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# Protecting Brands Overseas

*Tuesday, Sep 25, 2007* --- United States companies continue to sell goods and services overseas at a record pace. The U.S. Census Bureau reported a 12.8 percent increase in exports from the U.S. in goods and services from 2005 to 2006. The total value of exported goods in 2006 was $1.4 trillion. American companies are exploring new foreign markets everyday.

Many of the goods and services sold overseas are branded. They carry a name that helps consumers in other countries recognize that they derive from one source. Thus, hungry and thirsty consumers from London to Shanghai recognize that when they eat at a McDonalds restaurant, or drink a Coca-Cola soda, they are receiving the same quality and experience as other customers around the world (subject to minor local menu variations of course).

This franchising and global distribution of U.S.-branded products and services have made them some of the most valuable assets in the world. The Coca-Cola brand was deemed the most valuable brand in the world in 2006 by Interbrand coming in at $67 billion; McDonalds was number 9 at $27.5 billion.

It is important to remember that this is not the value of the companies, but rather the value of the brand used in connection with the goods or services themselves. And the U.S. is fertile ground for launching brands as Interbrand reports that in 2006 51 percent of the 100 most valuable brands originate here.

Branding overseas, however, requires some extra thought in order to be sure that the effort is not wasted. A brand, or name of a good or service (even a slogan), is considered under the law to be a trademark.

Trademarks are protectable in other countries as they are in the U.S. However, as with most things in the international realm, there are significant differences that can affect a trademark overseas.

What follows is a brief summary of some of the issues to consider when considering rolling out a trademark overseas.

* Translation Issues and Dead Ancestors *

On the front end one must consider how an English brand name may be translated into another language. The most famous example of this is Chevy's NOVA brand that in Mexico translated to "doesn't go."

Kentucky Fried Chicken's "Finger Lickin' Good" slogan entered the Chinese market translated to "Eat Your Fingers Off."

Similarly, Pepsi's "Come Alive with the Pepsi Generation" translated in Taiwan as "Pepsi Will Bring Your Ancestors Back from the Dead."

A good linguistics company, usually a division of a larger branding or advertising agency, can catch these issues in the early stages.

* Marketing Shortcuts for Brand Names Have Trouble Overseas *

The U.S. is somewhat unique in international trademark law in that trademarks that are not "inherently distinctive" can nevertheless be protected. A "distinctive" trademark is most easily protected everywhere – so a brand that is a coined term like XEROX for photocopiers, or is arbitrary like APPLE for computers, will be highly protectable worldwide.

Trademarks that are more descriptive because consumers immediately understand the nature of the goods they represent (COASTER-CARDS for direct mailing coasters, for example) are therefore less distinctive and harder to protect, especially overseas.

Some countries have laws that expand this notion of descriptiveness, such as those that make registering a surname almost impossible (JONES). Many countries in Asia hold that a series of numbers or letters (ABC COMPANY) are not distinctive and therefore not protectable. The best bet is to try and employ a trademark that is distinctive.

* Be Sure the New Trademark is Available *

As with any new brand, a new trademark to be used overseas should be checked for availability. U.S. counsel can order and briefly review a "knock-out" search to see if there are any other identical trademarks registered elsewhere in the world, but in order to interpret such results and seek an opinion, trademark lawyers in the relevant countries at issue must be retained. This can be very expensive, but necessary if a company wants to avoid litigation in other countries over the use of a new brand name.

While U.S. litigation over trademarks can seem uncertain at times, litigation overseas is much worse. Most countries do not employ a jury system and their trademark laws can be very parochial at times. A proper clearance approach can reduce the risk of such litigation.

* File Trademark Applications as Soon as Possible *

The U.S., again, is different than most of the countries around the world in that it provides "common law" protection for trademarks that have been used in commerce but not registered with the United States Patent and Trademark Office (USPTO).

 

Most countries around the world are different, though, in that they require a trademark to be registered before any benefit can flow to the owner. Too many brand holders have made the sad realization, often after shipments start that someone else has filed to register their trademark for the same goods or services. This can be a disaster as once a trademark is registered in a country it can be used at the custom houses to preclude infringing imports.

The U.S. is party to some treaties that are helpful on this issue, though. For example, the Paris Convention allows a U.S. trademark owner to file in other countries for up to six months from the date of its U.S. filing and still claim priority as of the date of its U.S. filing date. This means a company can take six months to wait to file an application overseas but when it does the foreign Trademark Office will treat it as though it was filed the same day it was filed in the U.S.

* Consider Filing Even in Countries Not on the Radar Yet *

Another international strategy is to file overseas even when use has not commenced in such countries and may not for some time. This is known as a “defensive” filing.

Most other countries are not like the U.S. that requires an intent on the part of the trademark applicant to eventually use the trademark on actual goods and services.

And given the fact that most countries use a first to file system, a defensive registration can hold a trademark owner’s place for a number of years and provide a basis to attack infringements exported from such countries.

* Protect the Trademark in Both Languages *

Language can be a consideration with respect to how the trademark should be protected overseas. The best approach is to file in English and in the local language as some countries, unlike the U.S., do not consider the foreign language trademark the equivalent of the English version.

* Use Economic Zones *

The most famous example of countries that have provided for a system of filing centrally but obtaining protection in several countries is the European Union. The EU now comprises 27 countries, and one filing of an application in Allicante, Spain for a “Community Trademark” application can render protection in all of those countries. This has turned out to be a tremendous cost savings for U.S. companies for new filings – as much as $20,000 per trademark.

* Consider Non-U.S. Laws for Product Shapes and Packaging *

U.S. companies often overlook the possibilities of protecting their non-functional but distinctive product shape or packaging under other countries' "Industrial Design" laws. In the U.S. the means for protecting distinctive or artistic elements of products and packaging is a blend of trademark, copyright and design patent law. However, other countries have developed an entirely different set of laws that directly protect such features.

As such, American companies can actually obtain broader protection overseas for their product shapes, packaging and even logos. The cost of filing such applications is less than patent and trademark applications. And the protection extends beyond the design holder's own goods and services – any use of the design on any good or service can be an infringement (under traditional trademark law one must prove the goods are related so as to cause confusion for consumers).

* Conclusion *

International branding is a complex area under the trademark law. To avoid dousing the excitement of selling goods and services overseas, a U.S. company should take steps to be sure its international trademark approach is sound.

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