



Brand protection and management strategies for Indian exporters to the European Union.

Niall Tierney explains why Ireland is arguably the best location in the European Union for Indian brand owners to manage, exploit and enforce Soft IP rights.

The European Union is the world's largest single market with a population of 500 million people. It is a loose confederation of 28 sovereign Member States and its single open market generates 20% of global GDP in terms of purchasing power.

According to the European Commission, the value of EU-India trade was €72.7 billion. Moreover, India enjoys trade preferences with the European Union under the Generalised Scheme of Preferences.

This article provides an overview of the various ways Indian exporters to the European Union can efficiently manage and exploit their Trademarks and Designs through a well run Intellectual Property holding company located in Ireland. The European Intellectual Property protection systems available to Indian exporters and their relative advantages and disadvantages are considered and discussed. I explain how these systems can and should be used, either on their own or in combination.

TRADEMARKS

The Community Trade Mark (CTM)

One of the most effective ways of securing protection for brands, logos and slogans in the European Union is through the Community Trade Mark system. The Community Trade Mark (CTM) was created in 1996 and is a unitary right that provides protection in all the Member States of the European Union. By means of a single application filed with the Trade Marks and Designs Registration Office of the European Union (OHIM), it is possible to secure a unitary Trade Mark registration enforceable in all Member States. Where an Indian business has already secured or filed an application for a Trademark registration in India for his/her brand/logo/slogan, it is possible to backdate the corresponding European CTM to the date of this application or registration, provided this is done within six months.

Why choose a CTM?

The advantage of the CTM is that it avoids the necessity of having to separately seek Trade Mark protection in each European Member state. The CTM also offers Indian exporters significant cost advantages. Typically, if branded goods and/or services are exported to at least three European States, it is much cheaper to protect the relevant right as a CTM rather than in each Member State.

Effectively, the holder of a CTM is granted an exclusive right to use the relevant Trade Mark throughout the Union and to prevent others from using anywhere in the European Union, without consent, identical or similar signs in relation to identical and/or similar goods/services. In some cases, it is possible for the holder of a CTM to seek temporary relief against suspected infringers by way of an injunction through a Community Trademark court anywhere in the European Union. If granted, the injunction will be enforceable in all EU Member States.

If a business already has a number of separate European Member State trademark registrations, the cost of renewing them every ten years can be avoided by using the CTM Seniority system. This system works by allowing the holders of European Member State registrations to claim their Seniority against the corresponding CTM, provided the Trademark owner and goods/services are identical. In claiming Seniority a CTM owner ensures that their CTM dates back to the date of the senior national registration. The ability to claim seniority can greatly reduce the cost of maintaining a European Trademark portfolio.

Holders of CTMs can also request European Customs authorities to seize and retain suspected counterfeit goods that pass through their control.

Transactions affecting a CTM

Any transaction involving a CTM (licences, security interests and assignments) only has to be registered centrally through OHIM.

Disadvantage of a CTM

The CTM comes with a significant proviso. It is an all or nothing right. If a CTM is cancelled, it is cancelled for the whole of the European Union. However, the holder of an unsuccessful CTM always has the option of converting it into separate European national registrations. The one significant feature of conversion is that the converted applications date back to the date the CTM was originally filed.

The Madrid Protocol

Like India, the European Union is a signatory of the Madrid Protocol which is a centralised system that allows for the protection of Trademarks on an international basis by means of a single application filed with the World Intellectual Property Office (W.I.P.O) in Geneva, Switzerland. The Madrid system works through a designation process. By designating the European Union (CTM) as part of the International application, an Indian Trademark owner avoids the need to separately designate those countries of the European Union where it wishes to protect its International Trademark. The CTM designation is examined in the same way as it would be if it was filed directly with OHIM.

Unless an objection is raised by OHIM within 18 months of filing, or the CTM designation is opposed, protection of the International Trademark is automatically granted. Even if a CTM designation is rejected or successfully opposed, it is still possible to convert it into separate European Member state designations with the same filing date of the CTM designation.

Any changes affecting the CTM such as licences and transfers can be handled centrally through W.I.P.O.

International Registrations are subject to renewal every ten years. However, only one fee has to be paid to W.I.P.O to renew an International registration rather than numerous

(Continued on page 2)

(Continued from page 1)

separate renewal fees.

Vulnerability to challenge

An International Trademark registration is vulnerable to challenge during the first five years of its life. Therefore, if the Indian Trademark application or registration upon which the International registration is based is successfully attacked, the corresponding International Trademark registration falls in its entirety. However, it is again possible to request conversion and transformation of the CTM and other designations, but this involves cost and delay.

