INTELLECTUAL PROPERTY RIGHTS AND EXPORTS:
AVOIDING COMMON PITFALLS

Esteban Burrone

1. The decision to export has its attendant risks and challenges, as exporting involves a considerable investment of financial, managerial, and production resources. Therefore, it requires careful planning and execution. As a key business objective, the decision to export should be seen as a long-term business investment, rather than a short-term profit orientation.

2. Before starting to export, it is prudent to develop a cogently written international business plan or export plan for determining a product’s readiness for export. A well-developed plan will assist the firm in assessing the potential of a product in international markets, facilitate application for financing and help determine if there is a market for the product in a given market. It will also help to decide on the most effective mode of entry into a specific new market (i.e. through direct exporting, by establishing a joint venture, by licensing intellectual property rights to third parties, through e-commerce, etc.).

3. What intellectual property (IP) issues should be taken into consideration when developing an export plan? And what are the most common IP mistakes that should be avoided by exporters?

Developing an Export Plan

4. In developing their export plan and prior to embarking on an export operation, most enterprises engaging in direct exporting generally go through some, if not all, of the following key steps:

- identifying appropriate export markets,
- estimating demand and market needs,
- finding local partners and channels of distribution,
- adapting the product, its design, its brand or its packaging to the new market,
- negotiating and signing contractual agreements with export sales representatives, distributors, local partners, local manufacturers, licensees, etc.,
- determining prices for different export markets,
- budgeting export operation and raising funds,
- making transport arrangements for exports,
- advertising/marketing the product in the export markets,
- participating in trade shows or other events abroad.

5. There are a number of reasons why an enterprise should consider intellectual property issues while planning its export strategy. First and foremost, because intellectual property plays an important, and often crucial, role in most of the items outlined above. A few examples are provided to illustrate the issue:

- The pricing of the product will partly depend on the extent to which the brand or trademark is recognized and valued by consumers in the export market and the extent to

---

1 Consultant, SMEs Division, WIPO. The views expressed in this article are those of the author and not necessarily those of the World Intellectual Property Organization.
which the product will face competition from similar or identical products (which may be limited through IP protection).

- In raising funds, holding patents over the innovative aspects of your product is often useful for convincing investors, venture capitalists or banks of the commercial opportunities available to your product.

- The adaptation of the product, its design, its brand or its packaging for the export market(s) will require creative and/or inventive work that may be protected through the intellectual property system thus guaranteeing a degree of exclusivity over the adaptations.

- The negotiation of agreements with partners will have to take into account issues relating to the ownership of intellectual property rights, particularly if the product will be manufactured abroad or will be modified, packaged or distributed by foreign partners.

- The marketing of your product will rely strongly on your company’s brand image, embodied primarily in its trademark, which, if unprotected, would be significantly more difficult to enforce in case of copying or imitation by competitors.

- The timing of your participation in fairs and exhibitions may depend on whether you have already applied for protection for your inventions or designs, as early disclosure of your innovative work may result in loss of novelty and preclude you from applying for protection at a later stage (unless a “grace period” is available in certain specified circumstances in the country concerned).

- In addition, there may be confidential business information relating to most, if not all, of the items listed in the key steps above. Such information will benefit from trade secret protection or protection against unfair competition provided it is disclosed on a “need to know” basis only, and only after a confidentiality or non-disclosure agreement has been signed. The export plan and strategy itself is a “trade secret” and companies will generally have an interest in making sure it remains confidential and is not disclosed to competitors.

6. Another important reason for taking intellectual property issues into account is because it may enable an enterprise to strengthen its position in export markets and stop other companies from imitating or copying a work protected by copyright, the functional features of a product, its trademark or its design. If the product is successful abroad, it is likely that competing firms will sooner or later manufacture a similar or identical product that will compete with the product in question. Without IP protection it may be difficult or impossible to stop imitators and the resultant loss of profit may be substantial.

7. A third reason to take intellectual property issues into account is that IP protection may enable an enterprise to access new markets through licensing, franchising, the establishment of joint ventures or other contractual agreements with other companies. IP rights enable firms to negotiate agreements with other firms for the production, marketing, distribution or delivery of goods and services in foreign markets. It may also provide your company with greater bargaining power when seeking to license technology from other firms that may be interested in your proprietary technologies, copyright works, designs, trademarks, etc.
8. Finally, failure to consider IP issues may result in large or fatal losses if your products are considered to be infringing upon the IP rights of others in the export market concerned. Even if an invention, design or trademark is not protected in your own country, this does not mean that someone else has not protected them in an export market. So, your product may have functional or aesthetic features that are not protected in your home country but are protected as IP rights by others in an export market. This may also be true for trademarks.

9. In addition, it is important to bear in mind that firms that have signed a licensing agreement with another company, thereby obtaining a license to sell a given product in their domestic market, may not have the right to sell the product in export markets. The territorial exclusivity and scope of the license is specified in licensing contracts and it is important to bear this issue in mind while negotiating a licensing agreement.

Avoiding Common Pitfalls

10. Exporters often realize about the importance of protecting their intellectual property once it is too late, i.e. once they are faced with imitators or counterfeitters or once they are being accused of infringing the rights of others. While preparing the export plan and strategy, it is, therefore, important to understand the IP environment in the potential export market as much as it is understanding all other facets of the business environment in that market. Some of the most common mistakes made by exporters include the following:

(a) **Believing that IP protection is universal.** Many exporters believe that by applying for trademark, patent or industrial design protection in their own country they are automatically protected worldwide. However, intellectual property rights are territorial rights, and IP offices only grant protection for the relevant national (or regional) jurisdiction.

