

Briefing Note: 10 Tips Towards Better Use of Intellectual Property

An Introduction to the Guide

This Guide is aimed firmly at owner managed businesses in the small to medium-sized enterprises (SME) sector and is designed to be a practical resume of points to consider rather than detailed technical advice. This guide should not be relied upon as legal advice and you should contact us for advice on your specific circumstances.

1. What is Intellectual Property - (IP)?

Intellectual Property is the term used to describe patents, trade marks, designs and copyright. Often a company's intellectual property is its most valuable asset and, as with any asset, requires protection and maintenance before its potential can be realised either as an asset to produce income, to sell or to use to raise finance.

2. Patents - Keep your idea secret

A patent is a right which can only arise through registration and gives the owner a monopoly right to manufacture or license an invention. The patent system is a bargain between the State and the inventor that the State will grant the inventor a monopoly in the invention for twenty years in return for the inventor publishing a clear description of how the invention works. Once the patent expires the invention may be used by anyone. The three criteria for obtaining a patent are:

- Novelty - the invention must not have been disclosed before the application date
- Invention - the subject of the application must be more than an obvious step beyond existing knowledge
- Industrial - the invention must be capable of industrial application which means that it must be capable of working and of manufacture.

A patent takes effect only in the country in which it is registered.

The patent application procedure is complex, long and expensive, but is the only way of guaranteeing exclusive use of an invention. The importance of filing an application **before** disclosing the invention cannot be overstated. Another way in which a company can protect its position is to ensure that anyone to whom the invention is disclosed signs a confidentiality agreement, which is advisable as an addition to filing a patent application and not an alternative.

3. Trade Marks - Identify and @register

Every trader has at least one trade mark and most have several.

A trade mark is anything which is used by a business to identify itself or its products and can be any of the following:

- Company name
- Trading name
- Domain name
- Logo
- Colour Combination
- Slogan

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Summary:

An accessible introduction to intellectual property and how businesses can protect these valuable assets.

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Product name

Product shape Sound

The registration process requires that a mark must be registered for specified goods or services. The easiest marks to register are invented words (TWIX, AMSTRAD, KODAK). Once a mark is registered the owner may use the ® symbol. It is a criminal offence to use this symbol unless the mark has been registered. The symbol TM may be used to identify an unregistered mark although to the trained eye this identifies a mark which has not been registered.

The difference between a registered and unregistered mark lies in enforcement. If someone other than the owner of a registration uses a registered trade mark in relation to goods or services which are similar to those covered by the registration, the registration owner may issue High Court proceedings for trade mark infringement. The action is relatively straightforward, quick and inexpensive, when compared with the steps which must be taken to prevent misuse of an unregistered mark. In that case, the only remedy available is under the law of passing off which is a non-statutory right which is much more difficult, expensive and lengthy to litigate.

Once a registration is obtained it can be kept alive indefinitely provided renewal fees are paid every ten years. The oldest trade mark remaining on the register is the Bass red triangle which has been registered for more than 100 years. A registration can be cancelled if it is not used for a continuous period of at least 5 years, or if it becomes the generic term for the goods.

Registered trade marks are not only capable of being sold but may also be mortgaged and are often very valuable in corporate transactions, with the bonus that payment for a registered intellectual property right does not attract stamp duty.

4. Registered Designs - ‘Eye Appeal’

A registered design is a monopoly right, similar to a patent, but whereas a patent protects an invention and the idea behind it, a registered design protects the outward appearance of an article. A registration can last up to 25 years. It is often said that a registered design protects the "eye appeal" of an article and registration is only available for designs which are aesthetic and not dictated by function or a requirement of an article to be a particular shape in order to combine with other articles. Provided the design is new it may be registered. Registration gives the exclusive right to make, import, sell or license any article to which the design has been applied. Unauthorised use of a registered design entitles the owner to bring infringement proceedings to claim damages and an injunction. As with other intellectual property rights a registered design may be sold, licensed or used as security for finance.

The UK has recently implemented a European directive aimed at harmonising design registration laws across Europe which has made some significant changes. One of the most important is that it is now possible to monopolise the design itself rather than an article bearing the design. Before the change in law a pattern had to be reregistered each time it was applied to a new item, but now one registration will suffice. This will allow graphic symbols such as computer icons to be registered. Another important change is to introduce a 12 month grace period prior to filing an application for a registered design, during which disclosure will not invalidate the application. It is likely that these and other changes to the law will make registration more attractive and useful to industry.

5. Design Right - 3D Shapes

Confusingly, there is another intellectual property right available for designs as an alternative to a registered design. Unregistered Design Right applies to original, non-commonplace designs of the shape of an article. It is not a monopoly right but rather, as with copyright, the right to prevent the design of the item being copied. It lasts for ten years from the date on which the article is placed on the market, subject to a maximum of fifteen years from creation. It is important to note that Unregistered Design Right only arises in the case of an

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article and does not arise in the case of two dimensional designs, which will be protected by copyright. The design must not only be original but also must not be commonplace within its field - a level of creative endeavour is required. Unregistered Design Right, as the name suggests, is not dependent upon obtaining any form of registration, but rather the right arises automatically when the design is created. Proof of the date of creation can be extremely important in establishing originality of a design and quantifying its duration and it is therefore essential that detailed design records are maintained.

The Design Right system allows a copier to obtain a "licence of right" during the final five years of the design right term, which means that the owner of the design can be compelled to grant a licence during this period, subject to payment of a royalty.