When to designate a CTM

Designating the CTM as part of a Madrid Protocol may not always be a viable option for some businesses because of the possibility of central attack. In the circumstances, Indian businesses still have the option of separately designating those European countries where trademark protection is desired. The one drawback of separate European designations is the administrative burden of having to respond to any objections and/or oppositions that may be raised against the national designation. As it is a requirement to appoint a local lawyer in the event of an objection and/or opposition, costs could easily spiral out of control. In contrast, by designating the CTM, it will only be necessary to deal with OHIM in the event of an objection and/or opposition. Accordingly, unless a business is going to confine use of a Trademark to one or two European countries, it is always better to designate the CTM.

As it is not possible to seek International protection for a list of goods/services wider than those of the base Indian application or registration, Indian Trademark owners should file a standalone CTM if they require protection in Europe broader than that in India.

Using a CTM as the basis of an International registration

Another feature of the link between the CTM and the Madrid systems is that it is possible to use a CTM as the basis of an International registration, but this facility is only available to businesses domiciled or those with an establishment in the European Union. By establishing an Irish Intellectual Property holding company, Indian businesses may be able to overcome this obstacle as Ireland is a Member State of the European Union.

Separate European Member State Trademarks

Another option open to Indian businesses wishing to protect their Trademarks in the European Union is to seek separate registration in each Member State. While this option may seem the least attractive, it is not without its merits. As a CTM, and corresponding designation in an International registration, can potentially fail in their entirety, having numerous separate European registrations for the same Trademark provides more security. Also, in some European countries, a domestic European Trademark registration provides a defence in the case of an infringement claim by the holder of an earlier Trademark. It is doubtful that a CTM could provide a similar defence.

Disadvantage of separate EU Member State registrations

The main disadvantage of seeking separate European Trademark registrations is the possibility of having to deal with different examination regimes. While the standard of examination has been harmonised throughout the European

Union, the speed at which Trademark applications are examined has not. Trademark Registries in some European countries have a considerable backlog of applications waiting to be examined. In the event of an official objection and/or third party challenge to the national designation, it will be necessary to appoint a local Trademark attorney. This leads to a greater administrative burden and cost for the Trademark owner.

Overall, the CTM system offers the most flexible and cost effective Trademark protection method for Indian exporters to the European Union. For those Indian businesses contemplating or, who already have, an International registration, a CTM designation is worth considering if your branded goods are, or going to be, exported to more than two European countries.

DESIGNS

In Europe, designs can be protected if:

1. They are novel, i.e. no identical design has been made available to the public
2. Have individual character and an informed user finds that its overall impression is different to other designs.

Community Design

One of the most effective ways of protecting designs in the European Union is through the Community Design system. A European Community Design can be protected in either, its registered, or un-registered form.

Un-registered Community Design

In its un-registered form, a Community Design is protected for a period of three years from the date it was first made available to the public within the European Union. A Community Design allows its holder to prevent third parties from using either identical designs or designs that have the same overall impression on an informed user but can only prevent the direct copying of the protected design.

Registered Community Design

A Registered Community Design (RCD) allows its owner to prevent the use of identical or similar designs even if they have been innocently created. Unlike CTMs, RCD applications do not undergo a formal examination process. The RCD system is effectively a deposit system where the application is filed and registration is granted shortly thereafter; normally within three to four weeks of filing. An RCD registration lasts for an initial period of five years, but can be renewed thereafter for a further twenty years upon payment of a renewal fee. An RCD is enforceable throughout the European Union and, like the CTM, can be used as a tool to prevent the importation of counterfeit goods into the European Union.

If a third party successfully challenges the validity of an RCD, it falls for the whole of the European Union and it is not possible to subsequently convert the RCD into separate national registrations.

Separate European Member State registrations

An alternative to filing an RCD would be to separately seek registration in those European countries where protection is required. Fortunately, Design law has been harmonised throughout the European Union so the requirements of registration are the same in each European Member state. While seeking separate registrations is costly and

administratively cumbersome, consideration should be given to pursuing this route if the validity of the design in question is questionable. Anybody wishing to challenge the validity of the design would have the expense of bringing separate invalidity attacks in each country where the design is registered.

