

GOING GLOBAL

How to manage your intellectual property when trading internationally





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Introduction

Do you intend to sell, distribute or perhaps manufacture your product/service outside Singapore? If so, you need to remember that the IP rights that protect your business model are mostly territorial. Follow this guide to ensure that you have taken all necessary steps to protect your rights in overseas markets.

If you have read and followed the approaches set out in this series of guides carefully, the IP you have developed in your business should be secure in your home market. However, any IP registrations that protect your competitive advantage in Singapore have no effect in overseas markets. The purpose of this guide is to help you understand and action the steps you need to take in order to ensure that your valuable IP is protected in any potential overseas market that you have identified for your company's products or services.

In an increasingly globalised marketplace, your business will find itself trading alongside other companies that have their competitive advantage protected by IP rights. You need to be able to compete on level terms. While copyright is automatic and fairly consistently observed in most nations, almost every country around the world has its own patent, trade mark and design protection regimes, and you will need to make a suitable application in order for your IP to be protected to the same extent as it is at home.

Fortunately, thanks to a range of international conventions and agreements, particularly TRIPS (Trade Related Intellectual Property Rights), the Paris Convention, the Berne Agreement, the Patent Cooperation Treaty (PCT) and the Madrid Protocol, a number of pathways exist to help you extend and enforce your IP rights in other countries. These make it easier to use your existing rights (whether granted or in progress) to obtain patents, trade marks, registered designs, copyright and related protection in the territories you need. They also provide a means to ensure your geographical indications, layout-designs (topographies) of integrated circuits and database rights will be respected. Not every country has signed every agreement though, so the rules are not harmonised everywhere.

Small companies with limited resources starting to export can find it particularly difficult to understand how to obtain and enforce IP rights in foreign markets, or which territories to prioritise. The type of protection that will be most important will depend on the strategy you adopt: this guide will show you what you need to consider.

When you are taking your company's business operations overseas, there will be occasions where you will need to take legal advice either from an adviser in your home country or from a recommended contact in the target foreign jurisdiction. This will help you to avoid the pitfalls and reap the benefits!

Produced by IPOS International, these intellectual property management (IPM) business guides aim to deliver a suite of IP solutions for enterprises based on industry best practices. As the expertise and enterprise engagement arm of the Intellectual Property Office of Singapore (IPOS), IPOS International helps enterprises and industries use IP and intangible assets for business growth. Some of these engagements may be eligible for Enterprise Singapore (ESG) funding, such as the intangible asset audit and strategy development aligned with business goals. IPOS International's business portal www.iposinternational.com also contains case studies and videos of enterprises leveraging IP to gain a competitive edge in their innovations. Should you have questions on IPM matters or wish to speak with our Intellectual Property Strategists, do email us at enquiry@iposinternational.com or call +65 63308660.



So you want to “go global”...



01

1. So you want to 'go global' ...

What are my expansion options?

In the past, companies might have regarded setting up an office in each export market as being the logical way to expand internationally. Today, this is just one of a wide range of strategic choices—all of which require you to take some form of action regarding your IP.

“There are many different ways your business can start to generate export sales—just don't forget the IP dimension!”

In considering which strategy suits you best, you need to consider the potential drawbacks and costs, and how well aligned each option is with your resources and goals. Some are easier to execute than others; even some of the simpler routes can provide an effective way of putting a 'toe in the water' in international markets.

The ten examples below give you an idea of just how much choice you may have. In the sections that follow, their IP implications are considered.

1. Establish a website which provides only digital goods and services, or sells goods/services which do not require demonstration or explanation by a local sales representative
2. Target specific clients within a foreign market and sell to them by making periodic visits, without having a local sales presence
3. Sell directly to overseas customers by taking advantage of trade visits and exhibition support in markets where you have identified demand
4. Identify and work with local distributors, who can provide you with a market presence and reduce your own sales and logistics resource requirements
5. Establish a franchising or licensing model, and teach other people how to sell your products or services locally in an international market
6. Take advantage of special trade incentives. Certain countries offer incentives to encourage international companies to set up overseas offices; these may include special 'zones' that provide preferential terms (such as 'free trade' zones)
7. 'Buy to build' by making acquisitions overseas. Buying a company that already has market and customer access can facilitate rapid growth and improve access to local knowledge
8. Develop joint ventures to share resources, knowledge and risk. This may involve partnering with another local business that also wants to set up a presence in your target territory
9. Alternatively, if resources allow, retain all ownership in the new business by setting up a fully-fledged overseas presence of your own

10.

