Suite 908

INTELLECTUAL PROPERTY

908.01 INTELLECTUAL PROPERTY CONSIDERATIONS

Intellectual property refers to a broad collection of rights relating to such matters as works of authorship, which are protected under copyright law; inventions, which are protected under patent law; marks, which are protected by trademark law; as well as designs and trade secrets. No international treaty completely defines these types of intellectual property, and the laws of the various countries differ from each other in significant respects.

National intellectual property laws create, confirm, or regulate a property right without which others could use or copy a trade secret, an expression, a design, or a product or its mark and packaging.

The rights granted by a U.S. patent, trademark registration, copyright, or mask work (semiconductor chip) registration extend only through the United States and its territories and possessions. They confer no protection in a foreign country. There is no such thing as an international patent, trademark, or copyright. To secure rights in any country, you must apply for a patent or register a mask work or trademark in that country.

Copyright protection depends on national laws, but registration is typically not required. There is no real "short cut" to worldwide protection of intellectual property. However, some advantages and minimum standards for the protection and enforcement of intellectual property exist under treaties or other international agreements.

908.02 INTERNATIONAL AGREEMENTS

The oldest treaty relating to patents, trademarks, and unfair competition is the Paris Convention for the Protection of Industrial Property. The United States and over 130 other countries are parties of this treaty. The Paris Convention sets minimum standards of protection and provides two important benefits: the right of national treatment and the right of priority.

Overgeneralizing, "national treatment" means that a Paris Convention country will not discriminate against foreigners in granting patent or trademark protection. Rights may be greater or less than those provided under U.S. law but the rights given will be the same as that country provides to its own citizens.

An invention may become public and therefore unpatentable in many countries, when a patent is issued or an application is laid open to inspection in any country. In addition, a delay in filing a patent or trademark application leaves open the possibility that those rights will be lost because of intervening acts such as sale of

the invention or registration of the trademark by another. The Paris Convention's "right of priority" provides a solution to this problem by giving an inventor an alternative to filing applications in many countries simultaneously. It allows the applicant one year from the date of the first application filed in a Paris Convention country (six months for a design or trademark) in which to file in other countries.

Publication or sale of an invention after first filing will therefore not jeopardize patentability in countries which grant a right of priority to U.S. applicants. Not all countries adhere to the Paris Convention but these benefits may be available under another treaty or bilateral agreement. These substantive obligations have been incorporated into the World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property (TRIPs), by reference for adherence by WTO members.

The United States is also a party to the Patent Cooperation Treaty (PCT), which provides procedures for filing patent applications in its member countries. The PCT allows an applicant to file one "international application" designating member countries in which a patent is sought, with the same effect as filing national applications in each of those countries. The applicant may then later proceed with the filing of separate "national" applications in those countries.

The United States' international copyright regulations are governed principally by the Berne Convention for the Protection of Literary and Artistic Works ("Berne"), to which more than 120 other nations adhere.

The United States is also a member of the Universal Copyright Convention (UCC) and has special bilateral relations with a number of foreign countries. Under the Berne Convention, works created by a national of a Berne Union country, or works first or simultaneously published in a Berne country are automatically eligible for protection in every other country of the Berne Union, without registration or compliance with any other formality of law.

This is true of works first published in the United States on or after March 1, 1989 the date on which the United States acceded to the Berne Convention. Works first published before March 1989 were protected in many countries by virtue of the United States' membership in the UCC, if published with the formalities specified in that convention. Older works may also be protected as a consequence of simultaneous publication in a Berne country, or by virtue of bilateral obligations.

In any event, the requirements and protection available vary from country to country, and should be investigated before first publication anywhere.

North American Free Trade Agreement and Agreement on Trade-related Aspects of Intellectual Property:

Both the North American Free Trade Agreement(NAFTA) and the Agreement on Trade-related Aspects of Intellectual Property (TRIPs) (which is under the auspices of the World Trade Organization) establish minimum standards for the protection and enforcement of intellectual property.

Neither of these agreements bestow rights upon U.S. intellectual property owners. Rather, both agreements ensure that a member state that is party to one

or both of these agreements provides a certain level of protection to those individuals or companies protected under that member state's laws.

908.03 PATENTS

U.S. patent law differs from the laws of most other countries in several important aspects. The U.S. patent law grants a patent to the first inventor even if another person independently makes the invention and files an application first. Most other countries award the patent to the inventor who first files a patent application.

