

MODULE
09

IP and International Trade

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INTRODUCTION

Some say the system of intellectual property may be used as a 'spear' or as a 'shield' in a highly competitive business environment. The importance of intellectual property is increasing steadily day by day, month by month, and year by year as thousands, perhaps tens of thousands, of new technologies are being developed, which are being used for improving or adding new features to existing products or creating absolutely new products. In this module, we are going to find out why intellectual property issues are important for exporters, what should be done to prevent IP problems and how to deal with them effectively and efficiently. When a company plans to export its products to another country, it is crucial to take timely and advance steps to protect its special features by different tools of the IP system in all the relevant export markets. This will strengthen the position of the exporting company in the export markets. However, failure to take preventive steps for protection of IP and for resolving any disputes regarding may lead to a great loss.

LEARNING OBJECTIVES

1. You understand why intellectual property is important for exporters.
2. You analyze some of the strategies that may be adopted to avoid infringing on the IP rights of others in export markets.
3. You know the different ways of protecting intellectual property rights abroad and apply them to your overseas business.
4. You analyze some of the key IP issues that need attention while planning to outsource some business activity abroad.

LEARNING POINT 1: Importance of IP rights for exporters

1. Why intellectual property rights are important for exporters?

The business decision to enter foreign markets and export goods and services abroad is not without risks and challenges: exporting involves a considerable investment of financial, managerial, and production resources. Therefore, it requires careful planning and execution.

Companies generally need to make an assessment as to whether they are ready to embark on export operations and whether their product is indeed exportable. In assessing whether it has an exportable product, companies should consider various factors such as modification, license to export, compliance with norms or standards, after-sale support, and reasonable export price, etc.

When faced with all these questions prior to launching a product in an export market, exporters often forget to consider intellectual property issues. This may prove costly and should be tackled by exporters before it is too late. What intellectual property (IP) issues should be taken into consideration when developing an export plan? What are the most common IP mistakes that should be avoided by exporters?

(1) Exclusivity

Intellectual property rights provide exclusivity over certain features of a product enabling the owner to prevent or stop others from commercially using them in the marketplace. This enables companies to control the use of their trademark and the innovative and creative features of their products and strengthen their competitive position in export markets.

(2) Stop imitators

If the product is successful in a given market, 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.

(3) Avoid infringing upon other's IP rights

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. A 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.

(4) Access new markets through licensing, franchising, joint ventures, etc.

IP protection makes it easier for an enterprise to access new markets through licensing, franchising, the establishment of joint ventures or other contractual agreements with other companies. IP rights help firms to establish partnerships with other firms for the production, marketing, distribution or delivery of goods and services in foreign markets. It may also provide a company with greater bargaining power when seeking to license in technology from other firms that may be interested in its own proprietary technologies, copyright works, designs, trademarks, etc.

(5) Protection of adaptation

The adaptation of the product, its design, its brand or its packaging to export market(s) will require creative and/or inventive work that may, if certain requirements are met, be protected through the IP system thus guaranteeing a degree of exclusivity over the adaptations.

(6) Negotiation with distributors, importers or other partners

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

(7) Marketing of the product

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.

(8) Timing of participation in fairs and exhibitions

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. Your participation in fairs and exhibitions also result in problems if your products on display infringe the IPR of others.

(9) Pricing of the product

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 which the product will face competition from similar or identical products.

(10) Fund-raising

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

2. Some of the most common IP mistakes made by exporters

Exporters often realize about the importance of protecting their IP once it is too late, i.e., once they are faced with imitators or counterfeiters or once they are accused of infringing the rights of others. Some of the most common mistakes made by exporters include the following.

(1) 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, IP rights are territorial rights, and IP offices only grant protection for the relevant national (or regional) jurisdiction.

(2) 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. Computer programs, for example, are one area where different countries have different practices. Another example relates to the protection of designs, which, depending on the legal system may be protected by industrial design law, copyright law, trademark law or unfair competition law. It is advisable to find out about the applicable legislation of the country in which a company intends to commercialize its products. WIPO's Collection of Laws for Electronic Access (CLEA) could be an important resource in this regard (<http://www.wipo.int/clea-new/en/>).

