The Commercial Law Connection

The National Bar Association Commercial Law Section

Volume 1, Issue 1

February 2004

Connecting people, ideas and opportunities

Karol Corbin Walker's Chair Message

I am honored and privileged to be Chair of the Commercial Law Section ("CLS") of the National Bar Association ("NBA"). First, I thank John Lewis, Jr., former CLS Chair, and members of his Executive Committee. Under John's leadership, the CLS garnered the NBA's Section of the Year Award for 2001, 2002 and 2003. Second, I thank and acknowledge the current Executive Committee members for their effort, support and commitment to the continued success of our Section. I use the word continue, because the achievements of the CLS have been advanced over the past several decades by the able and tireless efforts, sacrifices and dedication of the men and women who have been officers, executive board members and members of the CLS. For that, I thank all of the CLS members.

Karol Corbin Walker, Chair

Finally, I am excited about the issuance of this Newsletter. I applaud and commend the efforts of our Liaison Committee consisting of Donald Johnson, Dexter Johnson and Nadia Bishop. It is through their hard work and incredible efforts that our section has been able to bring to you this high quality Newsletter.

In every issue of our Newsletter, you will have an opportunity to read substantive articles, not limited to one legal area. The CLS members transcend many practice areas and as a result, our Newsletter reflects this diversity. Please take time to read this Newsletter, as there are many ways for CLS members to get great exposure by contributing to our future newsletters.

Mark your calendars! The 17th Annual Corporate Counsel Conference will take place at the Westin La Cantera Resort in San Antonio, Texas from February 26 through 28, 2004. CLS members have another opportunity to foster and strengthen relationships with their colleagues and corporate representatives.

Several new components have been added to our conference. This year we have obtained commitments from several corporations who have not traditionally participated in our conference. The outstanding program agenda and other activities will enhance your practice tremendously. Space is limited. So, please register now. Visit our Section's website, *www.nbacls.com,* for more information.

I look forward to seeing you in San Antonio. Have a safe trip.

Inside this issue:

International Trademark Protection: Madrid Protocol

Kenneth Southall, JoAnn Holmes and Segeda Ranjeet

Introduction:

As of November 2, 2003, U.S. trademark owners who wish to protect their marks in foreign countries now have an additional option for acquiring trademark protection in countries that have adopted The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"). Prior practice generally required that, with the exception of a few community based schemes such as the European Union's Community Trade Mark system or the African Union Trade Mark system, trademark owners had to file separate trademark applications in each of the countries in which trademark protection was sought. The long-awaited U.S. accession to the Madrid Protocol, however, now allows U.S. trademarks owners to register their trademarks in all of the 62 signatory countries by filing a single application with the United States Patent and Trademark Office ("USPTO") for one fee. In addition, applications filed under the Madrid Protocol may be filed in

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NBACLS SPOTLIGHTS MEMBER: JOHN LEWIS, JR.

John Lewis, Jr.

"An experienced litigator, John has tried and arbitrated commercial cases throughout the country."

In each edition of the NBA Commercial Law Section ("CLS") newsletter, the CLS will introduce you to a distinguished CLS member—a member who has made significant contributions to the NBA, the CLS, the legal profession, and/or his or her community. In this issue of the CLS newsletter, the CLS spotlights ***John Lewis, Jr.***, the immediate past Chair of the CLS.

John Lewis, Jr., a graduate of Morehouse College and the George Washington University National Law Center, is a longtime member of the NBA. During his many years in the NBA, he has held various leadership positions. John served three years on the NBA Board of Governors and one term on the Executive Committee of the Board of Governors. He also was Co-Chair of the Budget Committee in 2003 and a member of the Nominating Committee in 2003 and 2004.

In addition, John has held several leadership positions in the CLS. He served as Treasurer of the CLS for five years, and, during the last three years, he chaired the CLS. In each of the last three years that John was the section Chair (2001 - 2003), the CLS was named the National Bar Association's Section of the Year. Under his leadership, the CLS launched its website (www.nbacls.org), added substantive continuing legal education (CLE) programming, recreational/social breakouts and other programmatic enhancements to the Commercial Law Section's Corporate Counsel Conference. During his tenure as Chair, the CLS also contributed over $50,000 in grants to the NBA and the National Bar Institute, the philanthropic arm of the NBA.

When he takes off his NBA hat, John is Counsel for The Coca-Cola Company in its Litigation and Employment Law Group in the Company's Global Legal Center in Atlanta. He joined Coca-Cola after over eleven years in private practice in Atlanta, Kansas City and Washington, DC. John represents the Company's interests in litigation, arbitration, mediation and other disputes in the nearly 200 countries where Coca-Cola does business. He partners with outside counsel and advises internal clients in a variety of areas including commercial disputes, securities, antitrust, licensing disputes, white collar/internal investigative matters, bankruptcy and intellectual property.

An experienced litigator, John has tried and arbitrated commercial cases throughout the country. He is a Board Certified Business Bankruptcy Specialist by the American Board of Certification, an affiliate of the American Bankruptcy Institute. In 1999, he was appointed by the Missouri Supreme Court to serve as a disciplinary hearing officer for the office of Bar Counsel. John also is a certified arbitrator by the National Association of Securities Dealers (NASD).

In addition to being an NBA member, John also is a member of American Bar Association, the Atlanta Bar Association, Gate City Bar Association and the American Corporate Counsel Association. John currently serves on the Boards of The Coca-Cola Company Family Federal Credit Union, the Zion Hill Community Development Corporation and the National Bar Institute.

John lives in suburban Atlanta with his wife, Patrice, daughters, Taylor, a second grader, Sydney, a kindergartener and family mutt, Miles.

