

FACILITATING THE REGISTRATION OF TRADEMARKS

A Step towards Creating Internationally Recognised Sri Lankan Brands

SUMMARY

There is significant policy discussion on the importance of ‘value added’ products to enhance export revenue in Sri Lanka. Yet, ‘branding’ as a form of value addition is yet to receive sufficient policy recognition. Branding, and protecting one’s brand, entails the ability to register trademarks. Trademarks reflect the name and the insignia of the brand, and provide legal safeguards against the copying of brands.

Sri Lankan businesses are increasingly venturing into branding. This tendency is reflected by the fact that there has been an increase in the demand for trademark registration by Sri Lankans – both, at home and abroad – over the last decade.

Exporters currently need to register their trademarks in both, the country of manufacture and the export destinations. However, registering trademarks outside one’s country can be difficult, time consuming, and costly. Many Sri Lankan businesses complain about such difficulties and costs. It is in this context that the government decided to accede to the Madrid Protocol in 2015.

The Madrid Protocol is a simplified global system for registering trademarks abroad. It can ease the burden of international trademark registration for Sri Lankan businesses. However, accession to the Madrid Protocol will not necessarily help address the connected challenge faced by Sri Lankan business, i.e. the challenge of registering trademarks in Sri Lanka.

Registering trademarks in Sri Lanka is a crucial step to benefiting from the Madrid Protocol. Yet, businesses frequently encounter major bottlenecks in registering their trademarks in Sri Lanka. Accession to the Madrid Protocol will not address the long delays encountered by local businesses in Sri Lanka. It will also have little impact on the widening gap between the number of local trademark applications and the number of local trademark registrations every year. The failure to address these problems in Sri Lanka could significantly limit the benefits of joining the Madrid Protocol.

Main findings:

- *Lankan trademark demand is increasing:* The demand for trademark registration at home and abroad by Sri Lankan businesses has increased significantly in the last decade.
- *The Madrid Protocol can benefit Sri Lanka:* Accession to the Madrid Protocol can make the process of registering trademarks abroad simple, fast, predictable and less costly. It ensures that all the international applications from member countries are processed within 1.5 years. However, it does not place time requirements on trademark applications submitted to the home country.
- *Bottlenecks in Sri Lanka reduces Madrid benefits:* Submitting a trademark registration in the home country is a required first step in the process of applying for trademark registration abroad through the ‘Madrid’ process. At present, it takes the National Intellectual Property Office (NIPO) 3 – 5 years to process a trademark application in Sri Lanka. Failure to rectify this problem limits the benefits of acceding to the Madrid

Protocol.

- *The Madrid Protocol without an efficient NIPO can hurt local firms:* The ‘Madrid’ process obliges members to process foreign trademark applications in 1.5 years. Yet, there is no similar obligation with respect to processing local applications. This inconsistency could lead to foreign applications being prioritised over local applications. Such prioritisation could, in turn, delay the processing of local applications further, thereby harming local firms.

Recommendations:

Making NIPO more efficient is crucial to realising the benefits of ‘Madrid’ accession. The following policy recommendations ought to be considered in this context:

1. Review the performance of NIPO on a quarterly basis through the Parliamentary Sectoral Oversight Committee on Business and Commerce, and the Ministry of Industry and Commerce. The aims of the review should be to ensure that local trademark applications are processed within 1.5 years, reduce

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the backlog of local applications, and ensure that service delivery complies with accepted international norms.

- Establish a public and searchable online database on local trademark registrations. Such a database will save time and cost to local applicants, as they will be better placed to avoid applications that conflict with prior registrations. It will also reduce NIPO's workload in processing applications.

RESEARCH OVERVIEW

Demand for registering trademarks has increased over the years

Trademarks, the unique identification signs used by an enterprise to differentiate its products from those of others, represent the brand image of a business in the marketplace. Therefore, the protection of trademarks through registration is a vital step in safeguarding the investment made in the brand. This process is particularly important to firms that seek to gain a competitive advantage by way of branding products or services at home and abroad. Using a trademark without registration exposes firms to the risk of having their hard-earned brand reputation compromised.

The requests by Sri Lankan businesses to register trademarks have increased in recent years. According to data published by NIPO and the World Intellectual Property Organization (WIPO), the average number of local trademark applications per year has increased by over 40% in the last decade compared to the previous decade (i.e. from an average of 3,215 applications during 1996-2005 to an average of 4,541 applications during 2006-2015). In the same reference period, the average number of international trademark applications per year by Sri Lankan firms increased by over 300%: (i.e. an average of 43 applications during 1996-2015 to an average of 184 applications during 2006-2015).

