Successful small business strategy for the international IPR game

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Playing chess is enjoyable. It is even more enjoyable to teach your children how to play chess. The first step in learning the game is understanding the pieces at your disposal and learning how to most effectively use them, particularly in concert with one another. However, what if the rules of the game allowed you to select the pieces you wanted to use, without restrictions on how many of each piece? It would likely be an effective strategy to replace all of your pawns with queens. If only one contestant in a game of chess chose this option of preselecting her pieces, the subsequent game would likely be a lopsided affair.

Commercial litigation in general, and international intellectual property litigation in particular, is much like this hypothetical game of chess. Unfortunately, small and mid-size businesses often fail to put their pieces on the board. Even the best litigators cannot protect critical business assets without pieces, particularly if the other side has several queens, rooks and knights at their disposal.

The beginning player must first recognize what the different pieces are for protection and enforcement of intellectual property rights and then know how to use them. The advanced student knows that the game is typically won and pieces are in place before the first move is made. This article provides guidelines for how small and mid-sized businesses, i.e. businesses without in-house legal departments, can protect and enforce their intellectual property in the international commercial arena.

As a general rule, intellectual property rights secured under U.S. law extend to the borders of the country, but not beyond. In order to protect intellectual property in a given foreign jurisdiction, foreign rights in that jurisdiction must be obtained. Business owners must be proactive to obtain those rights. Different countries have different standards as to the length

of rights; the types of intellectual property that are protectable; the types of rights that are capable of being owned; and the ways such property comes into existence and may be transferred.

For example, intellectual property that is protectable in the United States may not be protectable in a foreign jurisdiction or may be protected in a different way or for a different amount of time. Acts that constitute infringement under American law may not constitute infringement in a foreign country. Ownership may be determined differently depending on jurisdiction.

All three major intellectual property rights in the United States have their own unique quirks. Compared to many foreign jurisdictions, American law differs in its protection of these rights.

For instance, trademark rights in the United States spring from the use of the mark in commerce. A senior user of a trademark that registers its mark after a junior user will still have superior rights in the United States. In contrast, trademark rights in the vast majority of foreign countries are garnered by registration, not use. In these jurisdictions, a junior user can obtain rights over a senior user by registering first.

In addition, there can be variance as to what qualifies for copyright protection. For example, some countries have different types of copyright protection for different types of works.

A ruling from the British courts underlined this difference last summer when George Lucas of *Star Wars* fame sought to enforce intellectual property rights against former prop designer Andrew Ainsworth in both the United States and in the United Kingdom. The same act that constituted copyright infringement in America was found not to be infringement in the United Kingdom, which has different protection lifetimes for different forms of artistic works. The work in question fell in a category with a significantly shorter (15-year) period of protection.

Other countries treat copyright differently depending on the person or entity filing for protection. For example, in China, works that are created by Chinese citizens are offered different protection than works created by legal entities (e.g. corporations).

Patent law also has several differences in the States compared to abroad. Although the America Invents Act was intended to align U.S. patent law with the rest of the world, some “oddities” remain in the U.S. system.

Perhaps the issue that arises most often deals is “on-sale bars.” In the United States, a potential patentee has a one-year grace period from when it first publicly discloses its invention or offers that invention for sale to file its patent application.

In the vast majority of foreign jurisdictions, however, any public disclosure or offer for sale that occurs prior to filing a patent application terminates any patentable rights in the invention that the potential patentee might have sought in those jurisdictions. Even American disclosures that occur before filing a patent application terminate these rights as to foreign jurisdictions, *i.e.,* a patentee may be within the one-year grace period and still be permitted to obtain an *American* patent, but the ability to obtain a patent in other jurisdictions may be lost (even if the disclosure occurs on American soil).

Small businesses and inventors should be further aware that a U.S. patent does not grant protection in foreign jurisdictions. Instead, those seeking foreign protection must engage in a complex process pursuant to the Patent Cooperation Treaty (“PCT”), which governs foreign applications for patents in numerous countries. Those looking to receive foreign patent rights are required to file a PCT application with the applicable “receiving office.”

Filing the PCT application, however, does not result in a world-wide patent. Applicants must then select those countries in which they wish to pursue patent protection, and whether a patent is ultimately granted is dependent on the law of the foreign jurisdiction selected.

It is not fiscally practical to apply for patents in every country that is part of the PCT system. Companies, therefore, should balance the cost of the patent application and prosecution process in a given country against their need for protection in that country before making a decision as to the countries in which it wishes to pursue patent protection.

While it is impossible to predict every roadblock or potential issue that may arise in protecting intellectual property rights abroad, there are some general rules companies can follow to minimize their risk of losing their intellectual property rights in foreign jurisdictions.

First and foremost, companies should not enlist a foreign company to help produce, manufacture, or distribute products involving their intellectual property rights absent an enforceable contract. This contract should include clauses that prohibit the foreign company from offering the American company’s goods or intellectual property to any other company or

individual. Non-competition and non-disclosure clauses help to further protect intellectual property rights.

Because intellectual property rights are different in every country, violations of intellectual property rights in foreign countries are dealt with under that particular country's laws and in that country's courts absent an agreement to the contrary. Therefore, it is prudent to include dispute resolution clauses in contracts between American and foreign businesses. Many companies rely upon arbitration provisions for addressing future disputes with foreign partners.

Arbitration provides the parties with a pre-agreed neutral forum for dispute resolution while preventing multiple concurrent lawsuits. Arbitration also provides for speedy, private resolution — something that can be immensely beneficial if trade secrets are involved in the dispute.

Although arbitration is a private process, arbitration awards are enforceable by the courts of the majority of United Nations countries. The United States, along with many other countries, is a party to treaties that promise to recognize arbitration agreements and awards.

An additional benefit of arbitration is that the parties are able to choose arbitrators with specialized knowledge in the area of intellectual property rights.

The World Intellectual Property Organization ("WIPO") is one organization that parties may wish to consider for international intellectual property issues. WIPO has an arbitration and mediation center dedicated to the resolution of international intellectual property disputes. The arbitration center maintains lists of more than a thousand neutral arbitrators who qualify as intellectual property experts.

WIPO also maintains rules for its proceedings, which allow companies to know what to expect if they choose to arbitrate through WIPO. Although WIPO is an intellectual property organization, any commercial dispute may be arbitrated at WIPO. WIPO also works with companies to draft enforceable arbitration agreements for contracts.

Even if a company does everything correctly, problems with international intellectual property rights violations may still arise. In such cases, the United States has several government programs that help domestic companies protect against infringement in foreign jurisdictions.

For example, the Department of Commerce works with the European Commission's Directorate General for Enterprise and Industry to provide resources for small and mid-sized companies doing business in multiple jurisdictions.

In addition, the National Intellectual Property Rights Coordination Center is a federal task force that investigates intellectual property theft and works with foreign governments' agencies to prevent foreign-made counterfeits from entering American markets.

Also, the Trade Compliance Center works with foreign governments that are parties to trade agreements with the United States when intellectual property theft or infringement of an American company's rights is occurring in that foreign country. American companies' rights that are being violated can file a complaint with the Trade Compliance Center in order to start the investigative process.

There is an ongoing convergence of economies and IPR rights and use issues. While this convergence has created opportunities for creating new wealth, it has also added new dimensions and rules to the IPR chess board for many companies. To succeed in this global environment, it is imperative to understand the pieces and board, preferably before the first moves are made.