The Annual NBA Commercial Law Section's Corporate Counsel Conference

The NBA Commercial Law Section will hold its 17th Annual Corporate Counsel Conference in San Antonio, Texas from February 26 to February 28. The primary purpose of the conference is provide NBA members in business practice with an opportunity to meet and develop professional relationships with corporate counsel and to give corporations an opportunity to seek out, meet, and refer outside legal matters to African-American attorneys. Throughout the years, the Corporate Counsel Conference has continued to grow in size, visibility and influence. We estimate that, over the years, the Conference has connected more than 1,000 NBA Commercial Law Section members with more than one hundred (100) different corporations and their representatives. Many have formed long-standing mutually beneficial attorney-client relationships. This year's conference will continue that tradition. You can access the conference registration materials at www.nbacls.com.

We Are Ready for San Antonio, But Is San Antonio Ready for Us?

Nadia M. Bishop

Hello Friends. We look forward to seeing you at the NBA Commercial Law Section's Annual Corporate Counsel Conference in San Antonio, Texas from February 26 through February 28, 2004. Prepare to learn, laugh and network with a group of outstanding people. It will not be the same without each and every one of you, so register early. Our time in San Antonio will give us an opportunity to re-connect with old friends, make new friends, and further our business endeavors. And if that is not enough, San Antonio is a great city with lots to see and do.

Here are some of the things and places you can look forward to:

San Antonio skyline at night

For Hanging Out:

1. *The River Walk.* This walk is in the heart of downtown and within easy reach of many museums, shops, and restaurants. Walk down the beautiful cobblestone walkways, and enjoy the peace of walking by the water. Take a break under one of the towering cypresses, oaks or willows and read the literature provided by our gifted panelists. Or, in the evening there are nightclubs for your dancing pleasure.

2. *Market Square.* 514 Commerce. Located downtown with 32 shops in an area patterned after an authentic Mexican market. Additionally, there are 80 specialty shops in the Farmers Market Plaza. Free admission. Hours: 10:00 a.m. to 6:00 p.m.

3. *Plaza Wax Museum and Ripley's Believe it or Not.* 301 Alamo Plaza. This is only one or two blocks away from the River Walk and will surely fascinate and amuse. Admission is $16.95 plus tax (for both museums). Monday through Thursday, 9:30 a.m. to 6:00 p.m.; Friday and Saturday, 9:00 a.m. to 8:00 p.m.; Sunday, 9:30 a.m. to 7:00 p.m.

4. *Guinness Book of World Records Museum and Ripley's Haunted Adventure.* 329 Alamo Plaza. Directly across from the Alamo. The Museum is a state of the art, interactive experience that brings the world famous book to life. And Ripley's Haunted Adventure will delight the "big kid" in all of us. Admission is $13.95. Hours: Sunday through Thursday, 10:00 a.m. to 7:00 p.m.; Friday and Saturday, 10:00 a.m. to 10:00 p.m.

5. *GOLF anyone?* La Cantera Golf Club was named the best new public course in the U.S. in 1995 by Golf Digest. Come and participate with other CLS members at our golf event on February 28, 2004. Sign up when you register for the conference.

The Alamo

For Educational Outings:

1. The Alamo. 300 Alamo Plaza. The Alamo was established in 1718 as the city's first mission. There is a museum that contains relics and mementos from the Republic of Texas and offers narration on the fall of the Alamo. Or if you prefer the movie version, see the next item. Free Admission. Hours: Monday through Saturday, 9:00 a.m. to 5:30 p.m. Sunday, 10:00 a.m. to 5:30 p.m.

2. IMAX Theatre at Rivercenter. 849 E. Commerce, Rivercenter Mall. "Alamo – The Price of Freedom" is a 45-minute docudrama about the 13-day siege and fall of the Alamo. You can watch the battle unfold for only $8.95. Hours: Daily 9 a.m. to 10 p.m.

3. Abracadabra. A mixed exhibition celebrating women's history and poetry reading. At the Textures Gallery. 4026 McCullough Street. This is about two and a half miles from downtown. Free admission. They are open Tuesday through Saturday 10 a.m. to 5:30 p.m.

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THE BENEFITS OF ATTENDING THE CORPORATE COUNSEL CONFERENCE FROM THE LAW FIRM'S PERSPECTIVE

Kenneth Southall

San Antonio in the Winter

"Remember, business development is all about building relationships."

Every year since 1988, the National Bar Association's Commercial Law Section has sponsored a Corporate Counsel Conference. The Conference is always in a new and exciting location and provides a unique combination of benefits to practicing attorneys regardless of their area of specialization. The benefits range from substantive seminars conducted by leading authorities in their respective practice areas to less formal networking opportunities such as those occasioned by a dinner cruise last year in Miami. However, one aspect of the Corporate Counsel Conference stands out in my mind as unparalleled among conferences I have attended - the interviews with in-house attorneys.

As part of the registration process for the conference, attendees who work at law firms have the opportunity to submit their firm's profile or resume, which in turn is delivered to in-house counsel prior to the conference. Each law firm attendee is also asked to complete a questionnaire which solicits such information as substantive areas of practice, industry and geographic scope of his or her practice, representative transactions and litigation, law school attended, relevant publications, and speaking engagements. The questionnaire also requests that law firm attendees provide the total number of African-American attorneys in their firm, as well as the total number of attorneys. This information is particularly relevant as corporations increase their efforts to hire more diverse outside counsel. Indeed, several corporations base a portion of their in-house lawyers' compensation on metrics associated with the hiring of minority outside counsel.

