Chapter 1

Examining the Tools in Your IP Box

In This Chapter

- Understanding the difference between IP assets and IP rights
- Sharing some trade secrets
- Making money with your IP rights
- Enforcing your IP rights in court

Welcome to the world of intellectual property rights (IPRs). If you've created, invented, or named something that you're selling, you already have intellectual property (IP). And that property may be quite valuable. What if you invented the Dyson vacuum cleaner or wrote the first *For Dummies* book? Wouldn't you like to be able to cash in on it? Exploiting your IP assets for your own financial gain and at the same time pursuing people bent on infringing your precious but fragile rights to those assets is what this chapter and, in general, this book is all about.

Buying into Intellectual Property

We've encountered many true and effective definitions of IP, including information with a commercial value, proprietary product of the mind, and things protected by patents, registered designs, copyright, and trade marks, but none of the definitions is quite complete. Here's the definition we like best:

Intellectual property is intangible creations of the mind that can be legally protected. Because IP has no physical form, we give you a better idea of what it is in the following comparative examples:

- IP is not the new and wondrous machine that you developed in your garage, but the invention embodied in that machine.
- IP is not the marvellously efficient cholesterol-reducing pill you see advertised on TV, but the formula and the process used in manufacturing that pill.

- IP is not the portrait that an artist made of you, but the aesthetic expression of the artist's talent reflected by the painting.
- IP is not the lawnmower that you reluctantly start up every Saturday, but the brand name that embodies the reputation of the product and its manufacturer.

Now we want to expand on our definition. IP comprises two components:

- **Assets:** IP assets are intangible creations, such as the invention, the formula and process, the expression of artist's talents as reflected in a painting, and the brand name.
- **Rights:** IP rights consist of the legal protections that secure each IP asset against its unauthorised use by others. One or more of the following legal protections can be used to secure IP rights:
  - **Copyright:** Holding a copyright shields artistic expression against copying by others.
  - **Patents:** Obtaining a patent protects the invention from outright thievery.
  - **Registered Designs:** Registering your design(s) protects them from being copied by an infringer.
  - **Trade Marks:** Adopting a trade mark as a brand name keeps it and its market reputation yours and yours alone.
  - **Trade secrets:** Keeping a formula or manufacturing process confidential safeguards it against imitators.

Some IP rights – copyright, design rights, and trade mark rights, in particular – attach themselves automatically upon the creation or use of the IP assets without you ever having to lift a finger or spend a cent. Obtaining other IP rights – patents, registered designs, and registered trade marks – requires you to put up a pretty good fight and spend plenty of money.

An unprotected IP asset is up for grabs – anyone can copy it, steal it, or change it for the worse (possibly damaging your good reputation). The bottom line is that your unprotected IP fattens the bad guy's bottom line.

But there's more to IP assets and rights than mere talk of patents, registered designs, copyright, and trade marks, and that's what this chapter is all about. You first must verify that you own that IP asset you want to protect, make sure that it's original, and know how to secure all the IP rights that can apply to it. And last but not least, you have to know how to get the professional advice that you need.

A little IP history

Although the first letters patent (an archaic meaning of patent) was granted by King Henry VI to John of Utynam in 1449 for the manufacture of stained glass, it was not until 1852 that the United Kingdom Patent Office was set up to act as the sole authority for the granting of patents.

The Patent Office, renamed as the UK Intellectual Property Office on 2 April 2007, now deals with all manner of IP, including patents, registered designs, and trade marks.

Exploring the Patent Process

The most well-known – although not the most practical – form of IP protection is a patent. A *patent* is a temporary legal right granted by the government as a reward for a unique invention, giving you – the inventor – a way to keep others from stealing the fruits of your labour – the invention.

Patent law defines an *invention* as a technological advancement that's useful, new, and isn't obvious to a person with ordinary skill in the field of technology. Inventions can take many forms, from a machine or device to a method or process, from a new composition to a new use of an old product.

If you're wondering whether your latest and greatest invention actually fits the invention bill, check out Chapter 4, which details the types of patents and the inventions covered by each.

Obtaining the grant of a patent

You file an detailed application that completely describes your invention in order to get a patent from the UK Intellectual Property Office (UK-IPO). We cover the nuts and bolts of a patent application in Chapter 7. The UK-IPO rigorously examines your application (see Chapters 8 and 9 for all the gory details). If you satisfy the patent examiner that your invention meets all the requirements, the examiner grants you the patent. This procedure may last up to four and a half years; however, if your commercial interests may be compromised by an infringer, provision exists to speed up the procedure. We're aware of one inventor who gained a full patent in less than ten months.

We make no bones about it: The patent process is costly in terms of both time and money. If you think that you may want to head down the patent road, be sure that it's the best path for protecting your IP. Check out Chapter 5, which provides you with other options and an exercise to help you decide whether a patent's the right choice for you. The first stop in your journey is probably to conduct a patent search before pouring a great deal of money into a doubtful application – in Chapter 6 we provide a road map for that side trip.

Putting a patent to good use

Emblazoned with fancy lettering and signed by the Comptroller General of Patents, a framed patent makes an impressive conversation piece on your living room or office wall.

You can also use your granted patent against people who infringe any rights granted to you. However, before entering an action for infringement take legal advice from a patent attorney; and if your attorney recommends seeking the advice of a Queen's Counsel, do so. You may consider other courses; for example, the UK-IPO provides a non-binding mediation service. Alternatively, you can approach the infringer with a view to granting them a licence on terms to be agreed. The latter course may be attractive if your own business aspirations are limited by cash flow or other factors that can't be readily resolved. (You can find more about these legal processes in Chapter 20.)

