2. Preliminary Considerations

Having decided where in the Community to locate its investment, a Canadian business will next consider several preliminary issues.

a) Protecting Intangibles

A Canadian business planning to carry on EC operations will typically seek to protect two intangible assets -- its intellectual property and its business name. It should be noted that except in specialized cases, such as broadcast retransmission, no Community rules exist in relation to the protection of copyright, although proposals are under way in such areas as computer software.

b) Business Name

No Community-wide system of registration and protection exists in relation to business names. This means the investor must apply for the right to register and use a particular name in each member state in which it intends to do business. An investor who incorporates a subsidiary or registers a branch in a Community country will be advised in either case as to whether the name is registrable. If it is, the name will be protected in that country once registration occurs. No business name can be protected simply through name registration; at least a minimal commercial operation must be established.

c) Trademarks

Rules concerning trademark registration, use and protection are still governed by the national laws of each member state. However, a new Community-wide system of rules has been adopted, which will be in force not later than the end of 1992. Although the First Trademark Directive will harmonize national rules in several important ways, national rules in this area remain important.

A particular concern for any Canadian company seeking EC trademark protection is that, while in some member states registration amounts to effective assurance that the trademark in question belongs to no one else, in other states registration does not include an automatic trademark search, and such protection is therefore not granted. A related problem is that some member states grant protection to trademarks acquired by use. To prevent a possible action for revocation and damages in such countries as a result of failure to discover competing marks, an experienced private-sector agency should be used to do a thorough search.

National laws also apply to trademarks in other respects, including the right to establish administrative procedures for registration and revocation of marks and to determine the effects of revocation or invalidation. In most other aspects, however, the Trademark Directive is a significant harmonizing feature. Under the Directive, a trademark will, as now, be valid only in the individual countries in which it is registered. The Directive will, however, considerably increase uniformity and predictability in this area for Canadian and other investors by establishing a set of common rules to be followed by each Community member.

Specifically, the Directive defines a trademark and governs the kinds of signs that cannot constitute a mark and the grounds for refusal of registration and for revocation, among other issues. The Directive also provides that a trademark can be licensed anywhere in the Community, on an exclusive or non-exclusive basis, for any territory on which the licensor and licensee jointly agree.

A significant benefit for Canadian and other trademark owners is that the national laws of many member states do not require trademark holders to use their mark before registration. Accordingly, in these countries, a Canadian trademark owner can register its mark in several Community countries even before it plans to use it in a particular area. The Trademark Directive will not change this entitlement.

On the other hand, the Directive provides that if an owner does not actively use the registered trademark for a period of five years, the mark's registration can be revoked. Less strict Canadian law in this area allows a 15-year period before a trademark registration must be renewed and does not require proof of use in order to obtain a renewal, although non-use can result in a challenge to the mark.