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## **A Trademark Visa - Aspects of International Trademark Use And Protection**

### **Introduction**

It is axiomatic that each country maintains sovereignty over its territory. Accordingly, it is natural that a visitor should expect to meet certain prerequisites. After all, a guest has to comply with the host's rules of the house. For example, in order to visit many foreign countries, U.S. travelers would need to obtain an entry visa valid for a definite period of time. Though sometimes it can be a source of certain inconvenience, few would argue with the legitimacy of such requirement.

Then, why do so many companies - small manufacturers and major industrial consortiums alike - neglect to follow the rules when they decide to introduce their trademarks to foreign markets. Whether dealing with manufacture of tennis shoes in China for subsequent exportation to the United States or importation of poultry products to Ukraine, securing a trademark entry "visa" to that particular territory is a *sine qua non*.

One of the fundamental principles of trademark protection is territoriality. A trademark protected in the United States does not necessarily enjoy the same (or, most likely, any) level of protection in Brazil. Global industrialization of the late XIX century brought along major harmonization of trademark protection, namely, the Paris Convention for the Protection of Industrial Property (1883) and the Madrid Agreement Concerning the International Registration of Marks (1891), whereas rapid globalization in the post-WWII period expanded the existing vehicles for multinational trademark protection - the Madrid Protocol (1989) - and created additional tools for harmonization and cross-border protection, such as Mercosur (1991), The Community Trade Mark (1993), TRIPs Agreement (1994), etc. Nevertheless, trademark protection and, in particular, enforcement of trademark rights, remains territorial, and should be dealt with as such.

### **Common Law vs. Civil Law**

The first issue that arises is how a trademark owner obtains a "foreign visa" for its mark. In order to answer this seemingly straightforward question, we need to review the two predominant legal systems governing trademark law.

In brief, trademark rights are acquired either through use or through registration. The former approach is championed by the Common Law system, recognizing trademark rights based primarily on the "first to use" principle. England, being the alma mater of the Common Law (with its roots going back to the Magna Carta of 1215) exported its law to all crown colonies, protectorates, and dependencies, and the Common Law is now followed in most jurisdictions once ruled by the Albion, such as the U.S., Canada, Australia, South Africa, Singapore, etc. In countries following the Common Law legal thought, the first to use a trademark usually has an upper hand in case of a conflict.

On the other pole of the trademark protection globe are the Civil Law countries, basing their system on the "first to register" rule. A trademark registration is an intrinsic part of the code, which is the ultimate source of law. Accordingly, in countries strictly interpreting this legal theory, the first to register a trademark should prevail in a conflict. Even nowadays, in the age of visible drift of both trademark protection poles towards each other, when Civil Law countries are more eager to recognize certain rights of the first to use a trademark, the first to register the mark enjoys at least a significant edge.

The codification system (as opposed by the precedent-based Common Law system) finds its roots in the Roman legal thought. It was cemented by Justinian's Corpus Juris Civilis (529-534) and then invigorated by Code Napoléon (1804) almost thirteen centuries later. Traditionally, the Civil Law system found more followers than the Common Law regime, to a certain extent due to the need of predictability of codified law and stability in the imperial legal and physical borders, both in the West and the East - the Roman Empire, Napoleon's French Empire, Spanish empire covering Latin and South Americas, Russia, and China are but a few examples.

Accordingly, the tenet of the Civil Law system that there are no trademark rights without a trademark registration can expose a trademark owner accustomed to the Common Law "first to use" system to major hurdles, and the owner should strive for early protection of its rights. This leads us to the question of timeliness of application for foreign trademark protection.

## **Timing Strategy - The Race to the Registry**

Experience - the greatest guide of all trademark owners and their legal counsel - tells us that it is virtually never too soon to launch a trademark protection campaign, and that oftentimes only a tiny step separates "too early" from "too late".

Naturally, budgetary considerations cannot be ignored, whether the trademark owner intends to introduce a new line of insulation products in the EU or envelop global markets with a web of registrations for its new computer processor. For example, depending on budgetary constraints, it would be possible to file applications in phases - first designating and filing in the key markets where the trademark owner presently does business; then, in the next phase, to file in the countries where there are business plans for the foreseeable future or reasonable expectations of market expansion; and in the last phase - to file in important markets renowned for counterfeiting activity or where there are mid- to long-term business plans. However, fiscal concerns aside, it is desirable to cover all markets of interest in one filing program, effectively minimizing risks of interference by third parties in the yet uncovered markets.

The trademark owner should be equally appreciative of its competitors and trademark pirates. The latter are always on the prowl for unprotected and vulnerable trademarks. Pirates no longer fly a Jolly Roger before boarding a galleon at the coast of Spanish Main or shoot across the bow of a fat merchant in the Straits of Malacca. Instead, the modern generation of pirates thoroughly scans the U.S. Patent and Trademark Office public records and then expeditiously files applications for the U.S. owner's mark in the national Trademark Offices, and the prospects of a good take already loom on the horizon. Similarly, even allegedly "fair play" competitors may not overlook an opportunity to usurp one's trademark encountered at a U.S. or international trade show or exhibition.

