

## Thinking About Technology Distribution in Europe? Then Do Your Homework

*By John Yates, Special To LTW*

**Editor's note: This is the first of a two-part article. John C. Yates is the Partner-In-Charge of the Technology Group of the Atlanta law firm of Morris, Manning & Martin, LLP.**

ATLANTA - I just returned from a marathon two and one-half day trip to Finland via Paris. While I'm still awake, I decided to focus on comparative distribution strategies for tech companies – in the US versus Europe.

First, consider my perspective. I've represented hundreds of tech companies for the past twenty years in the Southeast. Most of these companies are located in the region and many of them have expanded nationally and globally.

In addition, I serve on the Supervisory Board of two European software companies. One is traded on the Amsterdam Stock Exchange (now known as the Euronext) and the other is public on the Helsinki Stock Exchange. Both companies have offices in the US. Their American headquarters are in the Southeast.

How difficult is it to implement a successful distribution strategy in Europe?

The answer is: extremely.

Consider the comparative facts between the US and Europe.

**Number of Separate Entities** – The US has a federal and state governmental system that imposes legal restrictions on distribution. However, there is remarkable uniformity in these laws (thanks in part to the Uniform Commercial Code and the respect that the courts have for the laws of other states). Our legal and judicial systems have matured for hundreds of years and evolved into a system that is imperfect but the envy of the world.

On the other hand, consider the European Union (EU). There are currently 15 countries with significantly different laws in a number of areas. True, the European Commission has imposed some level of uniformity in the legal area, but the legal system has some major flaws and the laws are not always applied consistently.

**Ongoing Expansion** – Efforts are underway to add ten new countries in the EU. Many of these countries have archaic legal and judicial systems (a vestige of Communist rule of the Eastern Bloc). Years will go by before these new member countries are able to advance their legal systems to the level of the US. And the laws regulating tech distribution will take time to develop.

**How Many Languages?** - With a single national language, the US has a huge advantage in conducting commerce. (To be fair, Spanish is coming on strong in the US as a second language of choice).

Compare the US situation with that of Europe. When all 25 countries have joined together in the EU, there will be more than twenty separate languages. Imagine being the VP of Sales for Europe and trying to learn even a fraction of these languages!

Thus, most businesses in Europe have English-speaking executives. My experience, however, is that the levels of English proficiency vary widely. Also, cultural differences can result in complete misinterpretation or tortured translation from one language to another.

**Constitutional Law** – The US Constitution is the cornerstone of democracy in our country. The Constitution has had two centuries of practical usage and interpretation. The result is a fairly consistent appreciation of the commercial aspects of constitutional law in the US.

By contrast, the European Union has no constitution. Rather, in the past several days, European leaders have been meeting to craft their own constitution. The draft constitution is based, in part, on the democratic principles in the US counterpart. (Note that the drafts of the European Constitution reflect a document almost five times as long as the US Constitution and far more ambiguous.) Legal scholars question whether the EU will ever have a workable constitution in our lifetime – it will certainly be one that is translated into 20 plus languages!

**Thursday: Headaches for sales VPs and dealing with labor issues.**

*This column is presented for educational and information purposes and is not intended to constitute legal advice.*

*John C. Yates is the Partner-In-Charge of the Technology Group of the Atlanta law firm of Morris, Manning & Martin, LLP. He can be reached at [jcy@mmmlaw.com](mailto:jcy@mmmlaw.com) and (404) 504-5444.*