Armed with this information prior to the Corporate Counsel Conference, in-house attorneys select attorneys for interviews during the conference based on their existing legal needs. Where else can one find such a tremendous business development opportunity? It is not uncommon for attorneys to be hired at these interviews. However, don't be disappointed if this does not occur or if you don't get a formal interview with all of the companies that interest you. Even if you are not pre-selected by a company representative you are particularly interested in meeting, there are still countless opportunities for networking and informal discussions throughout the duration of the conference such as nightly receptions, golf and tennis outings, and spa days. Remember, business development is all about building relationships. In this regard, a word of caution is in order. Law firm attendees should make an effort to meet and foster relationships not only with in-house attorneys but also with fellow law firm attendees. This makes good sense for several reasons. First, it supports the mentoring goals which we all have an obligation to support. In addition, attorneys from other firms are a great source for referrals when they know of work that, for example, is outside their geographic area or practice area, or that they cannot accept because of conflicts of interest. Many attorneys who have made the unfortunate mistake of ignoring attorneys from other firms in favor of seeking out in-house lawyers have later discovered that the attorney they ignored has since moved to an in-house position and is looking to send work to outside counsel!

Throughout the years, the Corporate Counsel Conference has grown in size, visibility and influence. It continues to offer significant opportunities for minority attorneys to meet and build professional relationships with each other and provides the opportunity to introduce corporate America to the wealth of legal talent and expertise that members of the National Bar Association have.

*Kenneth Southall is a Partner in the Atlanta, Georgia office of Troutman Sanders LLP, a full-service international law firm with offices in Atlanta, Washington D.C., Richmond, VA, Raleigh, NC, Hong Kong, London and several other cities. The author specializes in Patent, Trademark and Copyright law and can be contacted at (404) 885-3290.

MEMBER GRAPEVINE

When you or another NBA member that you know makes a noteable accomplishment, such as winning a significant plaintiff or defense verdict, being elected to partnership in a law firm or to a corporate board of directors, or receiving an in-house counsel promotion or a judicial nomination, please send us the good news so that we can share it with other NBA members in this section of the NBACLS newsletter. You can contact us at nbanews@nbacls.com.

*Five Things Corporate and Commercial Law Attorneys Should Know About The Securities Laws**

Dexter Johnson

The federal securities laws are a vast, complex and intricate body of statutes and regulations that cast a wide net. In light of the unrelenting barrage of headlines of corporate scandal from Enron Corporation to allegations of late trading and market timing in the mutual fund industry, that net has been expanded to include a range of changes in the securities laws that both general corporate and financial practice attorneys are being called upon by their clients for advice. In addition to house counsel of public companies, litigators with no special concentration in securities law and other non-specialists are likely to encounter securities law issues that emanate from an enhanced regulatory regime not seen since the 1930s. Below are five facts that practitioners may find useful as a point of reference for understanding the framework of the securities laws and regulations.

ONE

The securities industry is one of the most heavily regulated industries in the United States. Traditionally, the federal securities laws have been administered by the U.S. Securities and Exchange Commission ("SEC") under six separate statutes passed by Congress between 1933 and 1940:

- the Securities Act of 1933 (the "'33 Act");
- the Securities Exchange Act of 1934 (the "'34 Act");
- the Public Utility Holding Company Act of 1935;
- the Trust Indenture Act of 1939;
- the Investment Company Act of 1940 (the "'40 Act"); and
- the Investment Advisers Act of 1940 (the "Advisers Act").

Four of these statutes in particular, which are discussed in points two and three below, help define the practice areas under the "securities law" rubric. For example, lawyers may refer to their practice as focusing on "'33 Act," "'34 Act" or "'40 Act" work.

TWO

The core of the federal regulatory scheme can be found in two statutes – the '33 Act and the '34 Act. The '33 Act has two basic objectives: regulation of companies' initial distribution of securities offered to the public, by requiring disclosure to investors of financial and other significant information concerning securities being offered for public sale; and preventing misrepresentations, deceit, and other fraud in the offer and sale of securities. A primary means of accomplishing these goals is through the registration of securities. The '34 Act extended the disclosure registration requirements to trading on the secondary markets, such as the national securities exchanges and the over-the-counter markets. Among other provisions, the '34 Act regulates various markets and market participants, including the exchanges, Nasdaq, broker-dealers and the National Association of Securities Dealers. Both the '33 Act and the '34 Act prohibit fraudulent or deceptive practices in connection with the purchase and sale of securities.

THREE

Two other federal securities statutes that are administered by the SEC and deal with specialized areas are the Advisers Act and the '40 Act. The Advisers Act regulates investment advisers, generally defined as persons or firms compensated by others for providing advice with respect to securities investments and transactions. With some exceptions, the Advisers Act requires that firms or persons who engage in these activities register with the SEC, and it prohibits fraudulent practices and certain specific transactions. The Advisers Act, as amended by the National Securities Markets Improvement Act of 1996, creates a regulatory scheme in which the responsibilities of the SEC and the states are delineated with far more precision than is true in other areas. SEC registration is required for advisers who have at least $25 million of assets under management or who advise a registered investment company. Investment advisers having less than $25 million of assets under management are generally regulated by the states.

The '40 Act regulates companies in the business of investing, reinvesting and trading in securities, primarily mutual funds. Among other things, the '40 Act requires these companies to disclose to the investing public information about their investment objectives, structure and operations, and directors and officers, and to file periodic reports with the SEC.

