

Issue
2016/02

July
2016

A Policy Perspective on the Accession of Peru to the Madrid Protocol

Executive Summary

1. This policy brief presents the main insights from a report written by Prof. de Rassenfosse that was commissioned by the World Intellectual Property Organization. The report offers a discussion based on economic thinking of the costs and benefits for Peru of joining the Madrid Protocol.
2. Madrid accession has effect on two stakeholders: agents in the economy and INDECOPI. Agents include consumers, firms and trademark agents. Regarding consumers, Madrid accession is likely to have a positive (but modest) effect.
3. Regarding firms:
 - a. A quarter to half of Peruvian firms with international trademark activity will directly benefit from cheaper trademark protection. This figure is bound to increase as more Latin American countries join Madrid.
 - b. Looking at export of branded products by Peruvian firms to Madrid and non-Madrid member states, there seems to be scope for growth in the number of applications filed in Madrid member states.
 - c. We do not expect Madrid accession to strengthen trade/FDI significantly.
 - d. The argument that Madrid accession will deteriorate the balance of trade is misguided.
 - e. Economic reasoning does not support the argument that Madrid accession will increase the market power of foreign firms and hurt local producers.
4. Regarding trademark agents:
 - a. Descriptive comparisons suggest that the number of direct filings overall may decrease by about 6 to 16 per cent. However, experience in other countries that have recently joined (e.g., the Philippines) has shown that the drop could be small-

er than anticipated.

b. The Madrid System also creates opportunities for trademark agents: growth in overall applications in Peru (coming with new advising and representative roles), and opening up of the 'Madrid market' (i.e., capacity to file international Madrid applications on behalf of Peruvian clients).

5. Regarding INDECOPI:

a. Madrid accession will increase fee revenues collected by INDECOPI.

b. The report draws attention to the fact that INDECOPI must be able to deal with the increase in applications that the Madrid System will induce.

6. The report provides four policy recommendations to take full advantage of Madrid accession: i) Provide timely and reliable examination of trademarks; ii) Support or raise awareness of the System's opportunities for companies that do business abroad; iii) Inform agents on how to adapt their services on offer; and iv) Convince other Latin American countries to join the Madrid System in view of network externalities.

7. There is a need for accurate forecasts of the increase in the number of applications induced by Madrid accession.

8. On balance, the report makes the point that arguments in favour of Madrid accession outweigh arguments against. The positive welfare effect of Madrid accession will become stronger as more Latin American countries join.

The full report is available at SSRN: <http://ssrn.com/abstract=2801437>

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