Centralise ownership of your IP by setting up a holding company (which you will probably wish to locate in a favourable tax jurisdiction). You can then license the IP to operating companies within your own group or to third party licensees, franchisees, agents and distributors in return for royalties or licence fees.

These choices are not mutually exclusive—you can move between strategies, or try more than one at once. But whatever expansion route you choose, you have to remember that most of the IP rights that you have developed in your home market will not be automatically protected when you trade overseas.

What implications do these options have for my IP protection strategies?

Having the appropriate IP rights is more critical for some market entry strategies than others, but all will benefit from 10 approaches summarised in the previous section. The only member of the IP ‘family’ that you can reasonably assume should apply automatically in most countries in which you trade will be copyright.

This means there is a presumption that unauthorised copying of words, images and software code is not allowed. There are, however, variations on the steps you may need to take in order to be able to tackle infringers, referenced in the following chapters.

From an IP perspective, the three ‘lighter touch’ business models described in (options 1, 2 and 3 covering website sales, periodic visits and trade shows/exhibitions) are likely to be the least complex in IP terms. Provided that you have the rights you need to sell your products and services (i.e. you do not infringe anyone else’s IP), there should be little to stop you from trading in this way. The main drawback of selecting one of these models is that you simply would not have a local presence to help you determine whether people are taking your ideas and copying them.

As soon as you get to the point of appointing a local distributor, licensee or franchising network, as set out under options 4 and 5, you bring other parties on board who have a vested interest in ensuring that your rights are not infringed. The ‘flip side’ of this is that you have to enable them to trade profitably, by using your IP to make the business proposition sustainable in the longer term. You will certainly need to consider extending any trade marks you have: depending on the stage you have reached in any patenting or design registration process, you may or may not be able to ensure that the territories you have in mind are covered.

Arguably, the most IP-intensive strategies of all are numbers 8 and 10, where joint ventures and holding companies are to be established. In the case of a joint venture, because your technology, product or service is going to be part of your ‘stake’, you will need to ensure that its IP is adequately protected. In the case of an IP holding company, the basis of your trading model is likely to be that you make a profit by licensing in-market use of your IP. Clearly, you cannot do this unless you have the necessary rights in each country where you trade.

“It’s always helpful to have ‘eyes and ears’ on the ground to detect copying early on”

1. So you want to 'go global' ...

“Your IP strategy needs to consider not just what you might want to file, but what rights may already be in force”

What other considerations might have a bearing on my IP strategy?

International expansion is not just about what rights you might want to license or enforce—it is also about the rights you might infringe. You will also need to consider whether you need to make changes to your products or services to make your business model work, either by localising them, or adopting

different manufacturing and distribution arrangements.



1. Right to trade

The number one point you will need to establish is whether you can trade legally in your target countries. Alongside customs, trading and shipping laws, you will also need to consider IP. Since these rights are territorial, you could easily trip over other people's IP that is not applicable in Singapore because they have only chosen to register their rights in other markets.

It is a good strategy to conduct searches in order to determine whether you are likely to face accusations of infringement, whatever expansion plan you choose to adopt. As a minimum, this should include the brands you intend to use (by conducting a search for any prior registered trade mark rights). In some territories, including the USA, Japan and South Korea, it is particularly advisable to check patents if there is any chance they could be relevant.



2. Ability to trade profitably

Another vital question is whether you can trade profitably. Economies around the world exhibit very substantial variations in the levels of education, infrastructure development, technology adoption, health and wealth, before even considering cultural attitudes. If your IP is linked to your business model, that model may need to be substantially adapted, which could, in turn, mean that you need different IP. For example, if you are a pharmaceutical company with patent applications in a number of countries, you may find that some IP regimes (such as India) do not allow you to obtain the exact same rights coverage.