Data published by WIPO demonstrates that in 2015 Sri Lankan firms applied for trademark registration in 31 countries. Of these, 21 are members of the Madrid Protocol. These statistics suggest that Sri Lankan firms benefit significantly from Sri Lanka's accession to the Madrid Protocol.

Registering trademarks abroad is cumbersome, costly and time-consuming

At present, Sri Lankan firms that wish to register their

trademarks abroad have to file separate applications with the intellectual property (IP) offices in each country they wish to register the trademark in. This process entails submitting multiple applications in different languages in various legal jurisdictions. The separate registration costs and the need to engage local attorneys in each country makes the process costlier than accessing the registration through the Madrid Protocol. Moreover, under the current system, the time taken to register is not fixed and varies according to the country. According to feedback provided by the private sector, on average, the process takes approximately 2 – 5 years.

The Madrid process can ease the burden of registering trademarks abroad

Compared to the current arduous route available to Sri Lankan firms, the Madrid Protocol is convenient. as a firm has to only submit a single application, in one language, and pay a single set of fees to register a trademark in multiple countries. The system enhances predictability by mandating member countries to give notice of acceptance or refusal of a trademark within a fixed period of 1 – 1.5 years. It is relatively low cost, as the system removes the need to hire local attorneys in each country, thereby enabling trademark owners to save on legal fees and time spent on multiple different applications.

Local application: the first step for an international registration

Applying for registration in the home country is a prerequisite for lodging an application for international registration under the Madrid Protocol. An international application can be submitted while waiting for the local application to be accepted. However, firms that apply through the Madrid system without confirmation on the local application face the risk of what is known as a 'central attack'. A central attack refers to a situation where the international registration and all the foreign registrations based on the international registration are automatically cancelled if the registration in the home country is cancelled or rejected.¹

Registering trademarks in Sri Lanka is unreasonably cumbersome and time-consuming

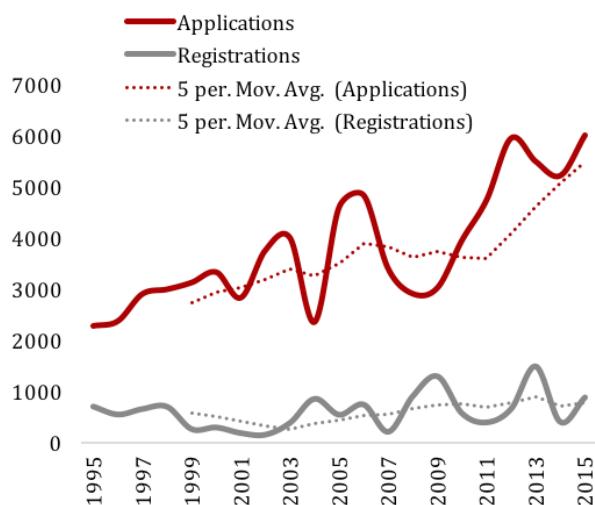
Registering trademarks in Sri Lanka is cumbersome. Currently, NIPO does not have an online trademark search facility in place and its website provides limited information about trademarks and trademark registration process of Sri Lanka. Therefore, trademark owners have to visit in person or send a representative to NIPO to search whether the trademarks they wish to register

World Intellectual Property Organization, Guide to the International Registration of Marks under the Madrid Agreement and the Madrid Protocol (Geneva: World Intellectual Property Organization, 2014): B.II.90-91.

are available for registration. This makes the application process very cumbersome. However, IP offices in countries such as India and Turkey have online trademark search facilities that save cost and time of having to physically visit the IP offices.

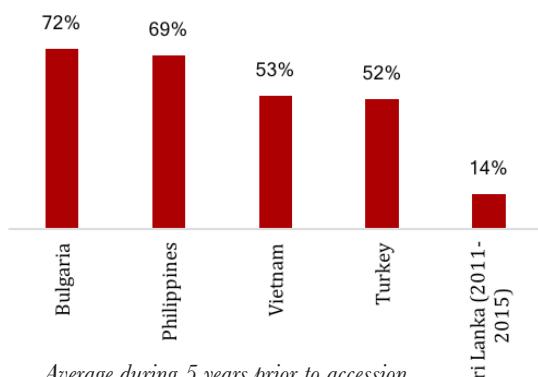
The trademark application process in Sri Lanka is also time-consuming. According to feedback from private sector firms, it takes on average 3 – 5 years to register a trademark in Sri Lanka. Yet, at times, it could take even 8 – 10 years to secure the registration.

Figure 1: Resident trademarks (Number)



Source: National Intellectual Property Office

Figure 2: Average number of registrations as a percentage of applications



Source: World Intellectual Property Organization

Although the number of local trademark applications has increased in recent years, the number of trademarks registered has remained stagnant (Figure 1). On average, for every 100 local trademark applications submitted to NIPO, only 14 get registered in a year. By contrast, prior to their accession to the Madrid Protocol, Bulgaria, Philippines, Vietnam and Turkey registered over 50 trademarks for every 100 applications submitted by their residents (Figure 2).