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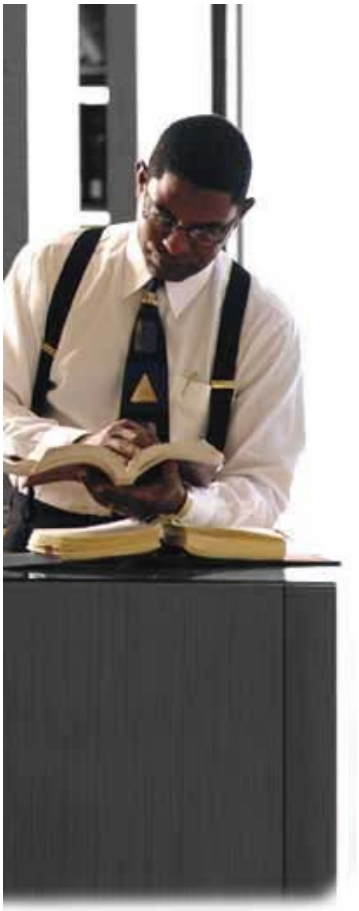
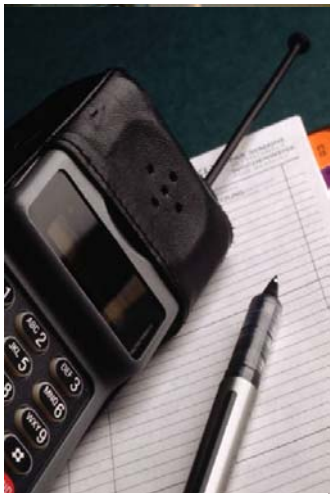


"The securities industry is one of the most heavily regulated industries in the United States."

WHAT EVERY COMMERCIAL LAW ATTORNEY NEEDS TO KNOW ABOUT GIVING NOTICE TO INSURERS

Donald O. Johnson



"[N]otice provisions…. frequently are a source of insurance coverage disputes."

Commercial law attorneys can prevent clients from *forfeiting* thousands, or even millions, of dollars of insurance coverage by ensuring that clients submit: (1) a timely *notice of loss* to their property insurers when the clients' property is damaged; (2) a timely *notice of occurrence* to their liability insurers when clients believe that an accident is covered by their liability policies and may result in a claim; and (3) a timely *notice of claim* to their liability insurers when a third party asserts a claim for damages against them. Business clients generally carry a variety of insurance policies to cover the diverse risks of loss that they face. Such policies include: commercial property, commercial general liability, directors and officers liability, errors and omissions liability, and employment practices liability policies. Although the provisions in these diverse types of insurance policies differ significantly, all insurance policies contain one or more notice provisions. Such provisions frequently are a source of insurance coverage disputes.

A notice of loss provision is found in first-party policies, such as commercial property insurance policies. It requires a policyholder to notify its insurer that the policyholder has suffered a covered loss, such as fire damage to the policyholder's building. A typical notice of loss provision states in pertinent part:

> As soon as practicable after any loss or damage occurring under this policy is known to an Insured, the Named Insured shall report such loss or damage to this Company. . . .

A notice of occurrence provision is found in most occurrence-based third-party liability policies, which are policies that cover claims arising from injuries that occur during the policy period. For example, most commercial general liability policies, which cover, among other things, third-party bodily injury and property damage, contain these provisions. A notice of occurrence provision requires a policyholder to notify its liability insurer when the policyholder believes that an accident is covered by its liability policy and *may result* in a third-party claim for damages. A typical notice of occurrence provision, in relevant part, states:

> In the event of an occurrence, the Named Insured must see to it that this Company is notified as soon as practicable of an "occurrence" which may result in a claim. . . .

Another notice provisions contained in third-party liability policies is a notice of claim provision. It requires a policyholder to notify its insurer that a third party *has asserted* a claim for damages against the policyholder. For example, a notice of claim provision would apply when a customer sends a retailer a demand letter or files a lawsuit that seeks damages based on allegations that the retailer failed to use reasonable care in maintaining its premises, and, as a result, caused the customer to be injured. A typical notice of claim provision states:

> If a claim is made or suit is brought against any Insured, the Named Insured must immediately record the specifics of the claim or suit and the date received; and the notify this Company in writing as soon as practicable. . . .

Policyholders generally do not have much difficulty recognizing when they have suffered a property loss because, usually, it is relatively easy to determine when insured property has been damaged or destroyed. As a result, policyholders usually should not have much difficulty recognizing events that trigger a duty to send a notice of loss to their property insurers.

With respect to liability policies, however, policyholders sometimes have trouble recognizing when there has been an "occurrence" and when a "claim" has been made because many policyholders are unfamiliar with the terminology used in liability insurance policies. Consequently, policyholders sometimes have difficulty recognizing when a duty to send a notice of occurrence or a notice of claim to their liability insurers has arisen.

Liability policies generally define the term "occurrence." Therefore, policyholders and their counsel can look to the definition for guidance. In contrast, liability policies generally do not define the term "claim." Courts, however, have analyzed the meaning of "claim" as that term is used in liability insurance policies and have explained that "claim" has a very broad meaning. For example, in *State of New York v. Ludlow's Sanitary Landfill*, 50 F. Supp. 2d 135, 138 (N.D.N.Y. 1999), the court stated that almost any assertion of an exposure to liability that is covered by an insurance company is a claim:

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> [A] claim is an assertion by a third party that in the opinion of that party the insured may be liable to it for damages within the risks covered by the policy . . . . A claim may be made without the institution of formal proceedings. . . . A third party's assertion of liability is a claim, moreover, whether or not there is reason to believe that there actually is liability. . . . A notice of claim provision . . . focuses on the actions of third parties and may be triggered by an unreasonable—even sanctionable—assertion of liability. . . . An assertion of possible liability, no matter how baseless is therefore all that is needed to trigger a notice of claim provision.
>
> Id.

Notice provisions are important because they require a policyholder to take a specific action within a specified time period and because they potentially may result in a policyholder's forfeiture of insurance coverage if the policyholder fails to comply with its policy's notice requirements. Such provisions typically require a policyholder to give notice "immediately," "promptly," "as soon as possible," or "as soon as practicable." Most courts that have addressed the issue have held that each of these terms means that notice must be given within a reasonable time under the circumstances. Whether notice was given within a reasonable time usually is a question for the trier of fact. Less frequently, notice provisions state that notice must be given within a specific number of days.