3. Localisation

Localisation is another challenge. This can be a lot more profound than translating into a different language or changing the operating voltage required by a product. As an example, purchasing preferences can affect the sizes, colours and styles of goods that sell best, and these differences might move you outside any design protection you are currently putting in place.



4. Production and delivery arrangement

There may also be IP implications in the production and delivery arrangements you wish to adopt. If you intend to import everything to your new market, then the main

concern may relate to infringement, as explained above. However, if you are setting up offices or manufacturing facilities in a new country, then as one example, you may not be able to rely on the same laws to protect the confidential nature of what you do.



5. Counterfeit goods

You may also experience additional problems with counterfeit goods—especially if you are subcontracting elements of production, and you do not have the necessary rights in place to support enforcement. These topics are examined in more detail in the rest of this guide.

What's the best way for me to get a better feel for these markets?

If you are thinking of exporting to a new country, there is no substitute for visiting it in person. Many industries have programmes of international trade shows in which small exporters can participate, for which subsidies and grants may also be available. You do not need to offer any goods or services for sale in order to pick up valuable market and IP intelligence. However, it pays to do your homework first.

Fairs, exhibitions and trade missions can be a waste of time and money if you do not prepare for them properly. A good principle, once you have identified a market of interest, is to dedicate at least one member of staff to planning and preparing all that is required to make your attendance successful, and to do so in plenty of time.

“Plan ahead and start to make contacts that you can meet at events in your target territories”

Visits are always more productive if you know before you go that you will be meeting with relevant individuals (rather than simply relying on ‘passing traffic’ at a booth or exhibition stand). When you target people, consider making contact with locally-based advisers who can tell you more about management of IP rights; you may be able to pick up valuable advice on how much to budget, what timescales to anticipate, and what pitfalls to anticipate when it comes to enforcement.

It also pays to have an eye to protection. Trade shows are a favourite opportunity for conducting industrial espionage, and many companies have discovered that one exhibition is all it takes for ‘rip-offs’ to start appearing on the market.



While you may not (yet) have any registered rights in the territory in question, you can still use ‘TM’ next to any references to your brand to show that you regard it as distinctive of your business.



You can, and should, also mark any brochures and other literature clearly with a copyright (©) symbol and state that all rights are reserved to your company. As explained in this guide, copyright is generally well observed internationally, so this should offer you some protection.

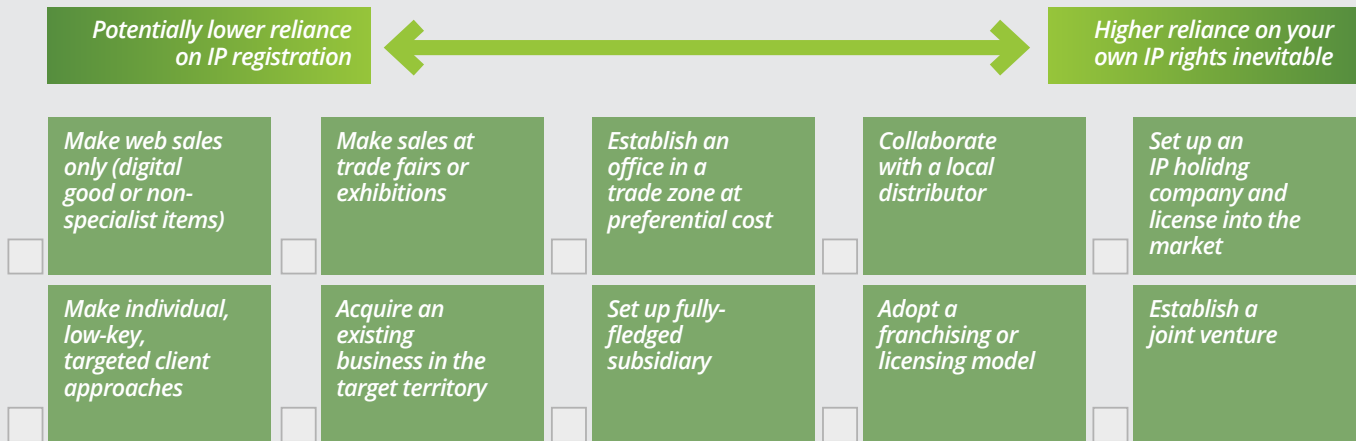
1. So you want to 'go global' ...