(3) Not using the regional or international protection systems

Applying for IP protection in a number of countries worldwide may be expensive. Regional and international protection systems, if available, are an effective way of applying for IP protection in various countries.

(4) Missing important deadlines for filing applications abroad

Patent applications in other countries need to be filed within 12 months from the date of application in the first country. This period is generally referred to as the “priority period.” Failure to apply during the priority period may result in the impossibility to obtain patent protection in the other countries due to loss of novelty. A similar rule applies for industrial designs, for which the priority period is 6 months.

(5) 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.

(6) 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. The 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 the firm.

(7) Exporting licensed products without authorization from the licensor.

If an enterprise has licensed-in technology from other companies, it should make sure that it has a right to export the product bearing such technology in order to avoid infringing on the rights of the licensor. The geographical

area in which a licensed product may be commercialized is generally explicitly defined in the licensing contract.

(8) 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 rights 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.

(9) Seeking to license a product in a market where the relevant patent, design or trademark is not protected

Many firms grant licenses to foreign companies authorizing them to use their IP rights 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.

(10) Using a trademark that is inappropriate for the market in question

There are numerous cases in which companies begin to market their products or services in a foreign market without realizing 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. It is important to ensure that the trademark is appropriate for a given market and has been registered at the trademark office before launching a product bearing that trademark in the market in question.

In conclusion, there are ample reasons to make sure that IP issues are duly taken into consideration while developing your export plan and that companies take sufficient measures a) to ensure that they are not caught off-guard infringing on the IP rights of others; and b) to limit the opportunities for competitors to free-ride on their firm's inventiveness and creativity. A few steps early in the planning process could prove extremely valuable later once export operations begin.

More Reference 1-1: Nike case



When Nike tried to register its now famous "Nike" mark in other countries of the world it found that, in Spain, the word "Nike" had already been registered many years previously (that is before Nike became famous) by its ex

distributor, a Spanish company called Cidesport. Nike could only sell its products in Spain using the company's swoosh" logo, not the Nike name. Recently, after many years of battling in the Spanish courts, the Supreme Court of Spain granted Nike the right to use its name.

LEARNING POINT 2: Checking your freedom to operate

The first step to take when exporting is to ensure that your product will not be infringing on the IP rights of others in the export market. This type of analysis is called a "freedom to operate" analysis and, depending on the product in question, may consist of a basic trademark search or a thorough investigation involving various IP rights. Some of the common features of a freedom to operate analysis would include the following.

1. Trademark search

Check whether the trademark you intend to use or any trademarks that may be confusingly similar are already in use or are registered at the trademark office of the country in question. Doing a trademark search in the relevant export market would be crucial prior to initiating 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>.



You may also wish to find out whether any company has a similar trade name or domain name that may lead to a future dispute. You may also have a look at the trademarks being used by the main competitors in the export market to ensure that they are not using trademarks that may be considered to be confusingly similar to yours, even if they have not registered them.

If your product contains any technology, creative content or brands that have been licensed in from third parties, make sure that you have the right to commercialize your product bearing those proprietary features in the export market. Your licensing contract will have information on the geographical area for which you have been granted a license. If you are not currently authorized to do so, you may wish to contact the licensor and negotiate the extension of the geographical coverage of your license.

2. Patent search

(1) Basics of Patent Search

Consulting patent databases is done to ensure that your product does not infringe on patents owned by others. To do so you may consult the national or regional patent database, that may be available on-line, or you may submit a search request to the national or regional patent office. A list of free patent databases that are available on-line is provided at: <http://www.wipo.int/ipdl/en/resources/links.jsp> Bear in mind that conducting a thorough patent search requires a great deal of technical expertise and it may be advisable to contact a professional to do this.