The purpose of a notice requirement in property insurance policies is to give insurers an opportunity to investigate property loss or damage, determine whether the loss or damage is covered, and, if so, estimate the amount of the loss or damage. Notice provisions in liability policies have a similar purpose, which is to provide insurers with an opportunity to investigate accidents and claims, determine whether their policies potentially cover them, and, if so, prepare a defense, and estimate the value of the claims or potential claims.

If a policyholder fails to provide timely notice, its insurer may assert a "late notice" defense. A "late notice" defense is a contention that the insurer's obligation to make a payment under the policy is excused because the policyholder breached the insurance contract by failing to notify the insurer of the loss, the occurrence, or the claim within the time specified in the notice provision. In the liability insurance context, a late notice defense also may include a contention that the insurer's obligation to defend the policyholder against a third-party claim or to pay defense costs is likewise excused. To support its position, an insurer may argue that the policyholder's late notice prejudiced the insurer's ability to evaluate the loss, the occurrence, or the claim, or prejudiced the insurer's ability to defend against the claim because, for example, relevant evidence was destroyed or witnesses are no longer available.

Given this potential defense, it is critical for a policyholder and its counsel to understand the language used in the relevant insurance policy's notice provisions and the applicable state's law concerning late notice. In some states, such as New York, Illinois, and Alabama, an insurer's policy obligations may be excused if the policyholder does not give the insurer timely notice. In those states, an insurer is not required to demonstrate that it was prejudiced by the late notice in order to escape its policy obligations.

In the majority of states, however, late notice does not bar a policyholder's insurance recovery unless the insurer can demonstrate that the late notice prejudiced the insurer. As a result, under the law of these states, a policyholder may recover under its insurance policy even if it failed to provide notice for several months, or, in rare cases, years after a loss or a claim arose as long as the insurer is unable to prove that the late notice prejudiced the insurer. California, New Jersey, and Pennsylvania follow this rule.

In still other states, such as Connecticut, Ohio, and Florida, the insurance company is presumed to have been prejudiced by late notice. The policyholder, however, may rebut that presumption. If the policyholder does so, late notice will not prevent the policyholder from recovering under its policy.

Given that a policyholder potentially may forfeit its coverage by failing to provide timely notice, policyholder counsel should pay close attention to the circumstances that trigger a duty to provide notice; the factors involved in determining which state's law will govern the interpretation of the notice provisions; and whether the applicable state's law will excuse late notice if the insurer has not been prejudiced by it. Other issues, which are beyond the scope of this article, also may affect the late notice analysis. Such issues include whether the policy at issue is a claims-made policy, rather than an occurrence-based policy, and whether the policy is an excess policy, instead of a primary policy. A careful analysis of all relevant notice issues is necessary to allow commercial law counsel to advise their clients about the steps that clients should take to avoid the pitfalls that notice provisions in insurance policies present.

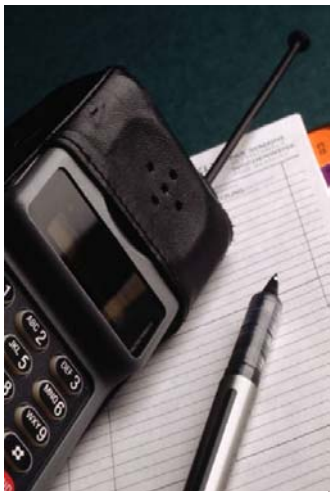
* Donald O. Johnson is an Associate in the Washington, D.C. office of McKenna Long & Aldridge LLP, a full-service national law firm with offices in Washington D.C., Atlanta, Los Angeles, and several other cities. The author specializes in insurance law and can be contacted at (202) 496-7500. This article is intended for informational purposes only and is not designed to render legal advice or a legal opinion. .

COMING EVENTS

February 26 - 28, 2004
National Bar Association Commercial Law Section's Corporate Counsel Conference
The Westin La Cantera Resort
San Antonio, Texas

March 31 - April 4, 2004
Mid-Year Conference & Gertrude E. Rush Award Dinner
The Madison Hotel
Washington, D.C.

August 7 - 14, 2004
NBA 79th Annual Convention & Exhibits
The Westin Charlotte
Charlotte, North Carolina



"[T]he Madrid Protocol may result in a reduction of duplicative foreign filings . . ."

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either English or French. As such, filing under the Madrid Protocol eliminates the need for U.S. trademark owners to comply with the cumbersome language translation requirements of many foreign trademark offices. Current signatories to the Madrid Protocol include the United Kingdom and most other European nations, as well as China, Japan, and Singapore.

What Is the Madrid Protocol And What Does It Do?

The Madrid Protocol is actually one of two treaties that make up the Madrid System. The Madrid System, which allows for international registrations, is administered by the World Intellectual Property Organization's ("WIPO") International Bureau (the "IB") located in Geneva, Switzerland. An application for international registration must be presented to the IB through the local trademark office of the applicant's home country. A home country is defined as the place where the applicant is domiciled, is a national, or has a real and effective business presence. The IB cannot accept an application which is filed directly by the mark's owner or its representative. The USPTO began accepting applications for international registrations under the Madrid Protocol on November 2, 2003.

Although use of the Madrid Protocol may result in a reduction of duplicative foreign filings and minimize filing costs for international trademark protection, it does not change substantive trademark law, either in the U.S. or in other countries. Hence, U.S. trademark owners applying for foreign trademark protection still need local counsel to assist in prosecuting applications in foreign jurisdictions. First, foreign counsel's assistance is required to conduct thorough trademark clearance searches to identify marks which could impede registration in the local jurisdiction. Next, foreign counsel's assistance may be necessary should an application be challenged, whether by trademark authorities or by third parties. Further, because each country maintains its local mandates for trademark assignment and licensing, local counsel is necessary to assist in navigating foreign trademark transfer requirements.

