
BRAZIL MOVES TOWARDS THE MADRID PROTOCOL.*

Andrew John Bellingall **

The Right Conditions for Implementation

In 2001 Goldman Sachs coined the term BRIC and argued that the economic potential of Brazil, Russia, India, and China is such that they may become among the four most dominant economies by the year 2050. These countries encompass over 25% of the world's land coverage and 40% of the world's population and hold a combined GDP (purchasing power parity) of 15.435 trillion dollars. On almost every scale, they would be the largest entity on the global stage. As the South American member of BRIC, Brazil has done remarkably well to weather the recent financial turmoil and credit crunch and is certainly doing its part to realize Goldman Sachs' vision. Apart from possessing properly regulated and responsible financial markets, the fundamentals of the Brazilian economy are extremely strong. While the economies of Europe and North America have faltered, Brazil has not only weathered the storm, but has gone from strength to strength. Brazil has the fifth largest landmass in the world and its population of almost 200 million is the fifth largest. Its GDP (in terms of purchasing power) was almost two trillion US dollars in 2008 and showed a very healthy growth of 5.2%, in a year when many other countries faltered. A key part of that robust GDP is made up of exports. Brazil had exports of \$200 billion (free on board) last year and it is in protection of these exports, and in particular the rights and interests of the Brazilian exporters, that Brazil is determined to facilitate the registering of Brazilian marks abroad and stimulating trade.

Does Brazil Need the Madrid Protocol?

On July 20, 2009, the Brazilian PTO held a seminar entitled "IP in Question: The Challenges in the Use of Intellectual Property by Small and Medium Companies as a Mechanism of Competiveness and Cooperation." This

* © Andrew John Bellingall – July 2009

andrew.bellingall@daniel.adv.br

** Partner in DANIEL ADVOGADOS

highlighted the need to facilitate the protection of Brazilian exporter's IP rights outside Brazil. Small and medium sized companies represent 75% of Brazilian exports, and it is exactly these types of companies who need help with protecting their intellectual property. Whilst the vast majority of these small and medium sized companies are not sufficiently innovative to require protection afforded by patents or even industrial designs, many of them do require protection for their trademarks in order to remain competitive and maintain market share. If they are not able to protect their trademarks in a cost effective manner they will be at the mercy of unscrupulous competitors who will take advantage of their unregistered trademarks. Yet even major Brazilian companies often fail to register their trademarks outside Brazil. Amazingly, given the size of the Brazilian market, and the fact that there are over 100,000 trademark applications filed in Brazil each year, there are only 524 Brazilian trademark applications and 154 Brazilian trademark registrations in the US (2007 – Brazilian PTO); and only 327 applications and 223 registrations in the European Union (2006 – Brazilian PTO).

It is argued by many that the key to sufficiently reduce the costs of protecting trademarks abroad, thus allowing small and medium sized companies to protect their trademarks is Brazil's adherence to the Madrid Protocol.

Pros and Cons of the Madrid Protocol

The Madrid Protocol allows a trademark owner who has an existing trademark application or registration (known as the 'basic application' or 'basic registration') in a member jurisdiction to obtain an 'international registration' for their trademark from the World Intellectual Property Organization. The main advantage of the Madrid Protocol is that it allows trademark owners to obtain protection in any or all member states by filing one application in one jurisdiction with one set of fees. Subsequent actions such as renewal and recordals of changes of address may be effected through a single administrative process, which is valid for all jurisdictions. Another advantage is that the trademark owner may file in one jurisdiction to begin with, and then extend the protection afforded to the international registration to various other member jurisdictions, at any time. This allows trademark owners to add further jurisdictions if they become of commercial interest or when it becomes cost effective to do so.

The main perceived disadvantage of the Madrid system is that the international application or registration is dependant on the basic application or registration. That is to say that any refusal, withdrawal or cancellation of the basic application or basic registration within five years of the registration date of the international registration will lead to the refusal, withdrawal or cancellation of the international registration.

The Challenges of the Madrid Protocol

The most effective way to aid Brazilian companies who export goods under their own trademarks is to reduce the cost and complexity of protecting trademarks abroad by adherence to the Madrid Protocol. However, there have been many detractors who were quick to point out the various barriers preventing Brazil's adherence to the Madrid Protocol. A fundamental problem is that of language. The current languages of the Madrid Protocol are English, French and Spanish, whereas Brazilian law states that all official communication must be in Portuguese. Unless WIPO agree to include Portuguese as an official language of the Madrid Protocol it is considered unlikely that the Brazilian PTO will have sufficient linguistic resources to handle the volume of translation that will be necessary both into Portuguese, and equally into English, French or Spanish.

Another problem related to the Brazilian PTO's resources and capacity relates to the requirement that applications be examined by the PTO within 18 months. The Brazilian PTO's currently publishes its decisions at least four years after the applications are filed. A possible solution would be to create a two tier system in which international applications are considered within 18 months and national ones continue to be considered after around four years. However, such inequality of treatment would be unconstitutional in a country where all must be treated equally, regardless of their nationality.

There will also have to be various modifications to Brazilian IP law to incorporate certain facilities available under the Madrid Protocol which are not possible under current Brazilian IP law, such as multiclass application and co ownership of trademark applications and registrations. Similarly, there are requirements under Brazilian IP law which are not present under the Madrid Protocol, such as the requirement for the applicant to declare that the goods or services that he claims in the application are covered by the applicant's business activity.

Recent Developments

However, if there is sufficient political will, all these obstacles could be overcome. Certainly the last couple of years have seen a massive investment in the Brazilian PTO both in terms of manpower and information technology and infrastructure. Perhaps the most high profile consequence of this investment has been the Brazilians PTO's "e Marcas" project, which was launched in September 2006 and allows for the electronic creation and submission of

petitions. This now includes all manner of petitions, such as filing applications to oppositions, and now accounts for over 50% of the relevant petitions filed. Electronic petitions are not only cheaper, they are quicker.

Jorge Ávila, the President of the Brazilian PTO, has stated that the PTO is now ready to implement the Protocol and so we must have faith in his words, and the PTO's ability to overcome these difficulties. He recently declared that "The Institute is already prepared to act within the Protocol, both in technical terms and in relation to personnel." On July 23, 2009, he stated that Brazil's adherence to the Madrid Protocol was waiting for the White Paper to be sent from the President's Office to the National Congress.

Summary

There are many who are concerned that the obstacles to Brazil's adherence to the Madrid Protocol mentioned above remain unresolved. But there is apparently sufficient political will to see the Protocol implemented in Brazil and the obstacles overcome one way or another. This political will comes from the belief that Brazil's adherence to the Madrid Protocol will stimulate Brazilian exports and trade in general and therefore boost the Brazilian economy. We will see how this plays out noting that there is a presidential election in Brazil in November 2010 and so if the Madrid Protocol is not enacted in the immediate future, it may well not have sufficient momentum to carry it into law during an election year.

Given Brazil's position as one of the ten biggest economies in the world and its expected growth over the next few decades, any stimulus to its economy and trade with other nations can only be a benefit to the world economy. This is of course, not only opportune given recent economic problems, but it is also the main reason for such international treaties and collaborations such as the Madrid System for registering marks.

As such, developments over the next few months are not only of interest to IP lawyers and Brazilian exporters, but may have far reaching consequences for the world economy in general.