(2) Strategic use of the results of a patent search

If your search uncovers patents that protect technology that is incorporated in your product, you have the following options.

a. Purchasing or licensing the patent

Licensing involves obtaining written authorization from the patent holder to use the patented technology for specified acts, in specified markets and for a specified period of time. The convenience of such an agreement will depend largely on the terms and conditions of the proposed license. While there is a potential loss of autonomy, and while the patent holder will require payment (e.g. lump-sum payments or royalties), it may be the simplest way of clearing the ground for the commercialization of a new technology or product.

b. Inventing around

A second option is to “invent around” the invention. This implies steering research, or making changes to the product or process in order to avoid infringing on the patent(s) owned by others. For example, if freedom to operate is limited by a process patent, then a company may be able to develop an alternative process for arriving at a similar end result and thus be able to commercialize the invention without the need to pay a licensing fee to someone else.

c. Cross-licensing

This involves two or more companies exchanging licenses so as to be able to use certain patents owned by the other parties. In order to be able to cross-license, a company needs a well-protected patent portfolio that is of value to potential licensing partners.

d. Patent pools.

This is a mechanism by which two or more companies practicing related technologies put their patents in a pool to establish a clearinghouse for patent rights. A well-known example is the MPEG-2 standard for visual and audio compression which combines technology that has been protected with over 100 patents by different companies who have grouped into a patent pool.

While you can never be completely sure that your product will not be considered by some competitor to be infringing on its IP rights, looking into these issues prior to entering an export market would generally save you and your company from a big headache at a later stage.

More Reference 1-2: The case of copyright and related rights

1. Copyright protection abroad

In terms of protection abroad, the works created by nationals or residents of

a country that is party to the Berne Convention for the Protection of Literary and Artistic Works or is a Member of the World Trade Organization (WTO), will be automatically protected in all other countries that are party to the Berne Convention or are Members of the WTO. This currently includes over 150 countries.

Registration abroad is no required, as copyright protection does not require compliance with official formalities for protection.

2. Registration of copyright

Some countries have copyright offices that register copyright on an optional basis. Registration of copyright is often beneficial for exporters as the registration provides proof of ownership in case of infringement.

LEARNING POINT 3: IP in international outsourcing

1. Introduction

Outsourcing offshore has become a popular corporate strategy. It refers to an enterprise making an arm's length alliance with one or more entities or enterprises abroad to perform carefully selected operations and day-to-day

processes that were previously done in-house. Over the last decade, the evolution of information and communication technologies (ICTs) has considerably improved the ability to control outsourced activities or processes, whether in one or more distant national or international location(s), making outsourcing a more attractive option for many other sectors.

Offshore outsourcing may therefore happen at any level of the value chain. At the lowest level, labor-intensive unskilled tasks are outsourced. At the next level, the production or manufacture of a component, or the whole product or service, is outsourced. At the next higher level, technology development is

outsourced, including some or all of the associated research and development (R&D) tasks.

Outsourcing requires the sharing of a wide array of proprietary knowledge. The nature and critical importance of intellectual property will differ in every sector of industry and business. Nonetheless, every type of IP asset – trade secrets, trademarks, industrial designs, patents, copyright and related rights, etc. – may be involved at the different levels of outsourcing relationships. However, each type of IP asset is generally governed by its own distinct national law, which varies from one country to another, adding further complexity to managing IP assets in offshore outsourcing relationships, especially if there are many partners in different countries. These issues will become increasingly important to enterprises as the practice of offshore outsourcing continues to grow.

Effective management of this sharing of knowledge requires that both parties properly administer their IP while keeping the overall business objectives in view. The benefits of sharing IP assets must outweigh the multiple risks encountered in outsourcing, including the risks linked to the shared IP assets. Such risks include challenges in monitoring and/or dealing effectively with various types of breaches of contract clauses, theft or misappropriation of trade secrets, misuse or loss of other types of IP rights (resulting in partial loss of control of business), poor or inconsistent quality of goods and services (that may affect the reputation or brand image), enforcement of IP rights, parallel imports and grey-market issues.

Learn more: Parallel Imports

Once you have sold a product in a given export market, can somebody buy that product in that market and re-import it into your home country for sale? Could you claim that he is infringing on your IP rights, for example, your trademark rights, as you have an exclusive right to import products bearing that trademark? This difficult question has important connotations particularly for companies that have different pricing

strategies for different markets. It may also be a source of concern for a company that is developing its export strategy.