Who Can Claim the Benefit of the Madrid Protocol?

Under the Madrid Agreement, only the owner of a valid *registration* can apply for an international registration. However, pursuant to new rules, citizens or legal entities of member countries that own a trademark registration *or application* in their home country can apply for an international registration before WIPO's International Bureau.

What Are the Filing Procedures for U.S. Applicants with the USPTO?

The USPTO regulations that implement Madrid Protocol filings were finalized on September 26, 2003. Since November 2, 2003, the owner of a U.S. application or registration may apply for protection of its mark in any of the 62 member countries by submitting a single international application to the IB through the USPTO. Under the rules initially promulgated by the USPTO, all applications for international registration were required to be filed electronically through TEAS, the USPTO's trademark electronic filing system. On October 22, 2003, however, the USPTO announced that it would postpone the effect of the "electronic-filing only" rule until January 4, 2004, allowing U.S. trademark owners the option to file electronic or paper applications for international registration. After January 4, 2004, the USPTO will accept only electronically filed applications for international registrations. To qualify for an international registration under the Madrid Protocol, the U.S. applicant must be the owner of a U.S. federal trademark application or registration. The international application must be for the exact same mark as the subject U.S. application or registration. In addition, the goods or services listed in an international application must be the same or narrower in scope than those listed in the U.S. application or registration. Lastly, the application for an international registration must include a designation for extension of protection to at least one member country.

The USPTO examines and verifies the information listed in the international application for accuracy and then forwards it on to the IB. The IB reviews the application to determine whether the filing regulations of the Madrid Protocol have been met and whether the required fees have been paid. If the requirements have been met and the proper fees have been paid, the IB immediately issues a registration for the mark, publishes the mark in the *WIPO Gazette of International Marks*, sends a certificate to the owner, and then forwards the filing particulars on to the local trademark offices of the designated member countries for prosecution. If the Madrid Protocol requirements have not been met, the IB notifies the USPTO and the applicant of the "irregularity" and specifies the time period within which the irregularities should be corrected.

The owner of an international registration may request an extension of protection in additional member countries in a subsequent filing. Each member country designated in an original application or subsequent filing examines the application as if it were a national application in accordance with its national laws. If the application meets the requirements for registration under such national laws, the member

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country grants registration of the mark in that country. If the international application fails to meet the requirements for registration, the designated country must notify the IB of the refusal within twelve or eighteen months, depending on the time limits set forth in that country's declaration adopting the Madrid Protocol. In the event of such a refusal, the application must then be defended and prosecuted according to local laws and procedures, which , as noted earlier, requires the assistance of local trademark counsel. If a notification of refusal is not sent to the IB within either the twelve, or eighteen month period as set forth in the particular country's declaration adopting the Madrid Protocol, the designated country must grant protection for the mark.

How Much Does an International Application Cost?

The USPTO charges a fee for reviewing and certifying an international application. The fee for certifying an international application based on a single "base" application or registration is $100.00 per class. The fee for certifying and reviewing an international application based on multiple base applications or registrations is $150.00 per class. These fees must be paid in U.S. dollars at the time of filing of an international application. In addition to fees required by the USPTO, there is a "basic" international processing fee which may be paid directly to the IB or through the USPTO as well as a "complimentary fee" to be paid for each member country designated. The basic fee is 653 Swiss francs (US $496.00) for up to three classes for a non-color mark or 903 Swiss francs (US$686.00) for up to three classes for a color mark. There is an additional "supplementary fee" of 73 Swiss francs (US$55.00) for each additional class covered by an application. The complimentary fee is 73 Swiss francs (US$55.00) for each member country designated. If the applicant pays these fees through the USPTO, the fees must be paid in US dollars at the time of filing. If the applicant pays these fees to the IB, the fees must be paid in Swiss francs. Lastly, some member countries also charge an additional "Individual fee" for processing the application. This fee will vary according to the jurisdiction. A fee schedule and calculator as well as instructions for acceptable payment methods and procedures for the IP may be found at: http://www.wipo.int/madrid/en/.

What Is the Duration of an International Registration?

An international registration remains in effect for 10 years. It may be renewed for additional 10 year periods by paying the requisite fee to the IB. However, local proof-of-use and other registration maintenance requirements for each designated country must be observed and filed with the local trademark office of that country.

What Are the Post-Registration Vulnerabilities of an International Registration?

An international registration remains dependent on its base country application or registration during the first five years after registration. If, during this period, the base application or registration is abandoned, rejected, cancelled or invalidated, whether in whole or in part, the international registration and all of its extensions in each designated country is likewise affected. This is termed a "central attack." In the case of such a central attack, the Madrid Protocol allows the owner of an affected trademark to file replacement applications directly with the local trademark offices of the designated countries within three months and still claim the benefit of the original priority date of the international registration.

What Are the Disadvantages to U.S. Trademark Owners Seeking International Registrations?

Although the Madrid Protocol may prove advantageous to many U.S. trademark owners who wish to obtain registration in multiple foreign countries, the USPTO's restrictive approach regarding the specification of goods and services in U.S. applications, as well as U.S. requirements for commercial use of a mark prior to its registration, are drawbacks for U.S. trademark owners. This is because in most other countries, a trademark registration may simply state that it covers all the goods in a particular classification, whereas a U.S. applicant must specify each good or service. Moreover, foreign trademark offices generally do not require applicants to prove actual commercial use of a mark prior to its registration. Given the foregoing, U.S. trademark owners work at a disadvantage in relation to foreign trademark owners who may obtain international registrations and individual national registrations for a broad class of goods or services, often without having to actually use their marks for any of the goods or services covered by those registrations.

