INTERNATIONAL TRADEMARK TREACHERY IN THE INTERNET AGE

By J. Scott Gerien, Dickenson, Peatman & Fogarty
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Everyone has heard the stories: Starbucks didn't properly register its trademark in Russia and had to spend hundreds of thousands of dollars to get it back in the courts; McDonalds failed to properly protect its mark in South Africa and similarly had to fight to wrest it back from a speculator.

Outside of the U.S. and other English-speaking countries, the legal systems recognize trademark rights primarily by registration of the mark in the country. The systems also allow applicants to secure rights in a mark without establishing any use of the mark in the country. This leads to foreign speculators registering marks in hopes of securing a financial windfall once the foreign trademark owner reaches that country's shores with its product, either by selling the mark, or suing the foreign owner.

As Americans, we cannot take any moral high ground on this issue as our trademark law allows similar situations to occur. In a recent case in New York, the former employees of a famous restaurant in New Delhi, India moved to the U.S., opened a restaurant with the same name, same menu items and same décor. The New York court found that the former employees acted within their legal rights because the Indian restaurant, although famous in India, could not protect its name in the U.S. as it was not being used here.

So you're a small business in the North Bay, why does this matter to you? Well, thanks to the Internet, all information is now global. Foreign trademark speculators now review media stories on the Internet that discuss up-and-coming businesses and brands that have received favorable attention. So while publicity is good for business, it can also draw the attention of these trademark speculators.

Recently, the owner of a medium-sized North Bay wine brand learned that a trademark application had been filed for its mark in China. Problem was, the owner never filed an application to register its trademark in China. The trademark application for its brand was owned by a Chinese national. After some investigation, the brand owner learned that the same Chinese national had filed five other trademark applications for other California wine brands on the same day. All of these applications were filed within one week of the wine brands being featured in an article for a U.S. wine industry publication on new, up-and-coming wine brands.

All is not lost for these wine brands, as China will deny trademark registrations on a showing of clear bad faith intent of the applicant, which would appear to be present in this case. However, the outcome of the opposition to the trademark application is not guaranteed, and it will be a more costly endeavor than if the brand owner had earlier filed an application to register its mark in China.

Fortunately, for both small and large producers alike, the ability to obtain trademark registration outside of the U.S. became simpler and less expensive in the last few years when the U.S. enacted the Madrid Protocol for international trademark registration in 2003. The Madrid Protocol derives its name from the signing location of the treaty that streamlined and simplified the international trademark registration process.

It used to be that the only way a party could obtain registration of its trademark in a foreign country was to hire a U.S. trademark attorney, who then hired a foreign trademark attorney to prepare and file the trademark application in the country where registration was being sought. Obviously, this is a costly undertaking involving attorneys' fees for two attorneys, costs to prepare translations, costs to obtain notarized and legalized documents, and government filing fees. Furthermore, these fees are incurred for each distinct foreign country in which protection is being sought. Due to the complexity alone, direct foreign registration was rarely ever sought by a party without the assistance of an attorney.

The Madrid Protocol changed all of this. It allows a U.S. trademark owner to file a U.S. trademark application and, either before or after U.S. registration is complete, to electronically file an international trademark application based on the U.S. application extending rights in the trademark to all of the countries that have signed and enacted the Madrid Protocol. Seventy-five countries are presently parties to the Madrid Protocol, including most industrialized nations.

Although the Madrid Protocol application still involves the payment of government filing and processing fees, these fees are not much more than those paid to file directly in a country's trademark office. There are also savings in attorneys' fees as it is not necessary to retain foreign counsel unless problems develop, and some businesses even choose to forego retaining U.S. counsel to manage the process. Perhaps most importantly, however, is that the entire process is simplified by requiring the filing of a single application to obtain protection of the trademark in a multitude of foreign countries.

Is this cost-effective or even necessary for every business? Of course not. A dry cleaner with a single location in the North Bay has no need for a U.S. federal trademark registration, much less an international one. However, producers of goods with potential national or international distribution and appeal, from wine to wireless accessories to downloadable software, would be wise to consider international trademark protection via the Madrid application to preserve the integrity and future salability of their brands.

As the information super highway reduces the distance between foreign trademark speculators and the North Bay, insure that your brands are locked up both at home and abroad by utilizing the economical and streamlined trademark registration systems now available to you.