Post-Madrid: surge in foreign applications can cause further delays in processing of local applications

The experience of countries that have acceded to the Madrid Protocol indicates that the relative ease of registering trademarks under the Protocol leads to an initial surge in foreign trademark applications received by acceding countries. For example, compared to the five years prior to accession, during the immediate five years post-accession, the number of annual foreign applications received by Vietnam's IP office increased by 83%, Philippines' by 51% and Turkey's by 76%.

This possibility poses a significant challenge for Sri Lanka. After accession to 'Madrid', NIPO is likely to experience a surge in foreign applications. At the same time, the organisation will be under pressure to reduce the time it takes to process these applications from the current 3 – 5 years to a fixed short period of 1.5 years. Under the current working conditions, this requirement can lead to a situation where foreign applications get prioritised over local applications. Hence, there is a risk of further delays in the time taken to process local applications. This in turn will further widen the gap between the number of local applications and registrations each year.

Despite an increase in foreign applications, active interventions to fix problems prior to accession could help mitigate an adverse impact on local trademark applications. The experiences of other countries demonstrate this potential. For example, despite the increase in foreign trademark applications after accession to the Madrid Protocol, Vietnam, Philippines and Turkey saw an increase in local applications and registrations. Compared to the five-year period prior to accession, the average number of annual local applications increased in Vietnam by 140%, in Philippines by 45%, and in Turkey by 67% during the first five years after accession. During the same period, the average number of annual local trademarks registered increased by 180% in Vietnam, 28% in the Philippines, and 67% in Turkey. Sri Lanka will need to learn from

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these experiences and replicate the steps taken in these countries.

Compared to other countries, the pre-accession challenges faced by Sri Lanka are greater. This is because the performance of Sri Lanka at present lags behind the pre-accession performance of countries with similar income levels. As such, Sri Lanka will need to make an extra effort compared to other countries.

To benefit from accession, the roadmap to ‘Madrid’ needs to prioritise fixing the problem in Sri Lanka

The process of accession to the Madrid Protocol outlined by WIPO requires the country to make an initial assessment covering six main areas: leadership, legislation, institutions, procedures, technology, and community. After this initial assessment, the country has to draw a road map identifying all the issues that need to be resolved prior to accession.

To identify issues and find solutions, it is important to have in place an open consultative process involving a wide swathe of stakeholders. Although the proposal to accede was made in November 2015, NIPO has so far failed to institute such a process and stakeholders are presently not aware of the progress made in terms of accession.

RECOMMENDATIONS

The recommendations presented below are designed to address the key issues identified in this brief. They accordingly aim to bring NIPO to a more acceptable standard of service delivery and to improve the efficiency of the trademark registering process in Sri Lanka.

1) Place NIPO on a quarterly cycle of performance review by Parliament and the relevant Ministry.

Without accountability and performance monitoring, poor service delivery by government agencies and poor

implementation of proposed policies can go unnoticed and unchecked. The new parliamentary oversight committees set up under the present government are a partial response to this problem in Sri Lanka. The oversight committees have the authority to examine all matters relating to subjects within their jurisdiction.

NIPO falls under the Commerce Division of the Ministry of Industry and Commerce. Therefore, in addition to the Ministry, parliament’s Sectoral Oversight Committee on Business and Commerce could place NIPO under a regular cycle of performance review.

Parliament and the Ministry could work together to enhance NIPO’s accountability by setting Key Performance Indicators (KPIs) to bring Sri Lanka in-line with international trademark registration performance standards. These KPIs could be evaluated quarterly to document progress and encourage a speedy transition to acceptable levels of service delivery. Regular evaluations may also help ensure that problems faced by NIPO in carrying out its functions are recognised and remedied by the government without delay. For instance, the head of NIPO has publicly complained that her office is understaffed.

2) Provide public and searchable, online database on local trademark registrations

Information and Communication Technology plays an important role in enhancing the efficiency of public service delivery. At present, many countries have a public, searchable, online database that contains information on all registered trademarks.

Such a database enables businesses to search for trademarks without expending time and money in filing inquiries, or travelling to the trademark office. The ability to search a database in this manner also enables businesses to easily avoid selecting trademarks that are already registered. It therefore reduces the likelihood of their applications being rejected. ■

The Economics Research Team of Verité Research compiled this study. The team comprised Anoži Ekanayake, Subhashini Abeysinghe, Yajna Sanguhan and Sabrina Esufally with the overall research and editorial supervision of Nishan de Mel and Gehan Gunatilleke.