The answer to the above question is related to the concept of exhaustion of IP rights, and not all countries have the same policy in this area. Simply put, the principle of exhaustion of IP rights means that once a product protected by IP has been sold either by your enterprise, or with its consent, all or some of the exclusive IP rights are said to be "exhausted." This limitation on IP rights is sometimes called the "first sale doctrine", as the rights end with the first sale of the product. Unless otherwise specified by the law, subsequent acts of resale, rental, lending or other forms of commercial use by third parties can no longer be controlled or opposed by your enterprise. This principle generally applies (with some exceptions, e.g. CDs or DVDs) in most countries.

While there is a fairly broad consensus that the above principle applies in the domestic market, there is less of a consensus on whether, and to what extent, the sale or commercial exploitation of an IP protected product abroad also exhausts the IP rights over this product. This issue becomes relevant in cases of so-called "parallel importation." Parallel importation refers to the import of goods by importers who are not part of the distribution channels contractually negotiated by the manufacturer of the IP protected product. Because the manufacturer/IP owner has no contractual connection with a parallel importer, the imported goods are sometimes referred to as "grey market goods", which in fact is somewhat misleading, as the goods as such are original; only the "parallel" distribution channels are not controlled by the manufacturer/IP owner. They may be packaged or labeled differently.

1. National exhaustion

The principle of exhaustion is applied differently by different countries. Countries that apply the national exhaustion principle do not allow the IP owner to control the commercial exploitation of goods put on the domestic market by the IP owner or with his consent as long as the goods remain in the domestic market. However, the IP owner (or his authorized licensee) could still oppose the importation of original goods marketed abroad or exported from the domestic market, based on the right of importation.

2. Regional exhaustion

In countries that apply a system of regional exhaustion (such as the countries of the European Union), the first sale of the IP protected product by the IP owner, or by someone else with his consent, exhausts all IP rights over the products not only domestically, but within the whole region, and parallel imports within the region can no longer be opposed based on the IP right but can be opposed at the international border of the region with countries outside the region.

3. International exhaustion

If a country applies the concept of international exhaustion, the IP rights are exhausted once the product has been sold by the IP owner or with his consent in any part of the world. National IP offices, or IP agents/attorneys, should be able to provide guidance concerning the legal provisions on exhaustion of IP rights for each type of IP right in the countries of interest to you.

Example

When Tesco supermarket began importing Levi's jeans from outside the European Union and sold them in the UK, a legal battle ensued as Levi Strauss sought to stop parallel imports on the grounds that the EU applies a system of regional exhaustion of IP rights.

2. Critical concerns in offshore outsourcing

(1) Ownership of IP

Ownership of IP is perhaps the first of two critical concerns in offshore outsourcing. Whether the outsourced work is expected to take place domestically or outside the enterprises' national borders, it is essential to identify, account for and clarify ownership related issues of IP assets improved or created during the relationship. There are 3 approaches to sharing ownership rights over IP, which is improved or created during an outsourcing relationship.

a. The customer owns all IP improved or created during the outsourcing relationship. And the vendor has the possibility of using the IP through a negotiated license agreement.



b. customer takes a license through negotiations. And the vendor owns all IP improved or created during the outsourcing relationship.



c. A wide range of approaches ranging from shared IP ownership to allocation of ownership on the basis of some agreed criteria.



(2) The accidental disclosure of confidential information or trade secrets

The second critical concern in outsourcing offshore is the accidental or willful disclosure of confidential information and trade secrets. In many

countries, trade secrets are protected by an expressed or implied contract; that is, they are either not at all, or are inadequately, protected by a specific national law for the protection of trade secrets or preventing espionage. Therefore, a primary concern when outsourcing is the potential partner's ability to safeguard confidential information of commercial value against accidental, inadvertent or willful misappropriation, misuse, sabotage, loss or theft. If the partner cannot be trusted to protect trade secrets, then the risks of outsourcing offshore may far outweigh its potential benefits.

Hence, it is crucial to review the integrated security and/or IP protection program of the potential outsourcing partner. Remember that the value of a trade secret rests in the company's ability to keep relevant information confidential. Once a trade secret is made public, it enters the public domain. Invariably, it will be lost permanently and, in most instances, so will the competitive advantage linked to it.

A realistic assessment of the challenges of enforcing IP rights is also necessary before entering into an outsourcing relationship. The effectiveness of – and time and resources needed for – using the legal and administrative mechanisms for dispute resolution and enforcement of IP rights, and to deal with piracy and counterfeiting, vary a lot depending on the country and the type of IP asset involved.

