



Intellectual Property Considerations In Cross Border Business Venture

Introduction

Cross-border business ventures have become increasingly popular in today's globalized economy as individuals and businesses attempt to gain a competitive edge by collaborating with other businesses in new territories and leveraging on each other's expertise. Given the complexities of cross-border collaborations, it is important to be aware of and fully understand the issues surrounding them, particularly as they relate to Intellectual property (“IP”). This is the focus of this article.

Cross-border business ventures, as the name suggests, transcend borders and involve people or companies dealing with or collaborating with businesses abroad. These ventures increase the possibility of exploring new niches, increasing production and market sales, and individuals and corporate entities entering new industries.

Role of IP in Cross-Border Business Venture

IP encompasses various intangible assets, including patents, trademarks, copyrights, and trade secrets, that give companies a competitive edge and safeguard their innovations, brands, and confidential information.

In cross-border joint ventures, the partners bring their respective IP assets to the collaboration, contributing to the venture's success. It is consequently crucial to clearly define and categorize the IP assets involved and establish protocols for their use, ownership, transfer, and protection. This entails determining the ownership of jointly developed IP, establishing guidelines for licensing or sublicensing arrangements, and addressing potential conflicts between different IP rights.

IP protection plays a pivotal role in cross border ventures as it guards against the unauthorized usage and imitation of the intangible assets of each participating business and grants exclusive ownership and control over them. Unfortunately, some businesses do not adequately consider the need to protect their IP rights when dealing with other businesses outside their municipal borders, even though it is extremely necessary that they should.

In driving home the point, the following IP rights will be considered: Trademark; Copyright; Industrial Design and Patent.

Trademark

Trademark is a recognizable sign, symbol, word, or mark that is distinctive and capable of distinguishing different goods or services etc. Trademark registration is important as it guards against the risks of infringement and grants exclusive ownership to the proprietor of the mark.

Protecting this right is crucial in any cross-border venture to prevent a business located in a different geographical territory from imitating/ copying the brands or infringing on it without the necessary legal consequences. This is not just to protect the economic rights of the proprietor but also the non-economic right (i.e., integrity and reputation).

Ashlux (“Ash”) is an example of a successful cross-border venture. It is a Nigerian fashion brand in Nigeria with a unique trademark duly registered in the United Kingdom (the “UK”) and partners with international brands in the United Kingdom. If Ashlux were not trademarked, it would be possible for any international brand who sees the mark to imitate or copy it and proceed to register the mark in the UK as their own mark.

Businesses must ensure that they examine the IP laws of the foreign countries where they operate to ensure that they fully comply with these laws. For example, any international organization that intends

to collaborate with a Nigerian business must note that even though their mark is registered in their home country, it is not protected in Nigeria until it has been registered, and a certificate of registration has been issued by the trademark registry in Nigeria.

Copyright

Copyright gives the owner of a literary, artistic or musical work an exclusive control and right over how their work is used, such that others cannot lawfully use the work without the owner(s) permission or grant permission for its use. For a work to be protected by copyright (a) it must be original, meaning some creative effort was involved and the work was not simply a copy of another; and (b) fixed in a tangible medium of expression, such as written down, recorded, or otherwise made perceptible. In Nigeria, the Copyright Act 2022 seeks to protect a copyright holder's rights in literary works, musical works, artistic works, cinematographic films, sound recordings and broadcasts.

Copyright protection is automatic upon the creation of an original work without registration because copyright law protects the expression of ideas as soon as they are fixed in a tangible form, such as being written, recorded, or saved digitally. However, registration remains essential as it provides concrete proof of ownership and simplifies enforcement. Additionally, in many jurisdictions, registration is required before an author can sue for infringement. It also simplifies licensing and commercial use, as having an official record makes it easier to sell, license, or transfer rights.

The collaborations between digital streaming platforms like Spotify, Apple Music and Boomplay and musical artistes. While streaming platforms provide a global audience and new revenue streams, there are concerns about copyright infringement as well as issues regarding fair compensation, royalty collection, piracy, and competition and the dominance of international platforms.

Notably, even though copyright protection is territorial in nature, right holders in Nigeria enjoy copyright protection in countries which are member states of international copyright treaties and conventions for which Nigeria is also a party.

Patent

A patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. A patent excludes all others but the owner from making, using, selling, or importing the invention protected by the patent.

In a cross-border business venture, it is not uncommon to encounter patents for inventions born out of collaborative efforts, and the law duly recognises that co-inventors may jointly file patent applications. Each co-inventor is entitled to an equal, undivided share of the patent or application. Subject to any agreements to the contrary, each co-owner may exploit the patent for their own benefit. However, they may not license, assign, or mortgage their share in the patent without obtaining the consent of the other co-owners.

Common IP Challenges in Cross-Border Business Ventures

Cross-border business ventures often involve the exchange and use of valuable IP rights, which present complex challenges worthy of consideration.

1. **Navigating Different IP Laws and Regulation:** Business ventures operating across multiple countries face the challenge of navigating a diverse landscape of IP laws and regulations. For instance, what might be a straightforward procedure for registering patents, trademarks, and copyrights in one country could be more cumbersome or require additional steps in another.

Also, the standards and criteria for what constitutes a patentable invention are not uniform globally. An invention that qualifies for a patent in one country might not meet the requirements in another, leading to inconsistencies and potential disputes.

