

IP Rights – More Vital Than Ever

To maximise the benefits of owning intellectual property rights, more now than ever, every small business should develop an IP strategy at the earliest opportunity, aligned with their overall business strategy, and update the strategy regularly as their business grows, says Stephen Carter at Mewburn Ellis LLP

"In today's global economy, knowledge capital, more than physical capital, will drive the success of the UK economy. Against this backdrop, IP rights, which protect the value of creative ideas, are more vital than ever."

Andrew Gowers, Dec 2006

They say that imitation is the sincerest form of flattery. It is also often the cheapest way for a new competitor to enter the market and, whilst competition might generally be considered a good thing, this form of (arguably unfair) competition is almost certainly not good for the original innovator whose efforts the imitator benefits from for free. This is one reason why, as Andrew Gowers concluded in his recent Review of Intellectual Property commissioned by the UK Government, IP rights are vital to underpin the success of UK businesses and, more generally, the UK economy as a whole. This is especially the case for small and rapidly growing businesses that must look to outside sources for funds to support their growth, as adequate IP protection is more often than not a prerequisite for such investments.

At the same time, it must be appreciated that there can be significant costs associated with obtaining intellectual property protection, so any IP strategy must strike a balance between these costs and the commercial value of owning the IP. Without an appropriate IP strategy, closely aligned to the overall commercial goals of a business, the danger is that IP rights rapidly become an expensive white elephant.

What to Protect?

A key question that must be addressed in any IP strategy is what to protect?

Businesses are creating an ever increasing amount of "knowledge capital", much of which in principle could be afforded protection by intellectual property rights. In the real world, however, there are limited resources available. A business must elect which of their creations to protect, whilst leaving others unprotected. This is not any easy decision to make.

A starting point is to consider what features of a creation a competitor could best use to provide them with a 'springboard' into the marketplace. If you can prevent them from taking too many shortcuts in their own creative process then you can maximise the period of time in which you have exclusivity in the market place. Consider also whether there are key features of your creation to which the commercial value can be primarily attributed. These features are likely to be a good focus for the protection you seek.

It is important to appreciate, however, that IP rights can play a varied role in the overall commercial strategy of a business. The traditional role that people tend to think of is the offensive one; actively using your intellectual property to exclude others, preserving a market for you or those authorised by you to exploit exclusively. Another role is use of an IP right itself to generate revenue, either through licensing or selling it. Also very relevant, particularly for growing businesses, is the role that IP rights, and more generally a good intellectual property strategy, play in attracting investors; in my experience in the technology sector, whilst investors are generally attracted to good science rather than good patents, the absence of an appropriate strategy for protecting the good science can often be a deal breaker. An IP portfolio can also have a defensive role to play. It can deter competitors from enforcing their rights against you (for fear of retaliation) and any dispute might be settled by way of a cross-license.

How to Protect?

Having decided what to protect, thought needs to be given to how best to protect it. Some intellectual property rights come into existence automatically. One example is copyright. Stronger, 'registered' IP rights, including patents, registered trade marks and registered designs, need to be actively sought.

Patents protect technical innovations. They provide protection for the technical concepts embodied in a product and/or in the processes for manufacturing the product so can provide protection that is broader than the specific product or products that have been developed. Patents are infringed by a competitor's product that employs the technical innovation covered by the patent (as defined by the patent's claims), irrespective of whether or not the products look alike.

A trade mark is something (e.g. a word or sign) which enables customers to identify goods or services as coming from a particular source. Marks can be very valuable and important if properly developed by advertising, promotion and correct use on quality products or services. Thus, it is vitally important for the mark's reputation and the producer's reputation to protect the mark. A **trade mark registration** generally gives the proprietor the right to stop others from using confusingly similar marks in relation to similar goods or services. In some circumstances the owner of a registered mark can even stop others from using a mark for goods or services which are not similar to those for which it is registered.

Registered designs give protection for the appearance of a product. A registered design will be infringed by a competitor's product that has the same or a closely similar appearance (whether it is 'technically' the same or not). So, registered designs provide useful protection where the appearance or look of a product is important to the end user and therefore adds value to the product.

Where to Protect?

Registered IP rights are territorial rights, i.e. they are limited to the specific territories in which you seek protection. The more territories you choose to cover, the more applications are needed and the higher the costs. Typical strategies include seeking protection in key (large or strategically important) markets and, where they are well defined, countries where competitors operate (e.g. manufacture).

Systems exist that enable you to avoid the 'big bang' approach of seeking protection in all territories of interest at one time, allowing you to postpone the associated costs without harming the available protection. There are also some regional registrations (in particular Community Registered Designs and Trade Marks, and European Patents) that provide cost effective routes to obtaining protection in multiple countries within the region.

For all of these registered IP rights it is possible to file a single application in one country to start with and to later file applications covering the other countries of interest that claim 'priority' from the first filed application. The priority claiming applications are treated as if they had been filed on the same day as the first filed application.

When to Protect?

For patent and registered design protection it is very important that the first applications are filed before the invention or design you are seeking to protect has been disclosed publicly. This is because the question of whether you will be granted protection is, in most countries, judged against what was in the public domain at the filing date of the application, including any disclosures you have made yourself.

It is also important to appreciate that in most countries registered IP rights are granted on a first come, first served basis. So, particularly if you are in a competitive field, it can be important to file an application sooner rather than later.

On the other hand, the sooner you file an application the sooner you are committed to the potentially high costs of following the application through, and this factor may mean delay is appropriate in some cases.

What about Rights of Others?

In all of this it must not be forgotten that your competitors may well have their own IP rights. It is important to be aware of the impact that rights of others could have: at worst, halting your activities completely. Prudent businesses will have in place strategies for dealing with this.

Such strategies might include watching the IP filing activity of known competitors. This may allow a business to work around competitor's patents or other rights and/or to consider whether they might be vulnerable to attack. Watching a competitor's IP filing activity can also provide useful intelligence for their development work.

And, as already inferred above, sometimes the best defence can be possession of your own portfolio of intellectual property rights.

Stephen Carter is a partner in Mewburn Ellis LLP, one of Europe's premier IP firms, with over 60 patent and trade mark attorneys and technical specialists, covering the full range of intellectual property issues: patents, trade marks, designs, industrial copyright and related matters.

Stephen has Degree and MPhil (Masters) in Mechanical Engineering from University of Bath. He joined Mewburn Ellis in 1994, became a Chartered Patent Attorney and European Patent Attorney in 1998. He worked for law firm from 2000 to 2004, gaining experience in IP litigation and due diligence work for corporate transactions and IPOs, before rejoining Mewburn Ellis as partner in 2004. Stephen's work is mainly in the engineering and software fields. Further details:

Mewburn Ellis LLP
33 Gutter Lane
London EC2V 8AS
Tel: 020 7776 5300
e-mail: Stephen.carter@mewburn.com
www.mewburn.com