The United States also provides a one-year "grace period" that does not preclude an inventor from obtaining protection after an act such as publishing, offering for sale, or using the invention which would make the invention public.

Many countries, including most European countries, lack such a grace period to allow an inventor to so disclose the invention prior to filing a patent application. In countries with an "absolute novelty" rule, a patent application must be filed before making the invention public anywhere. Hence, even the publication of an invention in a U.S. patent grant is a disclosure that can defeat the right to obtain foreign patents, unless the applicant is entitled to claim the "right of priority" under the Paris Convention, as described.

Unlike the United States, many countries require that an invention be "worked" locally to retain the benefit of the patent. "Working" may require commercial-scale manufacture within the country, or may be met by importation of goods covered by the patent, depending on a particular country's law.

The Paris Convention permits penalties for nonworking, which may include a compulsory license at a reasonable royalty followed by possible forfeiture of the patent for continuing to fail to work an invention.

For an invention made in the United States, U.S. law prohibits filing abroad without a foreign filing license from the Patent and Trademark Office unless six months have elapsed since filing a U.S. application. This prohibition protects against transfer of information which might damage the national security.

The penalties for filing abroad without following these requirements range from loss of U.S. patent rights to possible imprisonment if classified information is released. In addition, other export control laws require that a license be obtained prior to the export of certain technologies, even if no patent application is filed, or bar their export altogether.

908.04 TRADEMARKS

A trademark is a word, symbol, or device which identifies and distinguishes the source of sponsorship of goods and may serve as an index of quality. Service marks perform the same function for businesses dealing in services rather than goods. For example, an airplane manufacturer might register its service mark.

In the United States, rights to trademarks, service marks, and other marks such collective marks are acquired through use or prior foreign registration. However, in most countries, trademark rights are acquired only through registration, and many countries require local use of the registered mark to maintain the registration. Whether a given mark can be registered in a particular country will depend on the law of that country. For example, some countries do not protect service marks.

The United States is not a member of any agreement under which a single filing will provide international protection, although the right of priority under the Paris Convention confers a substantial benefit.

Expanding businesses sometimes face a period of time in which their mark may be known and perhaps registered in the United States, but they are not quite ready to do business abroad. It is prudent to decide early where trademark protection will be needed and to protect rights by filing in those countries. Where to file is a business decision, balancing the expense of registration against its benefit. At a minimum, you will want to file in countries in which you will do business. You may also find it desirable to file in countries which are known sources of counterfeit goods, although some require local use to maintain a registration. Although trademark laws impose no deadlines for registering a mark, as a practical matter, a business should register promptly in order to avoid having its mark registered by someone else.

Although not a legal requirement, it may help to investigate the connotation of a trademark, trade name, number, or trade dress before making a major investment in another country. A different language or culture may have unfavorable, silly, or even rude meanings for words or symbols with neutral or favorable connotations in the United States. Even packaging colors may connote different meanings. For example, white may imply purity in the United States, but it is the color of mourning in most of the Far East.

Trade names are also protected on a country-by-country basis. Although the Paris Convention requires protection of trade names, they are not necessarily registered as is the case in the United States. Each country protects them in accordance with its own business practices.

908.05 COPYRIGHTS

A copyright protects original works of authorship. In the United States, this protection gives the owner the exclusive right to reproduce the work, prepare derivative works, distribute copies, or perform or display the work publicly.

In the United States, "original works of authorship" include literary, dramatic, musical, artistic, and certain other intellectual works. A computer program, for example is considered a literary work protected by copyright in the United States and in a large and increasing number of foreign countries.

In most countries, the place of first publication determines whether copyright protection is available. Some countries require certain formalities to maintain copyright protection. Many other countries, particularly member countries of the

Berne Union, offer copyright protection without these formalities. Still others offer little or no protection for the works of foreign nationals.

Before publishing a work anywhere, it is advisable to investigate the scope of protection available, as well as the specific legal requirements for copyright protection in countries in which copyright protection is desired.

Semiconductor Chips and Mask Works:

The Semiconductor Chip Protection Act of 1984 provides a special system of legal protection for original mask works used in the production of semiconductor chips. It confers the exclusive right to produce and distribute mask works for a term of ten years, subject to registration by the Copyright Office.

