

Protecting Your Intellectual Property Rights

Summary

In this session we will review the different types of intellectual property (IP), the different legal environments internationally, and ways to protect IP rights. Tools and resources for IP enforcement will also be addressed.

Introduction

Welcome to the LA Export Series podcasts brought to you by the El Camino College Center for International Trade Development. Each podcast will focus on a specific export topic presented by an industry expert. Our complete series will walk you through the trade process from getting started to getting paid and delivering the goods.

In this session we will review the different types of intellectual property (IP), the different legal environments internationally, and ways to protect IP rights. Tools and resources for IP enforcement will also be addressed.

Presenter: Michael Fedrick

Our Presenter is Michael Fedrick, a registered Patent and Trademark Attorney at Loza & Loza, LLP. He has extensive experience in securing patent and trademark protection worldwide, and has counseled clients in industries ranging from software to biotechnology. Mr. Fedrick previously served as counsel for the biopharmaceutical business of Baxter Healthcare Corporation, where he was responsible for intellectual property matters relating to product lines with sales in excess of \$1 billion. Mr. Fedrick is also fluent in Mandarin Chinese.

Types Of Intellectual Property

"Intellectual Property" refers to several categories of legal rights. What these all have in common is that they provide exclusivity over an aspect of a product or service. Such exclusivity then allows a business to charge a premium for its product or service, so that it can recoup its costs of development (and make a profit). I'll briefly review the different kinds of intellectual property and then describe how they can benefit an export business.

The type of intellectual property that provides the broadest protection in most cases is a utility patent. Patents cover any new and useful feature of a product or process, and can be used to protect products ranging from toys to software to pharmaceuticals. Utility patents are the most difficult and expensive form of intellectual property to obtain, however.

A related type of intellectual property, also falling under the patent laws, is the design patent. Design patents cover "ornamental" and non-useful features of a product. An example is shown on slide 2, which illustrates an ornamental design for a pill. Design patent protection is fairly narrow though, covering only how a product looks, and is less often used.

Trademarks protect a business' brand. When you're first to market with a product, or have otherwise established a reputation, trademarks can be a valuable asset.

Copyrights protect artistic expressions, and also software. They prevent the mechanical copying of written, audio, and visual works, and are the primary form of protection for the entertainment industry.

Trade secrets refer to information that's valuable to a business because it isn't known by competitors. This can include such information as the formula for a product, customer lists, and internal financial information. Unlike patents, trademarks, and copyrights, there's no formal registration system for a trade secret. Information remains a trade secret only as long as the owner takes practical measures, such as maintaining the physical security of documents containing the trade secret information. Legal precautions for trade secrets include the use of confidentiality agreements and employment agreements with appropriate clauses to protect a business.

What To Protect

When considering intellectual property protection for your business, the first things to determine are the value drivers for your business, whether it's a product's practical features, how it looks, the branding, or its creative content. Because of the costs of protecting intellectual property, you'll want to focus your resources on the most valuable aspects of your business.

Once you've identified the value drivers, you can see how they fit into the different "buckets" of intellectual property rights I described a moment ago, i.e. whether patent, trademark, copyright, or trade secret protection is appropriate. Often more than one type of intellectual property right can be relevant to the same product or service.

The costs associated with the different types of intellectual property are very different, however. The cost to register a copyright currently is \$35 if you file online with the U.S. Copyright Office, and the cost to register it outside the U.S. will likewise be relatively low. For trademarks, a budget of about \$1,500 dollars per trademark per country is going to be in the right ballpark, but for utility patents the cost is going to be an order of magnitude higher than this (more on that later).

The decision of what to protect is therefore going to be a balance between what's most valuable about your business and the cost of protecting it.

When To Protect

The general rule for when to protect intellectual property is "the sooner the better." Patent and trademark rights outside the U.S. are granted on a first-come, first-served basis.

In most countries, for example, even if you've been using your trademark in a country and selling products there, if someone else files

to register your trademark before you, you're out of luck. Registering your trademark in a country in which you intend to do business is therefore a good practice. Not only can a competitor hold your trademark for ransom if it beats you to a country's Trademark Office, but manufacturers and distributors that you might work with in a particular country can also register your trademark in order to maintain leverage in negotiations or in their ongoing working relationship with you.

Patents present further issues, because outside the U.S. a patent application must be filed before any public use or disclosure of the product or process that's to be patented. This means that in most cases patent costs have to be incurred, and a patent application has to be filed, before a product is launched or begins making any money. Some of these costs can be deferred, however, as I'll explain.