Even if the owner of the nascent trademark is not an omnipotent pharmaceutical giant with the capability to seek broad protection for multiple alternative trademarks, the mere introduction of a new mark and its appearance on a public record in the U.S. may condemn the mark to squatting and usurpation if the owner does not embark on a timely filing program in advance of such public exposure.

One of the author's clients has confidently stated: "One thing I hate the most is to spend money before I start (though) I do not mind spending if I see the money going to a good use or investment". A sensible statement indeed, were it not used in connection with micromanaging trademark protection quite some time after exposing the mark internationally. As almost any U.S. counsel having international trademark practice would testify - if only it were an isolated case of an otherwise business-savvy client who inexplicably opts to tighten the belt on trademark protection, thus missing a very basic business costs benefit analysis.

The costs involved in a trademark opposition or litigation are disproportionately higher than the costs of filing and registering a trademark. Further, the outcome of any adversary proceeding, regardless of how good the prospects may be, is never certain. Moreover, such proceedings are almost never swiftly resolved, and an extended wait for a favorable outcome may significantly impede implementation of trademark owner's business plans, causing additional expenses.

Also, despite undeniable harmonization of trademark laws and globalization of economy, quite a few countries still afford preferential treatment to their nationals, a reality that cannot be ignored. As a result, the legitimate trademark owner may be often tempted or even compelled to pay “ransom” for the hijacked trademark and forego the adversary proceeding mechanisms. The owner, in effect, subsidizes good returns to a trademark pirate on the latter’s investment, whence same funds could have better served the unfortunate payer in being the first to file and register the trademark and developing its business.

This leads us to an unequivocal conclusion that not only it is of paramount importance to seek trademark registration, but it should be endeavored to file a trademark application as early as possible, in particular in the Civil Law countries; and the trademark protection program should enjoy a high priority in the business plan.

## **Pre- and Post-Registration Use**

U.S. trademark owners, reared on the Lanham Act regime prescribing trademark use as a condition for registration and dictating continued use for the Section 8 Declaration at the 5th/6th year and every ten years (at renewal) from registration, often fall victim to a misconception that a similar situation exists outside of the U.S. With the exception of few countries, e.g. Canada, where the use and intent-to-use requirements are similar to those in the U.S.; Philippines, where the mark must be put into use within a statutory period of time, even if the application is still pending; and Mexico, where the registrant must use the mark in order to have the registration renewed, most countries do not require trademark use as a condition for its registration or subsequent renewal.

This error as to the pre-registration use requirement may well inhibit U.S. trademark owners, if they fail to consult with a counsel, from seeking trademark protection abroad and could result in loss of valuable time, especially in the Civil Law countries granting rights on the first to come (first to file) basis.

On the other hand, absence of use requirement for registration and renewal in most foreign jurisdictions may play a practical joke with even experienced trademark owners who fail to recognize the need to use the registered mark in order to shield it from susceptibility to the non-use cancellation. Just like in the U.S., the absolute majority of countries dictate that failure to use a registered trademark in the particular jurisdiction for a statutory period of time (in most cases, three or five years) renders the registration vulnerable to non-use expungement upon petition by an interested party. Such third party may therefore defensively attack a “neglected” registration in a trademark infringement lawsuit, defeating the legitimate trademark owner’s action, or may successfully cancel the registration in order to clear way for the trespassing application.

A model illustration of the latter approach is a recent case in Russia, where Starbucks Corporation’s local registration for STARBUCKS was cancelled for nonuse, upon petition by a local entrepreneurial trademark trafficker who subsequently filed an application for and registered the mark, and then offered to sell it back to the legitimate trademark owner for \$600,000. Starbucks eventually prevailed, after time- and cost-intensive litigation before several Russian legal fora, and expeditiously commenced use of the mark at one of Moscow’s central hotels, evidently to prevent future non-use attacks. Clearly, meeting ab initio the post-registration use requirement could have averted the conflict and saved the trademark owner a significant effort.

## **Summary**

On balance, timely registration of a trademark in the foreign markets of interest is a valuable preemptive measure against usurpation by unscrupulous third parties, serving in many instances as a cost-effective insurance against encroachment. Equally, proper use of the registered mark constitutes a deterrent against attacks on the legitimate trademark owner’s interests and a tool for enforcement of registered rights.

International trademark protection strategy is a complex matter that should be carefully elaborated at the early stages of brand development, as well as at all stages of mark’s protection, from filing, to registration, to maintenance, to policing, and enforcement should be meticulously followed through, preferably with assistance of an experienced counsel. Just as

a businessperson timely arranges for a visa to foreign country, the trademark owner should apply early for a trademark “visa”, and such trademark registration is one of the best investments in building and running a successful international business.

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