6. Copyright - ©claim it

Copyright is another naturally arising unregistered right giving the owner the right to prevent copying of certain types of work. The legislation limits the availability of copyright protection to a restricted range of works including:

- Literary works
- Musical works
- Artistic works
- Recordings
- Typographical arrangements

There is no copyright in an idea but only in the expression of the idea: an idea for a book, film or drawing will not be protected until it is written or drawn. Copyright material must be original to qualify and must have involved the use of skill and labour by the author. There is no requirement for copyright material to be published and the copyright owner can take legal action through the civil and criminal courts to prevent copying. One exception is "fair dealing" which includes using copyright work for research, private study, criticism, review or news reporting. This exception is regularly relied upon in news broadcasts when copyright material owned by another broadcaster may be shown provided an appropriate credit is given. Copying is also permitted for "time shifting" which occurs when a programme is video recorded for viewing later.

Copyright only arises in relation to work created by a "qualifying person" who is a resident of the UK or another country which is a signatory to an international convention. Copyright lasts for different periods of time depending upon the category of work, but the basic period is the life of the author plus seventy years. Copyright can endure for longer than any other intellectual property right other than a trade mark and may be a very valuable commercial asset. It is highly advisable to use the © symbol to identify a work in which copyright is claimed, together with the name of the copyright owner and the year of publication. This notification of copyright will deter copying and should be used on all business documents ranging from price lists and product specifications to brochures and graphics.

7. Confidential Information - Use your contracts of employment

Confidential information is the term used to describe information which is commercially useful to a business and which is not in the public domain. Examples are formulae, data, customer lists, pricing structures and supplier details. Often the greatest threat to confidential information is from former employees and the most effective means of protection is not through any of the traditional intellectual property routes but by including specific provisions in a contract of employment. The contract should expressly state that all intellectual property in all work carried out by the employee as part of his employment will be owned by the employer and the employee will sign any documents needed to transfer ownership to the employer or to confirm ownership by the employer. The contract should expressly require the employee to return all confidential information if the contract is terminated and should include the right for the employer to force a departing

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employee to take "garden leave" during his notice period which will reduce access to confidential information. Some of the following may help to reduce the chances of confidential information being misused:

- The "ring fencing" of information so that an employee only has access to information needed for the performance of his job.
- Allowing access to sensitive information in read-only form which cannot be copied.
- Making confidential information "time-bombed" in order that information or programs will fail to be accessible after a period of time.
- Creating an audit trail showing when information was accessed, by whom and whether it was copied.
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8. E-Commerce - Don't disregard best practice

E-mail and the Internet may change the way in which you do business, but unless your business is directly involved in the provision of Internet technology it is unlikely that e-commerce will provide any new intellectual property rights. In embracing the immediacy and informality of e-commerce the unwary can lose control of his intellectual property. Best practice is to assert ownership of copyright in every brochure, advertisement or piece of technical data which is prepared by the business or is prepared on its behalf. Many businesses fail to assert copyright in material accessed through its web site or in attachments sent with e-mail. Best practice is to register the trade marks and logos of the business rather than rely on much weaker rights provided by use or by company name registration. Many businesses mistakenly believe that domain name registration gives protection when in fact domain name registration gives no right to prevent any other trader from using an identical or similar name. Best practice is to require anyone using the IP of a business to enter into a licence agreement which will limit the permission granted for the use of the IP right. Data, information, trade marks or designs supplied by a web site or by e-mail should be similarly licensed in order that use of the material can be restricted or revoked.

Few businesses would consider launching a marketing campaign in another jurisdiction without first checking that their technology and trade marks are available for use in that jurisdiction. Advertising to the world at large through a web site may itself expose the business to the risk of litigation in a jurisdiction where the business does not own the relevant technology or trade mark, or where the business has licensed the technology or trade mark to or from someone else. One solution is to introduce a "country of origin" menu at the beginning of the web site so that any visitor must identify the country in which they are carrying on business. In the case of countries in which the business has not secured its IP rights (or into which it does not wish to sell for other reasons such as product liability) the web site visitor can be informed that the product is unavailable or can be referred to a local sales agent.

9. Passing Off -The Brand Owner's Last Resort

If you have not registered your company's trade mark it may still be possible to take legal action to prevent another trader from using your company's name, trade mark or logo. The right to prevent someone from passing off their business or product as being that of your company has evolved through case law. The right is not enshrined in any statute and the ability to assert the right depends entirely upon the facts of each case and how closely those circumstances resemble previously decided cases. To establish passing off it is necessary to prove **all** of the following:

- That a trader owns goodwill symbolised by a name, mark or logo;
- That another trader has made or intends to make a misrepresentation which will cause confusion to customers as to the origin of his goods or services; **and**
- That the first trader will suffer loss as a result of the misrepresentation.

Only if each of the above criteria is met will the Court grant an injunction to stop the second trader from passing off his goods or services as those of the first trader. An action for infringement of a registered trade mark will usually be possible in the same circumstances as passing off and will be quicker, cheaper and

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much easier to evaluate than an action for passing off. Traders involved in passing off litigation often bitterly regret failing to secure registration of their trade mark.

10. Branding Tips

- Choose a brand which is an invented word or which does not describe the product or any attribute of it - it will be easier to register and protect.
- Carry out an availability search before committing to launch.
- Apply to register as a trade mark before launch.
- Keep your trade marks up-to-date - re-register if the mark is modernised.
- Regularly review your business to identify new marks - colour combinations, shapes, slogans, sounds (including advertising jingles) and even smells can be registered.
- Do not confuse trade mark registration with incorporation of a company or obtaining a web site address. Neither of these will give you any right to prevent another trader from using your name.
- Use the ® symbol to identify your registered trade marks - it deters unauthorised use and identifies your business as one which takes its intellectual property rights seriously.

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