To remedy this disadvantage, it may be strategically advisable for U.S. trademark owners to first file for trademark protection in countries with more liberal trademark registration laws than those governing the USPTO, provided that they can claim such a foreign country as their home country. Again, a home country is defined as the place where the applicant is domiciled, is a national, or has a real and effective business presence.

In addition, assignment and licensing agreements also pose potential hazards for U.S. trademark owners when utilizing the Madrid Protocol. Although it is possible to record an assignment or transfer of an international registration and the related national registrations, the validity of such assignments or transfers are still governed by the local laws of each member country. In particular, issues of assignment with goodwill, payment of transfer taxes, and other requirements., must all be satisfied under the relevant local laws and failure to observe these requirements may render the assignment or transfer invalid in such jurisdictions.

Furthermore, an international registration may only be assigned to parties who are themselves eligible for protection under the Madrid Protocol in the local jurisdiction. This means that the receiving party must be domiciled in, or a national of, the jurisdiction, or must have a real and effective commercial presence in the jurisdiction. Accordingly, if a U.S. trademark owner also owns an international registration and wishes to sell, transfer or assign its mark to a party who is not eligible for protection under the Madrid Protocol, the validity of such an assignment or transfer may be in question. This creates challenges for structuring transactions and may severely limit the value of the intellectual property portfolio being sold.

Conclusion

The Madrid System advances the global business community by creating a unified process for trademark owners from member states to obtain trademark protection in multiple foreign jurisdictions with a single application. However, because diverse local laws and custom still govern the process and requirements for prosecution of trademark applications, as well as registration maintenance, assignment and licensing, the need for specialized knowledge in this area remains essential. Hence, navigating the international trademark registration process still requires specialized experience and careful guidance.

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Take a stroll down the beautiful River Walk in San Antonio.

CORPORATE ROUNDTABLE

This year's Corporate Counsel Conference officially begins Thursday, February 26th at 1:00 p.m. with the Corporate Counsel Roundtable luncheon. You will not want to miss this luncheon since we have an outstanding group of corporate counsels participating in this interesting discussion. This year's topic of discussion is: "The Road Less Traveled: A Discussion of In-House Counsel Career Development." The Corporate Counsel Roundtable panelists include: James C. Dockery, Corporate Counsel of Clear Channel Communications; John M. Esquivel, Associate General Counsel of Shell Oil Co.; Tom Gerke, Executive Vice-President and General Counsel of Sprint; and Marcea Lloyd, Senior Vice President and General Counsel of VHA. Do not miss your opportunity to hear valuable insight from these highly recognized corporate counsels.

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FOUR

As early as the 1910s, states began passing their own laws regulating the registration and trading of securities within their own borders. These laws are known as "blue sky" laws, reportedly because they are intended to prohibit schemes with no more basis than "so many feet of blue sky," and are implemented and enforced by state regulators. Each of the 50 states now have blue sky laws, based partly on the 1956 Uniform Securities Act, which was revised in 1985, and which requires registration of the securities and of individuals conducting securities offerings within the state. However, to lessen the burden imposed by both federal and state registration requirements, Congress enacted the National Securities Markets Improvement Act of 1996, which amended the '33 Act and preempted blue sky registration and merit review of securities offerings of "covered securities" which includes, among others, securities listed on a national exchange or included on Nasdaq. States still may impose various antifraud requirements on securities transactions within their state, even if they involve covered securities.

FIVE

Arguably, not since the 1933-1940 period has Congress passed more significant securities legislation than it has recently. Two of these pieces of legislation, the Gramm-Leach-Bliley Act of 1999, also known as "The Financial Services Modernization Act," and the USA PATRIOT Act, have substantially altered the regulatory landscape for financial institutions such as banks, securities firms, and insurance companies by expanding the SEC's regulatory jurisdiction over them. A third, the Sarbanes-Oxley Act of 2002, a landmark piece of legislation, has had an even larger impact on the activities of public companies.

The Gramm-Leach-Bliley Act of 1999 (the "GLB Act") removed some of the legal restraints against affiliations among banks, securities firms, insurance companies, and other financial services companies. Based on principles of functional regulation, the GLB Act also permits the creation of new financial services holding companies that can offer a range of financial products. Significantly for the securities industry, the GLB Act mandated that the SEC establish comprehensive privacy regulations to protect consumer personal financial information.

On October 26, 2001, the USA PATRIOT Act ("Patriot Act") was signed into law, in response to the terrorists' attacks of September 11, 2001. The Patriot Act expands the authority of the Secretary of the Treasury to regulate the activities of U.S. financial institutions. To combat foreign money laundering, Title III of the Patriot Act requires financial institutions, including broker-dealers, to conduct additional due diligence and take special measures. The Patriot Act establishes minimum new customer identification standards, imposes record keeping requirements, requires filing of suspicious activity reports, and requires financial institutions to maintain anti-money laundering programs.

The Sarbanes-Oxley Act of 2002, passed somewhat hastily in response to corporate scandals involving Enron, Worldcom and other companies, mandated a number of changes that included modernizing and reforming the supervision of public company auditing, improving the quality and precision in financial reporting by public companies and strengthening the independence of auditors. Although the Sarbanes – Oxley Act has provisions affecting broker-dealer and attorneys for public companies, it mainly targets public companies and their auditors. A fundamental reform of the Sarbanes-Oxley Act included the formation of the Public Company Accounting Oversight Board, which was granted broad powers to establish auditing, quality control, and ethical standards for accounting firms auditing public companies. Among other things, the Sarbanes-Oxley Act also imposes additional responsibilities on corporate officers and directors in connection with the reporting of financial information about their companies.