MANAGING YOUR TRADEMARK AND DESIGN PORTFOLIO

Using a combination of the CTM and RCD systems

There is some overlap between the CTM and RCD systems in that both can afford protection to certain types of designs such as logos and graphic symbols. Both systems can therefore be used in combination. As it can take up to nine months for a CTM to be registered, filing an RCD is a quicker route to protection. Legal advice should however always be sought from European Intellectual Property counsel before pursuing this route. All subsequent rights can then be held by an Intellectual Property holding company. You can then decide where to base the IPR holding company.

Where to base your IP holding company

Where to incorporate your IPR holding company depends on a number of factors ranging from ease of incorporation to regulatory and/or legal requirements. I suggest that Ireland is the best location for the following reasons:

1. **Ireland is a full Member State of the European Union** - As an integrated Member State of the European Union, Ireland is one of the most attractive Intellectual Property Holding company jurisdictions, especially for businesses in other English speaking Common law countries.
2. **Ireland is the only official English speaking country within the Eurozone** - The Eurozone comprises 18 Member States of the European Union which have adopted the EURO as their currency. Ireland is the unique position to be the only official English speaking Member State in the Eurozone. This is significant because the European Union Trade Marks and Designs Office (OHIM) and other bodies of the European Union only deal in EUROS. Irish originated payments made to and received from institutions and bodies of the European Union are therefore not susceptible to exchange rate risk and currencies transaction fees, unlike payments made to and from non-Eurozone countries. This also has an advantageous bearing in relation to contentious matters brought before courts in Eurozone Member States by Irish incorporated IP holding companies.
3. **Ireland is the only Common law jurisdiction in the European Union with judicially recognised written Constitutional protection for Intellectual Property Rights** - Ireland is the only Common law country in the European Union with a written Constitution. Article 40.3.2° not only protects the property rights of individual citizens, but also corporations. Article 43.2.1° further prohibits the State from passing law abolishing the right of private ownership or the general right to transfer, bequeath the private ownership of external goods. As far as the Irish courts are concerned, Intellectual Property rights secure the same Constitutional protection as real property. This has

been confirmed in two Supreme Court decisions. *Phonographic Performance (Ireland) Ltd v Cody (1998)* established that Constitutional protection can extend to intangible rights and *Re Article 26 and the Employment Equality Bill 1996* where the Irish Supreme Court recognised that the right to carry on a business and earn a livelihood was a property right. Significantly, both Trade Marks and Patent legislation in Ireland stipulate that registered patents and trade marks are deemed to be property rights. Therefore, by implication, registered patents and trade marks enforceable in Ireland fall under the protection of the property provisions of the Irish Constitution.

4. **Ireland allows for more effective and streamlined enforcement of EU Trade Marks (CTMs) and Designs** - Business that own European Union Trade Marks (CTMs) and Designs (RCDs) and which are not domiciled or established in the European Union are likely to encounter difficulties in enforcing these rights, particularly if an infringer is based outside of the European Union. This is because of the complex enforcement and jurisdiction rules laid down in the regulations which govern the CTM and RCD. One of the most effective ways of overcoming these challenges is to locate European Trade Mark and Design rights within the European Union. For non-EU domiciled businesses from Common law countries without an establishment in the European Union, Ireland is arguably the best EU country to locate Soft IP rights in view of its (i) English speaking Common law system (ii) English speaking efficient and IP friendly judicial system and (iii) membership of the Eurozone.
5. **Ireland has a flexible immigration policy to allow for relocation of non-EU IP management teams** - As Ireland is a Member State of European Union, any EU national is entitled to live and work there without the need for visas or indeed residency registration. Even for countries outside the European Union, Ireland operates a flexible Intra Company Transfer Employment permit system which allows for the transfer of non-EU senior management, key personnel and even trainees. The advantage of this flexible system for large IP management teams based outside of the European Union cannot be understated. By using the Intra Transfer Employment permit, it should be possible to transfer an entire IP management team from outside the European Union to Ireland with relative ease.
6. **Ireland has a highly educated workforce and one of the most respected legal education systems in the world** - For those businesses wishing to recruit Irish nationals to their IP management teams, Ireland is the 10th most educated country in the world, according to the OECD. Furthermore, in a European Commission study on third level education, Ireland produced the most highly employable graduates in the world. Irish Unit Labour costs have also been falling since 2012 and are now some of the most competitive in the European Union. The IMD World Competitiveness Yearbook 2014 ranked Ireland No.1 for availability of skilled labour. All this makes Ireland a particularly attractive location to build up an IP management team.