The good news is that if you're going to rely on copyright protection, by international convention a copyright technically comes into being as soon as a copyrightable work is created. So registration is needed mostly to document this.

Where Is Protection Available

Intellectual property protection is available in almost every country, and certainly in the countries in which most U.S.-based companies will want to do business. International treaties that date to the 19th century (the Paris Convention and Berne Convention) grant reciprocal patent, trademark and copyright rights to U.S. nationals and residents.

For patents and trademarks, the Paris Convention provides that if you file an application in the U.S., you can file the same application outside the U.S. either within 6 months (for trademarks and design patents) or within 1 year (for utility patents). So the cost of protecting intellectual property outside the U.S. can be deferred somewhat by taking advantage of these provisions.

The substantial costs associated with protecting utility patents internationally can be deferred for an additional 18 months in most countries by filing an application through the Patent Cooperation Treaty, generally at a cost of between \$3,000 and \$4,000. Despite this cost, it's a popular option.

The standards for granting intellectual property protection are largely harmonized around the world, and in particular in countries that are members of the World Trade Organization (including most major trading partners of the U.S.). But local practices, and the state of development of the legal systems in different countries, can result in somewhat different outcomes.

National Rights

Patents, trademarks, and copyrights are protected on a country-by-country basis. This means that you must register your patent, trademark, or copyright in each individual country in which you would like protection. Regional patent systems can provide protection of broader geographic scope in Europe, Africa, and the former Soviet republics. In addition, the European Community provides trademark and design-right protection. But these systems are the exception to the rule.

An international treaty relating to trademarks called the Madrid Protocol and the previously mentioned Patent Cooperation Treaty can facilitate international trademark and patent filings. But intellectual property protection is still granted locally, and there isn't a truly international patent or trademark registration system at the present time.

GDP vs. Patent Filing Costs

As mentioned previously, the cost of patent protection internationally is the most significant intellectual property cost. Decisions on where to seek patent protection must also be made early in a product's life cycle, often before it's clear where the product's significant international markets are likely to be. Businesses looking at export markets therefore often find it difficult to make a decision regarding where to seek patent protection at the point at which that decision must be made.

In the absence of specific information to guide such decisions, it makes the most sense to protect the largest markets for a product. The value that a patent (or other form of intellectual property) brings is the ability to charge more for a product because no one else can offer the same product, so the value of intellectual property is directly related to the size of a market for the product.

Currently, the world's five largest markets, by GDP, are the U.S., Europe, China, Japan, and India. Taken together, these countries represent 47% of world GDP, and 49% of the world's population.

Relatively speaking, the cost of filing for patent protection in most countries is approximately equivalent (with Europe and Japan usually having the highest costs). So a business gets the most value by protecting its largest markets.

As an example, the approximate cost to file an average patent application in the U.S., Europe, China, Japan, and India is going to be about \$21,600. Filing the same application in the next five largest economies, i.e. in Brazil, Russia, Canada, Mexico, and South Korea, is going to cost about \$20,100, or roughly about the same amount. These five countries together represent only 9% of the world's GDP.

Other factors of course can come into play in deciding how to allocate intellectual property resources. For example, certain countries have less experience in enforcing intellectual property rights, and therefore the value of protecting patents or other forms of intellectual property in such countries may be diminished relative to other countries. The size of a country's market, as well as the possibility that its legal system will improve over the course of a patent's 20 year life, though, should nonetheless be given great weight.

Enforcement

One thing to keep in mind is that enforcement options different than those available in the U.S. may be available in other countries. In the U.S., a court action is the only enforcement option available in most cases. Some countries, such as China, for example, have non-judicial government agencies that can enforce some intellectual property rights (e.g., trademarks and copyrights) at a relatively lower cost. Criminal sanctions may also be available.

When confronting imported products that infringe a trademark or copyright, U.S. businesses should also keep in mind that these rights

can be registered with Customs and Border Protection (CBP). This agency will work with businesses to try to stop such imports.

IP Resources

Further information about intellectual property protection, both in the U.S. and internationally, can be found online, for example through the World Intellectual Property Organization, the U.S. Patent and Trademark Office, and the U.S. government's Stop Fakes initiative.

Credits

Thank you for listening and special thanks to Michael Fedrick for sharing his valuable time and international business insights. Check out our full line of LA Export Series podcasts on our website www.Export Assist.org where you will find information on additional export topics with complementary tools and resources.

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