LEARNING POINT 4: Protecting your intellectual property rights in export market

The procedures for obtaining IP protection in different countries can vary significantly and it is important to be well-informed about the national procedures and legislation at each stage of the application process as well as when seeking to license or enforce IP rights. In addition, applications generally need to be filed in

the national languages and there are important costs involved in translating technical documents such as patents. Many countries require applicants to have an IP lawyer or IP agent represent them during the application process.

There are essentially three alternative procedures for applying for IP protection in other countries: the national route, the regional route and the international route.

1. The national route

One option is to seek protection in individual countries separately by applying directly to national intellectual property offices. Each application may have to be translated into the national language. You will be required to pay the national application fees and, particularly in the case of patents, you may need to retain an IP agent or attorney who will assist you in making sure the application meets national requirements. Some countries will also require that you hire an IP agent to submit the application for trademarks and industrial design rights. If you are still in the phase of assessing the commercial viability of an invention or are still exploring potential export markets or licensing partners, the national route would appear to be particularly expensive and cumbersome, especially where protection is being sought in a large number of countries. In such cases, the facilities offered by the WIPO-administered international filing and registration systems for inventions, marks and industrial designs offer a simpler and generally less expensive alternative.



2. The regional route

Some countries have established regional agreements for obtaining IP protection for an entire region with a single application. The regional IP offices include:



(1) EPO

European Patent Office (EPO) for patent protection in all countries that are party to the European Patent Convention, currently 32 countries. More information may be obtained at: <http://www.european-patent-office.org>

(2) OHIM

OfOHIM) for the Community Trademark and the Community Design, which grants their proprietors a uniform right valid in all Member States of the European Union by means of one procedural system: <http://oami.eu.int/>

(3) ARIPO

African Regional Industrial Property Organization (ARIPO), the regional IP office for English-speaking Africa for patents, utility models, trademarks and industrial designs: <http://www.aripo.org>

(4) OAPI

African Intellectual Property Organization (OAPI), the regional IP office for French- and Portuguese-speaking Africa for patents, utility models, geographical indications, trademarks, industrial designs and, in the future, layout-designs of integrated circuits: <http://oapi.wipo.net/>

(5) EAPO

Eurasian Patent Office (EAPO) for patent protection in countries of the Community of Independent States: <http://www.eapo.org/>

(6) Benelux Trademark Office & Benelux Designs Office

Benelux Trademark Office & Benelux Designs Office for trademark and industrial design protection in Belgium, the Netherlands and Luxembourg: <http://www.bmb-bbm.org/> and <http://www.bbtm-bbdm.org/>

(7) Patent Office of the Cooperation Council for the Arab States of the Gulf

Patent Office of the Cooperation Council for the Arab States of the Gulf for patent protection in Kuwait, Qatar, Oman, Saudi Arabia, Bahrain and the Emirates: <http://www.gulf-patent-office.org.sa/>

3. The international route

The WIPO-administered systems of international filing and registration simplify greatly the process for simultaneously seeking IP protection in a large number of countries. WIPO-administered systems of international protection include three different mechanisms of protection for specific industrial property rights:

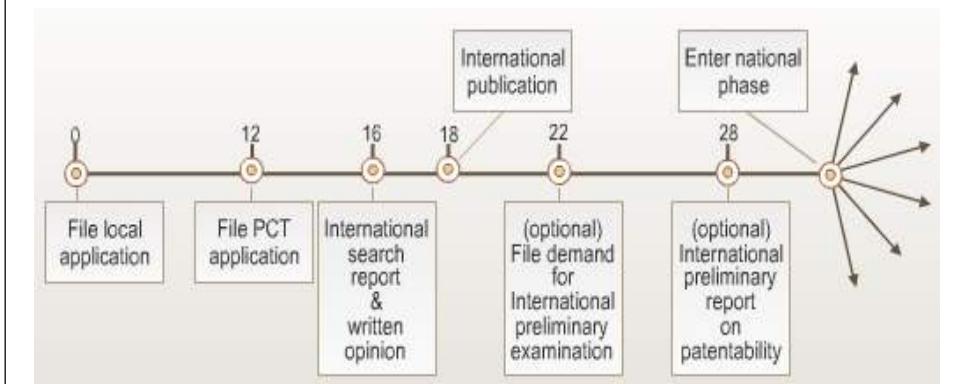
(1) The Patent Cooperation Treaty (PCT)

A system for filing international patent applications is provided under the Patent Cooperation Treaty (or PCT) system, the worldwide system for simplified multiple filing of patent applications.