SUMMARY

The following list is based on the 10 market entry approaches set out in this section, and may be of assistance in helping you consider how 'IP intensive' your proposed international expansion strategy is likely to be. It is important to note that your activities must still be compliant with local laws (and that protecting your chosen branding will be important wherever you trade).

Also, even a single sale (or merely importing a product, even if it is not meant for sale) that infringes someone else's IP rights could cause you problems—so you need to be confident that you are free to trade first.





Determining where to file

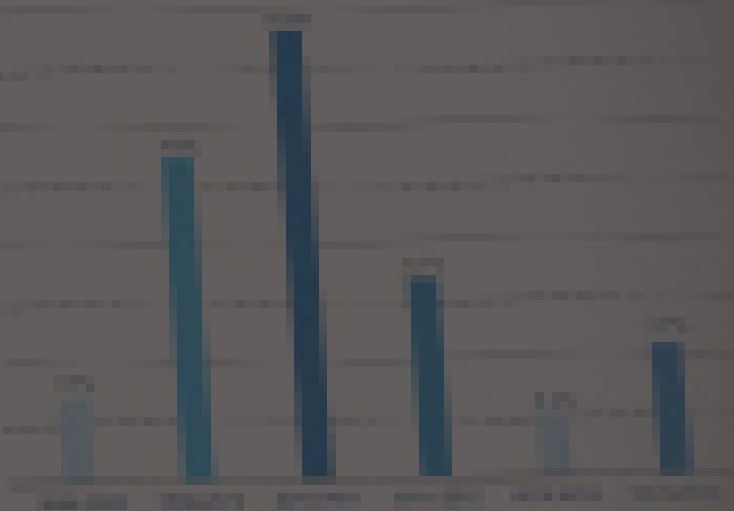


02

GLOBAL SHARE of Patent Filings

Over 80% of all patent filings worldwide are filed in the US, followed by Europe and Japan. The remaining 10% are filed in other countries.

US	81%
Europe	10%
Japan	7%
Other	2%



Growth.

2018	2019	2020
11,040	12,000	13,100
1,100,000	1,200,000	1,300,000
1,100,000	1,200,000	1,300,000
1,100,000	1,200,000	1,300,000

2. Determining where to file

Which markets have the greatest potential?

For some companies, international expansion just ‘happens’—customers in other countries get to find out about your products or services and place orders. For others, it requires a much more deliberate and conscious strategy to get a foothold in export markets.

Whichever of these approaches feels better suited to your business at this time, it will pay you to keep your IP rights and your trading activities ‘in sync’.

Assuming that you are not being entirely reactive and just waiting for orders to land, the starting point is to conduct some research to work out which markets offer the most promise in sales terms.

There are a number of aspects you will want to look at that are not directly IP-related (these might include target customer population; quality of infrastructure; political stability; taxes and tariffs; consumer buying preferences; language barriers or cultural differences) — though the likelihood of being able to enforce rights should be taken into consideration (as explored elsewhere in this guide).



Even in cases where you have decided to take a more reactive stance for the present, you can often still obtain insights into the territories likely to prove most promising. As an example, depending on your line of business, you may already be attracting significant international traffic to your website. You should be able to track where most online traffic originates, as well as where the majority of orders and enquiries are coming from.

This analysis should lead you to identify one or more target countries that can form the basis for further investigation from an IP perspective. It is useful to start with a manageable number of key markets so that you can take a more in-depth look at the potential competitors each one contains.

Make sure that you focus on the IP rights these competitors have decided to register, to understand whether these present barriers to your intended market entry, and whether the protection you want is likely to be available. For example, you might find evidence that other firms in overlapping markets are already using branding that is confusingly similar to your own, a situation you will need a strategy to manage. Advice on gathering competitor intelligence is contained in another guide in this series—**Knowing Your Competition**.

Analysis of competing IP strategies can also help you determine which rights are likely to be most important for you. However, it is unwise to rely on searches of patents covering your domestic market to examine these, as different protection will be in force overseas, and may increase the probability of infringement.

