly available information reveals a large gap between the number of applications that NIPO receives and the number of trademarks issued and the time taken to register trademarks. For example, on average during the last decade, NIPO received 4,540

trademark applications a year from within Sri Lanka, but only issued an average of 755 registrations per year. That is 17% of the average number of applications. In fact, as indicated by Exhibit 3, the number of trademark applications have increased over the years, but the number registered have remained stagnant. To contrast, the Intellectual Property office of Philippines received on average 12,949 resident trademark applications from within the country and registered 8,320 trademarks a year during the same period. That is 64% of the average number of applications. Vietnam received on average 22,700 resident trademark applications a year during the last decade and registered 13,053 trademarks a year during the same period. That is 57.5% of average applications a year. Further, the consultations with local trademark owners reveal that it can take on average 48-60 months to register a trademark in Sri Lanka. In contrast, the other countries in the region process trademark applications faster, Singapore within 8-12 months, India and Pakistan 12+ months and Bangladesh 18-24 months. Having to wait for 48-60 months before applying for international registration undermine the gains of Madrid accession.



Source: National Intellectual Property Office of Sri Lanka

The low number of registrations may be due to a much higher rate of faulty applications in Sri Lanka (compared to the Philippines). The consultations with the private sector however revealed that institutional and process inefficiencies are key reasons for the delay. NIPO did not respond to requests for information or for meetings with senior officials despite numerous phone calls, emails and faxes. Therefore, it is not possible to provide a full analysis of the duration-data and the reasons for the very low number of trademarks registered in Colombo. Identifying the reasons and addressing them remains vital for the country to benefit from the Madrid system. In the present context, accession to the Madrid Protocol can

be like having a faster plane in the airport while travel to the airport is restricted to bullock carts.

### **Filling the Pothole Through Creating Accountability**

Like much of Sri Lanka's bureaucracy, NIPO is not accountable for its poor performance. However, entering an international agreement creates some level of visibility and accountability because of the automatic international monitoring, upgrading of systems and processors to be compliant with international standards and publicised feedback on compliance. In the case of the Madrid Protocol the obligation is to process international applications in 18 months, it creates no obligations to ensuring a reasonable time-frame for processing registrations for local applications in Colombo. Therefore, Madrid accession is not geared to fill the pothole in Colombo.

In fact, as matters stand, Madrid accession risks exacerbating the local registration problem; as NIPO is held accountable to meeting its international obligations created by the Madrid Protocol, it can neglect local applications even further. To prevent this, accountability of the Colombo Bureaucracy to Sri Lankan producers may require other instruments. At present, there is no mechanism in place for the private sector, a key stakeholder in the process to regularly interact with NIPO. Hence, one instrument is to put a system in place for the private sector be an active participant in the process. In addition, another instrument could be through the oversight committees of parliament: regularly enquiring and monitoring the bureaucracy on its local trademark registration performance and status of accession to the Madrid.