The Patent Cooperation Treaty makes it possible to seek patent protection for an invention simultaneously in over 125 countries by filing an "international" patent application. Such an application may be filed by anyone who is a national or resident of a Contracting State. It may generally be filed with the national patent office of the Contracting State of which the applicant is a national or resident or, at the applicant's option, with the International Bureau of WIPO in Geneva.

Learn more: Outline of the PCT application process



More Reference 4-1: The Priority Period

Companies that are seeking to protect their patents and industrial designs abroad should take into consideration the priority period. What is the priority period? The priority period starts with the first time you file an application for a given invention or industrial design. For patents, the priority period is 12 months counted from the date of filing a patent application in the first or home country. During those 12 months, if you file for protection for the same invention in foreign countries your application in those countries will be deemed to have been submitted on the priority date. Thus, your application will have priority over other applications for the same invention filed by others after the priority date. It is advisable for applicants to file their patent applications in all countries of interest during the priority period. The priority period for industrial designs is 6 months.

After the expiration of the priority period and until the patent application is first published by the patent office (generally 18 months after the priority

date), applicants can still apply for protection in other countries but they cannot claim priority of the earlier application. Of course, this can only be done if the applicant has not disclosed his invention by any other means, as once the invention has been disclosed it would no longer meet the novelty requirement.

More Reference 4-2: Advantages of the PCT

1. 18 additional months

The PCT provides at least 18 additional months on top of the 12-month priority period, in which applicants can explore the commercial potential of their product in various countries and decide where to seek patent protection. By submitting an international patent application, payment of the national fees and translation costs associated with national applications is thus delayed. The PCT is widely used by applicants to keep their options open for as long as possible, thus postponing the decision on which countries to seek protection.

2. International Search Report and Written Opinion of the International Searching Authority.

PCT applicants receive valuable information about the potential patentability of their invention in the form of the PCT International Search Report and the Written Opinion of the International Searching Authority. These documents provide PCT applicants with a strong basis on which they can make their decisions about whether and where to pursue patent protection. The International Search Report contains a list of prior art documents from all over the world, which have been identified as relevant to the invention. The Written Opinion of the International Searching Authority analyzes the potential patentability in light of the results of the International Search Report.

3. Reduction in the initial transaction costs:

A single PCT application, in one language and with one set of fees, has legal effect in all PCT member countries. This effect significantly reduces the initial transaction costs of submitting separate applications to each patent office.

The PCT may also be used to file applications under some of the regional patent systems, such as the African Regional Industrial Property Organization

or the European Patent Office. This enables applicants to combine the regional route and the international route. Guidance on how to submit an international application under the PCT can be obtained from your national patent office and at: www.wipo.int/pct

Example

An example of a company using the PCT to expand its international business is available at: http://www.wipo.int/sme/en/case_studies/enviroscrub.htm

(2) The Madrid system

The Madrid system for the International Registration of marks offers a trademark owner the possibility to have his trademark protected in several countries by simply filing one application directly with his own national or regional trademark office. An international mark so registered is equivalent to an application or a registration of the same mark effected directly in each of the countries designated by the applicant. If the trademark office of a designated country does not refuse protection within a specified period, the protection of the mark is the same as if it had been registered by that Office.

The Madrid system also simplifies greatly the subsequent management of the mark, since it is possible to record subsequent changes or to renew the registration through a single procedural step. Further countries may be designated subsequently.

Before a mark can be the subject of an international application, it must already have been registered, or registration must have been applied for, for the same goods or services with the trademark registration office of a country. This office is referred to as the *Office of origin*. For the first five years, the international registration is dependent on the application or registration with the Office of origin (the “basic application” or “basic registration”). After the end of the five-year period, the international

registration becomes independent of the basic application or basic registration.