(b) **Assuming that laws and procedures for the protection of IP rights are the same worldwide.** While there has been significant harmonization of laws and procedures for the protection of intellectual property rights worldwide, there remain many areas in which there are significant differences between countries. One example is the US, where patents are granted on a first-to-invent basis (i.e. an applicant may not be granted a patent if somebody else can prove that he/she had made the same invention at an earlier date) while most other countries grant patents on a first-to-file basis (i.e. the patent is granted to the first person to file an application for patent protection for a given invention). Another example relates to the protection of the design of a product. While copyright protection may suffice to protect your design in your home country, industrial design protection may be a must in the export market. It is advisable to find out about the applicable IP legislation of the country in which you intend to commercialize your product.

(c) **Not checking whether a trademark is already registered or is being used by competitors in the export market.** Using a trademark in a foreign country that is identical or similar to one that is registered or is already being used by a different company could be considered to be an infringement on the other firm’s trademark rights. Your firm may be asked to cease using such a trademark or asked to pay damages for infringement, which may be a huge blow to the entire marketing and export strategy of your firm.
Doing a trademark search in the relevant export market would be crucial prior to initiating your export operations, and preferably prior to selecting the trademark. A list of on-line trademark databases for doing trademark searches is available at: [http://ecommerce.wipo.int/databases/trademark/output.html](http://ecommerce.wipo.int/databases/trademark/output.html)

(d) **Not using the regional or international protection systems.** Applying for IP protection in a number of national IP offices worldwide may be expensive. Regional and international protection systems, if available, are an effective way of applying for IP protection in various countries. Regional systems include the African Regional Industrial Property Office, the Benelux Designs Office, the Benelux Trademark Office, the Eurasian Patent Office, the European Patent Office, the Office for the Harmonization of the Internal Market, the Organisation Africaine de la Propriété Intellectuelle and the Patent Office of the Cooperation Council for the Arab States of the Gulf.

The systems of international protection include the Patent Cooperation Treaty (PCT) for Patents, the Madrid System for the international registration of marks and the Hague System for the international deposit of industrial designs. The PCT system ([http://www.wipo.int/pct/](http://www.wipo.int/pct/)) enables applicants to apply for patent protection through a single application in over one hundred countries and delay the payment of national fees for a period of up to 30 months, thus significantly reducing the initial expenses for filing for patent protection in many countries. The Madrid System for the international protection of trademarks ([http://www.wipo.int/madrid/](http://www.wipo.int/madrid/)) and the Hague System for the international deposit of industrial designs ([http://www.wipo.int/hague/](http://www.wipo.int/hague/)) enable applicants to have their marks or designs protected in several countries by simply filing one application with a single Office, in one language, with only one set of fees, saving significant time and money.

(e) **Applying too late for IP protection abroad.** For some intellectual property rights, such as patents and industrial design rights, you must apply for protection in export countries within a specified period of time from the date of application in the domestic market. The period is generally referred to as the “priority period”, which is one year for patents and six months for industrial designs. Failure to apply during the priority period would generally result in the impossibility to obtain protection in such countries, thus leaving room for other companies to copy your invention or design freely.

(f) **Disclosing information too early or without a confidentiality or non-disclosure agreement.** Disclosing information on your latest product innovation or new design to potential trade partners, export agents, distributors or anybody else prior to applying for protection or without a written contract requiring confidentiality, could result in you losing the rights over your invention or design. Your innovative product may, in fact, no longer be considered new and, therefore, patentable, or somebody else may apply for patent protection thus excluding you from the use of your own invention. And similarly for industrial designs.

(g) **Infringing the IP rights of others.** Exporting your products without checking whether the product is infringing on the IP rights of others in the relevant foreign markets may prove a costly affair. For example, if you have licensed-in technology from other companies, you must make sure that you have a right to export the product bearing such technology in order to avoid infringing on the rights of the right-holder. If your
products are thought to be infringing on the rights of others, they may be withheld at the border and their distribution impeded or stopped altogether, which may prove to be very costly or fatal to your business.

(h) **Not defining issues of ownership of IP rights when outsourcing manufacturing.** Many companies outsource the creation, manufacturing or design of products to other firms, often in foreign countries. But businesses often forget to protect their IP rights in such countries or to specify issues of ownership of designs, inventions, software, etc, in the contracts with the foreign manufacturing companies. The main danger is that misunderstandings about ownership of the IP rights may arise between the company outsourcing the work and the firm contracted to do the work. There are great variations amongst national laws on the issue of ownership of right over contracted work and different rules generally apply to different IP rights. This is why it is important to find out about national legislation in the relevant export market and to include specific clauses in the original contract between the two firms clarifying issues of ownership of rights over any creative or inventive work that results from the agreement.

(i) **Seeking to license a product in a market where the relevant patent or design is not protected.** Rather than exporting a product directly, many firms grant licenses to other companies in exchange for a one-time fee or a recurring royalty. A licensing contract often includes the sharing of technological know-how as well as the authorization to manufacture and/or sell a product developed by the licensor. It is important, wherever a licensing agreement is being negotiated, to make sure that the intellectual property rights related to the product being licensed have been adequately protected in the foreign country in question and that appropriate clauses have been included to clarify issues of ownership over such IP rights.

(j) **Using a trademark that is inappropriate for the market in question.** There are numerous cases in which companies began to market their products or services in a foreign market realizing subsequently that their trademark is inappropriate for that specific market in that: (a) the trademark has negative or undesired connotations in the local language or local culture or (b) the trademark is unlikely to be registered at the national IP office on absolute grounds.

11. In conclusion, there are ample reasons to make sure that intellectual property issues are duly taken into consideration while developing your export plan and that you take sufficient measures to ensure that a) you are not caught off-guard infringing on the IP rights of others; and b) limit the opportunities for competitors to free-ride on you firm’s inventiveness and creativity.

[End of document]