The act also created an incentive for other countries to provide such protection since its benefits are available to any foreign national whose home country's laws extend similar protection to U.S. nationals. Protection on an interim basis is available to foreign nationals whose country undertakes good faith efforts to provide protection for mask works of U.S. nationals. The Secretary of Commerce, through the Patent and Trademark Office, determines which countries are entitled to protection under this act.

Unfair Competition and Related Rights:

In the United States, federal law protects exclusive rights in patents, copyrights, and mask works. Other intangible property such as trademarks, trade names, business goodwill, trade secrets, and know-how a protected against unfair competition by federal and state law.

Most developed countries have unfair competition laws similar to the United States, although details vary. The European Union, for example, bans "restrictive business practices" that would restrict trade among the countries of the Union.

Not all countries have unfair competition laws, and even in some countries that do have them their coverage may not be as extensive as in the United States. For example, protection for trade secrets of valuable unpatented technology may be inadequate. Before divulging any information which could be helpful to a potential competitor, it would be wise to investigate the protection available in the recipient's country and in any country which may be a potential market.

Written agreements also should be used to protect all trade secrets that are divulged (e.g. licensing agreements and employment agreements).

Social and economic policies may also affect the value of intellectual property. Some countries restrict the right to do business unless the foreign concern assists in meeting certain goals. Typical examples include requirements for generic labels of comparable size with the trademark, requirements for local working of patented inventions, better treatment for businesses with local ownership, and restrictions on intellectual property regulations may still require submission of proprietary information to the authorities, without restricting access to it by local competitors. The best rule is to investigate before you invest.

908.06 ENFORCEMENT

After securing valuable intellectual property, the owner must enforce it vigorously to derive the maximum benefit. The ease of enforcement depends on local law, the resources of the intellectual property owner, the attitude of local officials, and many other factors. In general, the United States views intellectual property as a private right to be enforced by its owner.

Enforcement must be accomplished through local law. In the United States and many countries, intellectual property rights are enforced by a civil suit for infringement. The intellectual property owner may be awarded damages or an injunction against infringement. Preliminary injunctions may also be available to prevent ongoing violations of intellectual property rights before a final decision on the merits by a court.

In the United States, the owner may protect against importation of infringing goods by recording a trademark or copyright with the U.S. Customs Service. An intellectual property owner also may bring a proceeding before the International Trade Commission under Section 337 of the Tariff Act of 1930 for an exclusion order to prevent infringing goods from entering the country or a cease and desist order to prevent an infringing use once the goods have entered the country. In more serious matters, criminal penalties may apply.

The Trademark Counterfeiting Act of 1984 imposes heavy criminal penalties for trafficking in goods or services which bear a counterfeit mark. These penalties can amount to a fine of as much as $1 million and 15 years imprisonment of individuals. Civil penalties can include the recovery of the trademark owner of treble damages and attorney's fees.

Ex parte seizure orders are also authorized in certain cases. Piracy of copyrighted materials is also subject to criminal penalties.

In the United States, a person who willfully infringes a copyright for financial gain is subject to a $25,000 fine, one-year imprisonment, or both. If the offense involves a substantial number of infringing copies of phonorecords or motion pictures, or trafficking in counterfeit labels for phonorecords, motion pictures, or other audiovisual works, the penalties may be as much as $250,000 and five-year imprisonment. In addition, a court may order seizure and destruction or other disposition of infringing copies and equipment used in their manufacture.

Some foreign countries provide criminal penalties for infringement, either as the exclusive remedy or in addition to private suits. The remedies available against an infringer will vary from country to country.

Ease of enforcement will depend on a number of factors.

- If a government action is required, as with criminal penalties, are the local authorities cooperative? If private remedies are available, may the intellectual property owner get an injunction as well as damages?

- How long will it take to get enforcement? What methods are available to obtain proof?

- These and other questions are part of a detailed study that should be done for each country before investing.

AUSTRALIA

http://www.sa.gov.au/

http://www.nla.gov.au/oz/gov/

http://www.gov.info.au/

CANADA

http://www.canada.gc.ca/depts/major/depind.e.html

UNITED KINGDOM

http://www.dti.gov.uk/ (regulations and law)

http://www.businesslink.gov.uk/

http://www.sbs.gov.uk/ (small business service)

IRELAND

http://www.irlgov.ie/

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