The legal profession itself in Ireland will shortly undergo radical change with the expected passing of Legal Services Regulation Bill 2014. All lawyers in Ireland will be regulated by a single authority, the Legal Services Regulation Authority. Significantly, all lawyers (Barristers and Solicitors) will have easier and automatic rights of audience before Irish courts; at present only barristers who are members of the Law Library and a small number of solicitors tend to advocate before the higher courts. The new Bill also allows for the future creation of Multi-Disciplinary Practices and Alternative Business Structures similar to those that exist in jurisdictions like Australia and the United Kingdom. It should therefore be possible for different professions (e.g. Accountants and Legal Practitioners) to practise and offer services under one roof. In effect, legal services will become more streamlined, accessible and efficient.

It is also expected that the Legal Services Regulation Bill will allow for the radical liberalisation of Ireland's legal education system. Notwithstanding the imminent changes, the existing and rigorous training and examination system for those wishing to qualify as Irish Registered Patent Attorneys and Registered Trade Mark Attorneys is to remain in place and will ensure that Irish Intellectual Property Attorneys remain some of the best qualified in the European Union.

7. **Ireland is recognised by Forbes® as the best place to do business** - In 2013, the leading business publication Forbes® ranked Ireland as the best place to do business in the world. This finding is not surprising when you consider that 9 out of 10 of the world's Global Software and Pharmaceutical companies have located in Ireland where companies like Google® and Facebook® now have their European headquarters.

For those businesses wishing to locate their Intellectual Property Rights in Ireland, the actual process of establishing a company is perhaps the best in the industrialised world. It generally takes less than 10 days for the incorporation of a company in Ireland to be completed.

8. **Ireland is an attractive European location which provides a tax efficient regime to manage IP assets** - Ireland's low (12.5%) corporate tax rate and extensive double tax treaty network, coupled with its highly skilled labour force and other business advantages, has helped position Ireland as a leading location for foreign direct investment. Historically, such investment has mainly come from the US and Europe. However, in recent years, there has been increasing interest from India.

The Irish onshore Intellectual Property regime provides an opportunity to reduce the amount of Irish profits subject to tax. The key features of this regime include:

- A tax deduction is available on the acquisition of broadly defined Intellectual Property (e.g., brands, registered designs, patents, trademarks, domain names, know-how, goodwill attributable to these items etc.).
- Companies have the option to elect for a tax deduction over a 15 year period, or alternatively to follow the accounting

amortisation rate for tax purposes, which provides some flexibility to the regime.

- The tax deduction may be offset against income from Intellectual Property-related activities, including the sale of goods or services that derive the greater part of their value from the Intellectual Property.
- The maximum annual deduction (including any associated funding costs) is restricted, in Ireland's case to 80% of the Intellectual Property-related profits arising. Any excess deductions may be carried forward and offset in succeeding years, again subject to an 80% restriction. There is no claw back of tax deductions provided the Intellectual Property is held for 10 years.

Summary

In conclusion, the most cost effective and efficient way a Indian exporter can protect, manage and exploit its brands and designs is by incorporating an Irish Intellectual Property holding company to own and exploit these rights. Ireland provides a unique mix of valuable tax incentives and the ability to use the CTM, RCD and Madrid Protocol systems to their full effect. Ireland is an attractive location for incorporating such a company.

With over 20 years experience in Soft IP law, including a period gained in-house as a Trademark advisor to an Intellectual Property Holding company in a low tax jurisdiction, Niall Tierney has extensive expertise in advising and assisting businesses in how to protect, manage, enforce and exploit Soft IP rights.

Tierney IP provides an Acorn to Oak service which will advise and assist you in corporate structure set up and governance of your Irish IP holding company; intra-group transfers and licences; developing and/or transferring an IP management team to Ireland; maximising full advantage of Ireland's IP friendly corporate tax regime as part of your overall corporate tax planning strategy.

Call Niall on +353 87-380-7627 or email him at office@tierneyip.com for an initial free consultation.

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Niall Tierney

Tierney IP
17 Castle Street
Dalkey
Co Dublin
IRELAND

T: +353 (0)87 380 7627
E: niall@tierneyip.com



Niall Tierney is the owner and manager of Tierney IP, a Soft IP consultancy practice based in Dublin, Ireland.

Niall qualified as a lawyer in both England (Solicitor) and Ireland (Barrister-at-Law) and has over 20 years experience of Soft IP law gained in-house and private practice in Ireland, Switzerland and the United Kingdom. He has extensive experience of advising and acting for clients of all sizes, across a spectrum of sectors from food and fashion to information technology, pharmaceuticals and media.