* The author, Dexter Johnson, is a principle in the law firm of Mallon & Johnson, P.C., located in Chicago, Illinois. The firm concentrates its practice in securities regulation. The full text of this article, written by the author (and Mark Borrelli, Esq.), is being published in an upcoming issue of the *CBA Record*. Copyright © 2003 Dexter Johnson. All rights reserved.

YOUR VOICE

If you have comments concerning the NBACLS newsletter, the Commercial Connection, or if you are a NBACLS member who wants to submit an article to us for publication consideration, please contact us at nbanews@nbacls.com.

We're On The Web!
WWW.NBACLS.COM

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For Screaming and Shouting:

You all know who you are! Sports fans, we didn't forget about you.

1. On February 27, 2004, the San Antonio Rampage will play the Houston Aeros at the SBC Center at 7:00 p.m.

2. On February 28, 2004, the San Antonio Spurs will play the Denver Nuggets at the SBC Center at 7:30 p.m.

And for those of you who want more information, please visit the home page for the City of San Antonio, www.sanantoniovisit.com.

* Nadia M. Bishop is an Associate in the Oakland office of Reed Smith, LLP, a full-service national law firm with offices in New York, Washington D.C., Los Angeles, and various other cities. The author specializes in commercial litigation and can be contacted at (510) 466-6897.

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Helpful Commercial Law Websites

LexMercatoria, www.lexmercatoria.org.
This site has interesting information on international business/commercial law. For example, there is a great deal of information on international trade law, international chambers of commerce, the United Nations etc

Legal500.com, www.legal500.com.
This site has a "Find" service to find lawyers in over 70 countries. In situations in which you do not have a referral to a lawyer in the Middle East, Asia or the Caribbean (for example), you can try this resource.

FindLaw, www.findlaw.com/01topics/04commerical/sites.html.
This site provides references to many different commercial law sites for bankruptcy lawyers, air and space lawyers, UCC lawyers, and many more.

My Lawyer.com, www.mylawyer.com/guide.htm
This site is useful for refreshing your memory about the basic legal issues presented in legal areas outside your specialty.

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CORPORATE COUNSEL CONFERENCE INFORMATION

CALENDAR FORMAT

Please note that this year's Conference runs from **Thursday, February 26, 2004 through Saturday, February 28, 2004.**

SUBSTANTIVE CLE PROGRAMMING

4 hours of **substantive law** has been incorporated into the Conference program. Substantive CLE training will include not less than 1 hour of ethics credit.

HOTEL POLICY

Hotel rooms may only be reserved at the conference rate for registered conference attendees. Reservations made by non-registered parties are subject to cancellation.

AIRLINE POLICY

Continental Airlines and Delta Airlines are the official airlines for the NBA Corporate Counsel Conference. To obtain airline discounts for the meeting, please call **Continental Airlines** reservations at **1-800-468-7022** and refer to **Agreement Code VXX75D**. To obtain airline discounts using **Delta Airlines**, please call **1-800-241-6760** and refer to **File Number 201188A**.
NOTE: To insure that the NBA establishes a history that in turn will enable us to negotiate lower airfares, be sure to register your flight with our official airline carriers.

CANCELLATION POLICY

All cancellations and requests for refunds shall be submitted in writing to the Chair, not later than February 16, 2004. Refunds are subject to a $125 administrative fee. No refunds will be granted for requests submitted after February 16, 2004. A registration may, however, be transferred to another attorney within the same firm upon written request submitted to Chair, Karol Corbin Walker, prior to February 20, 2004.

CREDIT CARD REGISTRATIONS

You may now register for the Conference by credit card using VISA, MasterCard or American Express. To register by credit card, please fax to (973) 344-0232 and note your credit card number, expiration date, and billing address and provide the cardholder's signature where indicated on the registration form. Registration is not complete until payment by credit card has been approved. For purposes of the registration deadline, a declined credit card authorization operates as an incomplete registration.

SPA/GOLF ACTIVITIES

To further enhance the recreational component of the Conference, spa and golf breakouts have been arranged. The applicable fees for these events **must** be included in the registration. We cannot guarantee that on-site registration for these activities will be available. Any event is subject to cancellation in the event of insufficient interest.

NEW ATTORNEY PROGRAM SOCIAL EVENTS

For all attorney non-corporate participants, including non-interviewing lawyers, the program officially begins with a new conference component consisting of an Attorney Roundtable working lunch meeting starting at 1:00 p.m. on Thursday, February 26, 2004. On Saturday night, following the spa/golf outings, and additional social/networking event has been scheduled. The cost for this dinner has been included in your Conference registration. Please make note of these new events and adjust your travel plans accordingly if you wish to participate.

EXPANDED ASSOCIATE PARTICIPATION

The conference format has been expanded to allow, in addition to the two (2) attorneys designated to participate in the one-on-one corporate interviews, up to two (2) associates from each firm to register for the conference. These associates will have access to all of the Corporate Counsel opportunities, with the exception of the one-on-one corporate interviews and their individual attorney information will not be included in the booklet submitted to the corporation.

DOCUMENT SUBMISSION DEADLINES

Please take care to strictly adhere to published deadlines for submission of documentation. The Chair, Karol Corbin Walker, must receive typed resumes/questionnaires at that address noted not later than February 6, 2004. Any documentation received after that date will not be included in printed materials forwarded to corporations. **NO EXCEPTIONS.**

RESUME/QUESTIONNAIRE FORMAT

All written submissions must be ***typed***. Handwritten materials will not be included in the materials submitted to the corporations.

National Bar Association Commercial Law Section Newsletter

The Commercial Law Connection

Connecting people, ideas and opportunities

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