“A starting point for targeting territories for IP protection is to consider where you believe the greatest sales potential lies”

Where might infringing goods be manufactured?

While protection of sales opportunities is the primary driver of IP filing choices for many businesses, you should also give careful consideration to other ways of protecting your competitive advantage. One of these is to consider the source of any future problems—namely, where counterfeit or infringing goods are most likely to be made or imported.

IP rights do give you an opportunity to stop the importation of infringing goods to a market in which you are appropriately protected. However, it is best not to rely solely on this mechanism, as for it to work, you have to take out rights in every country in which you trade.



If you can use IP rights to tackle a problem at source, by stopping the infringing goods from being manufactured in the first place, you may solve a problem in several markets at once (including territories where your rights are not otherwise in force).

“If you are selling physical products, you need to consider where your current and future imitators are most likely to be based”

The countries that are most important to protect will be determined by your business activities. For example, if you are engaged in the manufacture of electronics, you might be most concerned about infringement occurring in China, Taiwan, South Korea and Japan. With further investigation, you will probably be able to identify a shortlist of countries where businesses are most active in your chosen sector and target these for your patent, trade mark and/or design applications.

It may be that your enquiries lead you to identify regional rather than national areas of concern. This is useful to know from an IP perspective too because as explained in this guide, there are certain parts of the world (such as Europe and Africa) that offer the facility to obtain region-wide rights.

You do not necessarily need to take out all possible IP rights in all countries—to do so with patents, in particular, can be very expensive indeed. But if you conduct your investigations into market potential and infringement risk thoroughly, you will at least have solid and impartial evidence on which to base any future prioritisation decisions you need to take.

2. Determining where to file

What practical and logistical considerations may be relevant?

Having thought about where you want to sell, and where your competitors might try to manufacture infringing goods, you then need to consider how you propose to serve the markets you have identified. This is a question of logistics — how can your products and services be delivered in the most cost-

effective and successful way? Do you need to appoint distributors? Might you need a local or regional production facility, and if so, do you need to own it yourself?

Most kinds of contractual arrangements you identify as being necessary to get your goods to market are likely to benefit from having the appropriate territorial IP rights in place. You can use these rights both to manage risk and to support your commercial negotiations. If you decide that you need to appoint an agent or distributor, for example, you may wish to license your trade mark to them for use in their own promotional materials and catalogues, which gives you the means to retain ultimate control; if your business partner does not fulfil their obligations, you can revoke their licence.

Sometimes, it is a viable option simply to ship products from your home country for export purposes in order to meet demand. This may provide the best and most secure option for protecting the identity, quality and origin of your goods. However, depending on your business model, it may be preferable to produce goods or deliver services closer to the point of sale. Also, when making a decision, you should also consider the possible impact on your business (in terms of profitability and reputation) of late shipments, goods delayed in customs and products ending up in the wrong location.

If this dilemma sounds familiar for your business, it is another reason to prioritise IP protection in your territories of choice, especially if by setting up operations in one country, you can serve several markets from it.

It is not necessarily the case that logistical operations like this have to be wholly owned by your company. For example, you may decide to subcontract or possibly franchise operational aspects to another party. If you do so, however, you'll find it especially beneficial to have IP rights in place; as well as forming the basis for an agreement, they provide a means of ensuring brand compliance, and monitoring production quantities and standards.

You will also want to ensure that you take out references as part of 'due diligence'. If you have difficulty obtaining these, industry associations can be helpful in sourcing information.

“It's vital to work out how you are going to get your goods and services to each export market, and whether you need additional rights”



SUMMARY

The following list offers a quick reminder of the three main principles explored in this section. In thinking about the markets to enter, it is important to consider where your rights will be obtainable and enforceable, as well as prioritising territories based on revenue generation potential and effectiveness against any infringement you anticipate may happen.

<i>What markets have the largest potential?</i>	<i>How will I manage the logistics? Can I export from Singapore?</i>	<i>Do I need partners/distributors in target countries?</i>
<i>Where might my competitors manufacture infringing goods?</i>	<i>What IP does my competition own in that territory?</i>	<i>How easy is it to enforce my rights in that country?</i>



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