2. **IP Licensing Risks:** In many cases, a cross-border business will utilize the IP owned by a business partner. Licensing arrangements enable the expansion of a product or service into new territories without the significant investment required to start from scratch. In essence, neglecting to secure and properly license IP means that valuable business innovations and creations may be lost to competitors, or even ill-intentioned business partners. This can lead to financial losses, diminished market position, and a reduction in the overall value of the relevant IP assets.
3. **Dispute Resolution:** IP disputes can arise in cross-border business ventures, potentially jeopardizing the success of a collaboration. Thus, in the event of an IP-related dispute, resolving conflicts across borders can be challenging and time-consuming.
4. **Threat of IP Theft:** When collaborating with partners from various jurisdictions and exchanging confidential information, there necessarily is threat of IP theft. In the absence of adequate safeguards, a partner may inadvertently or deliberately infringe on other's IP rights, jeopardizing the partnership, and putting the business at risk.
5. **Enforcement and Compliance Issues:** Different countries have distinct legal frameworks for IP protection and enforcement. This diversity can lead to inconsistencies in how IP laws are applied and interpreted, complicating the registration and enforcement process for the players interested in cross-border ventures. Also, IP laws are subject to frequent changes and updates. Keeping abreast of these changes and ensuring compliance across all relevant jurisdictions can be a daunting task for multinational ventures.

Effective Strategies for Managing Intellectual Property in Cross-Border Joint Ventures

Managing IP in cross-border business ventures requires a well-thought-out approach. By implementing these strategies, joint ventures can effectively manage IP, mitigate risks, and leverage their combined assets for mutual success.

1. **Conduct Thorough Due Diligence:** Before embarking on a cross-border business venture, it is imperative to conduct thorough and meticulous due diligence to assess the potential risks and benefits. Due diligence encompasses a comprehensive review of patents, trademarks, and copyrights and identifying any potential conflicts that may arise in order to devise proactive strategies to resolve these issues in advance. Freedom-to-operate (FTO) analyses are an essential component of IP due diligence. These evaluations assess whether a company's products, services, or planned activities infringe upon the IP rights of third parties, enabling businesses to make informed decisions and mitigate potential legal risks proactively.
2. **Draft Comprehensive intellectual property agreements:** it is crucial for parties to draft agreements and clear clauses that specify the terms of use, limitations, and responsibilities of each party. Agreements should establish clear guidelines, rights, and obligations regarding ownership, usage, transfer of IP and rights to new IP developed during the venture. It should also include a robust provision for confidentiality and non-disclosure. For instance, the collaboration between Toyota and Tesla involved sharing IP related to electric vehicle technologies. They established clear guidelines for IP sharing, negotiated licensing agreements, and implemented confidentiality measures to protect sensitive information.
3. **Maintain Open Communication and Collaboration:** The parties to any cross-border venture should schedule regular meetings to provide opportunities to address IP issues promptly.

4. **IP Protection/Strategy, Mechanisms and Strategic Partnership:** Parties should register patents, designs, trademarks, and copyrights in relevant jurisdictions and ensure that all IP are adequately documented. Also, collaborating with local entities and government agencies can enhance the effectiveness of cross-border IP protection efforts.
5. **Ensure Compliance with Legal & Regulatory Requirement of all Local and International Laws:** Compliance with IP laws and regulations is essential to protect the business venture's IP assets and avoid legal consequences. Thus, parties are to strive to understand and adhere to the IP laws of all countries involved in the venture.
6. **Effective Dispute Resolution Mechanism:** It is important for parties in a cross-border business venture to pay attention to the choice of law for dispute resolution, the mechanism to be adopted, the costs, venue, etc. By establishing a clear process for resolving disputes, businesses in a joint venture can minimize disruptions and protect their valuable IP assets.

Conclusion

IP plays a pivotal role in cross border business ventures and the recognition and appreciation of IP rights can help businesses efficiently navigate the difficulties in securing their intellectual creation and maintain a fruitful collaboration. Also, by understanding the legal dimensions of IP protection, businesses can mitigate risks, exploit opportunities, and safeguard their innovations and business in an increasingly interconnected and competitive global economy.

Authors



Adeyinka Adeoye

Associate

adeyinka.adeoye@gelias.com

Adeyinka Adeoye is an Associate with the firm. She is a member of the Nigerian Bar Association and holds a Bachelor of Laws degree from the University of Ibadan where she graduated with First Class Honours.



Hakeemah Ishola

Associate

hakeemah.ishola@gelias.com

Hakeemah Ishola is an Associate with the firm. She is a member of the Nigerian Bar Association. She holds a Bachelor of Laws degree from Afe Babalola University, Ado-Ekiti where she graduated with First Class Honours and was recognized as the Best Graduating Student in health law.

G. ELIAS

G. Elias

Lagos Office: 6 Broad Street, Lagos, Nigeria

Abuja Office: 2nd Floor, Abia House, Plot 979, First Avenue, Off Ahmadu Bello Way, Central Business District, Abuja

Practices: ● Arbitration ● Capital Markets ● Competition ● Compliance ● Corporate ● Data Protection ● Derivatives ● Employment ● Environmental ● Foreign Investment ● Insolvency ● Intellectual Property ● Investigations and Hearings ● Lendings ● Litigation ● Mergers and Acquisitions ● Tax ● White Collar ●

Sectors ● Agribusiness ● Commercial Banking ● Commodities ● Construction ● Development Finance ● Electric Power ● Entertainment ● Fintech ● Foreign Trade ● Healthcare ● Infrastructure ● Insurance ● Investment Banking ● Manufacturing ● Media ● Mining ● Oil and Gas ● Pensions ● Private Equity ● Real Estate ● Retail and Distributorship ● Services ● Technology ● Telecommunications ● Transport ● Venture Capital ●

www.gelias.com