

International

Worldwide trademark protection: coverage versus costs

When it comes to international trademark protection, business people are rightfully concerned about two things. The first is having protection in countries where it is critical to safeguard the use of important marks; the second is paying thousands of dollars for protection in places where this cost is simply not justified. This chapter focuses on how to can make an intelligent determination of an appropriate level of protection and the considerations that go into that determination.

Companies involved in international commerce find that trademarks can play an important role in their success as they expand their markets from country to country. Trademarks can create strong and consistent messages in the minds of consumers and can signify a high level of quality for the products and services being provided. Once a trademark has been established in the minds of consumers, it carries with it a wide array of information regarding the producer, the nature and type of product and the expected level of quality. With the increasing mobility of consumers across international lines, established trademark significance can be one of the most important factors in a company's success as it attempts to expand the range of its sales.

It is clear, for example, that when McDonald's opens a restaurant in Taiwan, it is relying on the recognition of its trademarks in the minds of travellers to Taiwan from other countries, as well as in the minds of travellers from Taiwan who have seen the mark and experienced McDonald's in other countries. By themselves, trademarks can perform a significant amount of marketing without requiring rights holders to engage in expensive print or media marketing: secondary meanings are evoked in the minds of consumers at a cost that is significantly less than a marketing campaign.

How to take best advantage of this significance?

It is a rare company that does not intend to grow, and for many companies the best potential for growth lies across international boundaries. However, trademark rights generally exist only on a national basis. Thus, rights that exist in the United Kingdom may not exist in the United

States, unless the rights holder takes action to protect its marks in the United States. A rights holder that has not taken the appropriate steps to protect its marks in a foreign country should not expect to have rights there. Another entity could secure rights in that trademark to the detriment of the initial owner.

One of the first issues that a rights holder faces is how its rights arise and can be protected. The situation is not the same for all countries. In the United States, for instance, trademark rights arise based on use of the mark. While you could file an application to register a mark in the United States based on intent to use, rights are not established until actual use takes place. An intent-to-use application, once it is allowed, will not issue as a registration until a statement of use is filed and the scope of the registration will be limited to the scope of goods or services for which the rights holder has actually used the mark.

Further, in the United States and a few other countries, trademark rights can arise by common law without the need to file an application. These common law rights could serve as a basis for pursuing infringers and for preventing another entity from registering the mark. While there are significant advantages to registering a trademark, even in common law jurisdictions, there is no absolute need to obtain registration as there is in many other countries.

However, in other countries, such as France, Germany and China, trademark rights arise only once an application for registration has been filed. Even if your company is the prior user in those countries, if a subsequent user registers your mark first, it will be in a position to prevent you from using the mark and selling products under that name in that country. Thus, to the extent that a company wishes to use its mark on any substantial basis in other countries, it should invest the appropriate resources to register its trademarks there.

In countries where rights arise based solely on registration, there is no need actually to use the mark before the registration issues. Generally, the owner of the registration has between three and five years in which to

commence use in order to secure the registration. In the absence of such use, the registration is not automatically cancelled, but is susceptible to a claim for cancellation by another party that can assert a claim of non-use. Thus, while registrations need not be used in the first instance, there may be difficulties in maintaining the registration if the mark is not ultimately used in that country. For such reasons, a company should not automatically file for registration in all jurisdictions where the mark could be registered, because there is little value in registering your mark in a country where you do not at some point intend to use it to promote your products. Indeed, the projected level of use is one of the key factors in determining where to register a trademark from among the 100-plus countries that could be selected.

On what basis should a company choose countries in which to register marks?

One question that a company should ask itself is: “Are the sales of my products in a particular country currently, or projected to be, at a level at which it would be significant for me if another entity registered my trademark and thereby forced me to sell my product there under a different brand name?” Put another way: “In light of the sales volume in that country, how much of an expense could my company absorb to register the mark?” The minimum bottom-line cost per country would be in the order of \$1,000, or between \$4,000 and \$5,000 if cancellation or opposition proceedings are involved. The answer to the question, “What is the amount of actual or projected sales that is necessary to justify a trademark filing?” will differ from company to company. If the sales are either non-existent or so small that a change of brand for that particular country is not a material factor, then filing for registration is not justified. One company may consider sales of \$10,000 sufficient to justify the expense of filing, while another may decide that it needs many times that amount before proceeding.

How does protection factor into the decision of where to register?

In addition to the benefit of securing your company’s right to use the mark in a particular country, a further factor to consider is the extent to which your registered mark can serve to prevent other entities from selling their products in that country under your mark. Generally, the question to be considered is whether another company’s mark is likely to be confused with or is substantially similar to your registered mark. In such case you would be able to oppose or contest another company’s use of the mark in that jurisdiction. This could be of substantial value to a company when it is attempting to secure an

exclusive position in the minds of customers for marks that are similar or confusingly close to its trademark.