In principle, an international application may be filed in English, French or Spanish but the Office of origin may however restrict the applicant's choice to only one of these languages. An international registration lasts for ten years. It may be renewed for further periods of ten years, simply by paying the requisite fees to WIPO. There are currently 80 members of the Madrid system as of January 2007.

More Reference 4-3: Advantages of the Madrid System

The advantages of the Madrid System relate to its simplicity, flexibility and economy. For companies operating in more than one country, it may mean significant economies for registering and maintaining a registration. In more specific terms, the main advantages may be summarized as follows:

1. At the application stage:

- (1) a single application is submitted instead of many applications;
- (2) it is submitted in one language only;
- (3) it is filed with the trademark office of the home country, without needing to go to foreign countries to file the application;
- (4) it enables applicants to register in several countries and the registration has the same effect or legal validity as if it had been registered using the national route;
- (5) applicants would only need to engage a foreign trademark attorney or agent if the trademark is refused by the office of a designated country.

2. At the post-registration stage:

- (1) applicants have a guarantee that if a national office does not present grounds for refusal within a given time period (generally 12 months, but in some cases 18 months or more) the mark will be considered as registered in the designated countries;

- (2) applicants have the possibility of designating other countries after registration, in case an applicant initiates export operations in a new market;
- (3) easy handling of operations;
- (4) changes to the application (transfers, changes of name or address, etc.) can be recorded through a single request and a single set of fees;
- (5) renewals can be done by submitting a single request instead of having to renew the trademark at each national office.

For more information on the Madrid System, see: <http://www.wipo.int/madrid/en/>

Example

An example of a company using the Madrid system to register its trademarks abroad is available at: http://www.wipo.int/sme/en/case_studies/saigon_cosmetics.htm.

(3) The Hague Agreement

The system for the international registration of industrial designs gives the owner of an industrial design the possibility to have his design protected in several countries by simply filing one application with the International Bureau of WIPO, in one language, with one set of fees in one currency (Swiss Francs).

An international registration produces the same effects in each of the designated countries as if the design had been registered there directly unless protection is refused by the competent Office of that country.

The Hague system simplifies greatly also the subsequent management of the industrial design, since it is possible to record subsequent changes or to renew the registration through a simple single procedural step with the International Bureau of WIPO. Currently, 47 countries as of April 2007 are members of the Hague Agreement. For more information, see: <http://www.wipo.int/hague/en/>

QUIZ

Q1. Identify the incorrect statement:

- 1) A legal protection in the home country of IP rights also protects the IP in the overseas market.
- 2) Without IP protection it may be difficult or impossible to stop imitators abroad.
- 3) Exporters may have problems in international fairs and exhibitions if they display their products before getting protection through the IP system.
- 4) IP rights help firms to establish partnerships with other firms for the production, marketing, distribution or delivery of goods and services in foreign markets.

Answer : 1)

IP protection is limited to the territory in which it was obtained. As such, there is no automatic protection in other countries except in the case of copyright and related rights where IP rights will be available in all countries members of the Berne Convention.

Q2. Identify the incorrect statement:

- 1) If you have a license to use certain IP rights you can also export the product to which those IP rights have been used or applied.
- 2) Undertake a trademark and patent search in the relevant export market.
- 3) Disclose information to potential partners on the basis of a confidentiality agreement and consult the national or regional patent database that may be available on-line.
- 4) Check the deadlines for filing IP applications.

Answer : 1)

You can only export products that include licensed IP if the terms of the license agreement permits export to that particular country or region. It is important therefore to check the terms of the license agreement before embarking on an export strategy of goods involving licensed IP.

Q3. Identify the incorrect statement:

- 1) The intellectual property laws are more or less the same around the world.
- 2) When outsourcing or engaging in any other partnership the improvements made to the patented technology during that partnership don't always belong to the patent holder.
- 3) There is no necessity to obtain a license for a particular export market if the IP rights in question are not protected in that market.
- 4) It is important to check whether the trademark is acceptable in the export market.

Answer : 1)

While there has been a lot of effort to harmonize IP laws around the world there are still significant differences in the different laws and it is important to always check the situation in the relevant export market.