However, the scope of protection against infringers is not the same in all countries. Under US law, a registration can issue only for goods that have actually been used under the mark. When pursuing an infringer, the rights holder is not limited to pursuing infringers for the goods actually set forth in the registration, but can pursue those that use a similar mark on complementary or related goods when confusion is likely.

In contrast, in many countries the ability to pursue infringers is limited to the goods set out in the registration, even if it can be shown that confusion in the minds of consumers is likely. If the infringer’s goods were not covered by the original registration, a claim of infringement will not stand.

In countries such as Japan, the trademark office has determined categories and classes of product that are deemed to be overlapping in the marketplace and other categories of product – even some in the same class – that are deemed to be sufficiently distinct so that there is no confusion. Regardless of the circumstances in the marketplace and whether there is consumer overlap, if the products are sufficiently different under this predetermined categorisation, then infringement will be deemed not to exist.

How can a company get the best value from its trademark filing fees and expenses?

Once the company has developed its list of countries in which it wishes to pursue registration, and has decided that the value and amount of business in each such country justifies the expense of filing for registration, the question then becomes: what is the best strategy for securing those registrations while also minimising the cost for obtaining effective coverage? As noted above, trademark rights are for the most part national, and thus registrations should be sought in each country. The company should start by filing for registration in its home country. Under the appropriate treaties, the company will then have a six-month priority deadline for filing applications in other countries. The advantage of this priority claim is that the rights holder will be deemed to have filed in the other countries on the same date as the filing in its home country. This priority claim is particularly important in those first-to-file countries where the filing date determines rights.

However, there are a number of significant filing strategies by which a company can obtain rights in more than one country with a single filing. These multi-country filings allow a company to obtain significant benefits in a number of countries at a cost that is

substantially less than that of individual filings. For example, a single Community trademark filing can provide coverage in 35 European countries at a cost equal to filing directly in only about four or five of them. This registration is accomplished with a single filing, single examination and single registration fee for all 35 countries. Once registered, the registration gives coverage in all 35 countries and is subject to a single renewal due in 10 years. Thus, the Community trademark is a substantial advantage for companies seeking protection across multiple jurisdictions at significant savings.

How can Madrid Protocol filings help provide broad protection at a lower cost?

Another way in which rights can be obtained across multiple jurisdictions is to file for registration under the Madrid Protocol and designate countries under that process. Nearly 80 countries have signed up to the protocol and the cost of filing depends on the number of countries designated in the filing. Filing takes place within the trademark office of the company's home country and priority claims for filings within six months of the basic home country filing are recognised. The costs of a Madrid Protocol filing are significantly less than the costs of filing direct applications in each of the designated countries; even the European Union can be designated in a Madrid Protocol filing at a reduced cost.

One of the downsides of a filing under the Madrid Protocol is that the listing of goods to be covered can be no broader than the list in the home country registration. This is a particular issue for US applicants, where the scope of the home registration must be limited to actual use.

A Madrid filing also differs from a Community trademark filing in that after the international registration issues, the World Intellectual Property Office notifies the designated countries that protection is being sought there. The mark can then be subject to separate examination and opposition procedures in each of those countries. However, once the examinations are completed, the requested grant of protection will be

extended to one or more of the designated countries for which protection was allowed. At that point, the international registration in the approved countries will be subject to a single renewal fee, which is substantially cheaper than renewing individual registrations in each of those countries.

An additional aspect of the Madrid Protocol registration is that it continues to depend on registration in the home country. Thus, if the home country registration is either cancelled or not renewed, the international registration and coverage in all designated countries will also fail in the absence of further action.

Combining national and multinational filings

In a number of countries, multiple filings are simply not available because the country in question is not a member of the European Union or of the Madrid Protocol. For such countries, including those in South America, as well as Mexico and Canada, trademark protection is available only through direct national filings.

For countries in which options of multi-country filings exist, determining the desired scope of protection in each country, the independence of the registrations and the costs involved may lead a company to choose different strategies depending on the marks they need to protect. For example, while protection throughout the European Union could be sought under the Madrid Protocol, there may be circumstances in which broader protection could be obtained under a separate Community trademark than could be obtained through a Madrid Protocol filing designating the European Union.

Conclusion

Each of the above factors should be carefully considered by a company when it adopts an individualised filing strategy for international trademark protection. In this way, a company can get the best value and customised protection from its investment and avoid concerns about protection that is either too limited or too expensive for its business needs.



John L. DuPré

President and principal
john.dupre@hbsr.com

Hamilton Brook Smith & Reynolds PC
United States

John DuPré's practice focuses on IP litigation and trademark prosecution. Since joining the firm, he has been involved in patent litigation, patent interferences, International Trade Commission proceedings, trademark and trade dress litigation, trademark oppositions and cancellation proceedings, and copyright litigation. Mr DuPré's expertise also includes IP portfolio strategy and counselling, due diligence studies and opinions, audits, trade secret advice, alternative dispute resolution, non-disclosure agreements, technology transfer, consulting, employment and community interest agreements.