You may resort to defending your patent rights by entering an infringement action, but we earnestly advise against such activity unless no other avenue is available and then only if you've sufficient funds to do so. Such funds may be provided by having IP insurance; however, as with any insurance policy, make sure that the policy gives you the cover you may require. Lastly, don't make any threats against an alleged infringer unless you're prepared to enter into an infringement action. The reason is that the Patents Act 1977 makes provision for an alleged infringer to pursue an action against you for groundless threats. Responding to a threats action can be costly and time consuming. Find out what else you can do with your patent in the section 'Putting Your IP to Work at Home and Abroad' at the end of this chapter.

A patent has teeth, but those teeth come at great expense. We suggest you also look at your other IP rights too. You can also obtain insurance policies that cover some of your litigation costs. We discuss insurance issues in detail in Chapter 20.

Considering Copyright

Copyright is a temporary right giving a creative person exclusive control over the use of an original work of their authorship (OWA). An *original work of authorship* is a textual, graphic, plastic, musical, dramatic, audio, or visual creation that you created. A few examples of original works of authorship include (for the complete scoop, turn to Chapter 11):

- Any writing, including a computer program.
- A drawing, painting, or computer-generated image.
- A sculpture.
- An architectural design.
- A song, symphony, or opera.
- A play.
- A video or audio production, including a movie, video game, television or radio broadcast, or recording on cassette, CD, or DVD.

Even if the same thing's been done before, copyright is created if your work wasn't copied from or influenced by the pre-existing work. For example, think of how many books have recanted the life stories of Winston Churchill and Lawrence of Arabia. Copyright protects the form in which an idea or concept is expressed, not the idea or the concept itself. So the 'form' is the particular book whereas the 'idea' is the life history of Churchill or Lawrence of Arabia.

Copyright doesn't extend to abstractions or to technical or functional things. For example, an idea for a new TV programme isn't protected by copyright, but the way the idea for the show is developed and played out is protected. Many film and TV dramas depict factual and fictional episodes based on the miners' strikes in the 1970s and 1980s, but each film and drama was from a different perspective, although set in the same time frame. The copyright on a cookbook prevents anyone from copying the way the various recipes are expressed in words and images, selected, and arranged. The cookbook's copyright doesn't prevent you from using the same recipes and incorporating them step by step into your own cookbook (because the steps are actually a technical process), as long as you don't express them in the same style, compile them in the same order, or arrange them in the same format. We go over this idea/expression distinction in great detail in Chapter 12.

Copyright in computer programs

Copyright law is always lagging behind developments in technology, especially in the area of computer programs. Computer programs are now copyright-protectable writings, which gives programmers, and the entire software industry, an effective security tool. In a computer program, the choice of words or lines of computer code and their respective positions in an instruction represent the creative portion of the program and form a critical element to its operation. The fact that others can't copy this specific language greatly expands the scope of copyright protection for software. Recent decisions in the UK-IPO and the European Patent Office (EPO) indicate that patent protection for computer programs *per se* is not likely. However, a recent count decision means that claims for computer software will be allowed if, but only if, the program implements a patentable invention.

Copyright attaches automatically, without the need for any formality, as soon as a work appears in a perceptible and reproducible form. So, as soon as you print out your great novel, your story is automatically the subject of copyright. This is a big advantage over patents. If, however, you want to sue someone for infringement – or, worse, someone sues you – you need to prove that the novel's actually your original work. Therefore, we suggest you make the copyright official – see Chapter 12 for more on this topic.

You can use your copyright in much the same way you use a patent – to pressure and sue an infringer; but, be warned that entering an action for copyright infringement can be as expensive as any patent infringement action.

Claiming Your Identity: Trade Marks and Other Commercial Handles

Trade marks are only one species within a class of IP assets called *commercial identifiers* that you use to distinguish your company, product, or services from others. The three basic types of commercial identifiers, which we cover in more detail in Chapter 14, are:

- **Company identifiers:** A company is identified by its legal name (for example, British Petroleum) and often by the logo that adorns its buildings and letterhead ('BP' or the familiar green and yellow livery of its fuel outlets).

- **Product identifiers:** Trade marks (brand names) are the most familiar product identifiers and can also take the form of a single letter, or a mere design or symbol, such as the 'swoosh' mark on a popular brand of athletic gear.

  Any fanciful and non-functional characteristic of a product or package can act as a product identifier – for example, the ribbed bottle of a large soft-drinks company. Non-functional characteristics often are referred to as *design marks*, or *trade get up*, which, like trade marks, can be registered at the UK-IPO and/or the Office for Harmonisation within the Internal Market (OHIM) for member states of the European Union. OHIM is based in Alicante, Spain, and receives trade mark applications from applicants in all the countries of the European Community. When registered, the trade marks become effective throughout all 27 member states of the European Community. OHIM is also the Office for receiving Community registered design applications (see Chapter 11)

- **Service identifiers:** The services that a company offers to the public – such as automotive-maintenance or fast-food restaurant services – are usually identified by a trade mark. It can be a word or phrase ('McDonald's'), logo (the arched 'M' on those fast-food chains), or the shape and decoration of a building (the KFC brand of restaurant service outlets).

Commercial identifiers constitute the IP rights that we consider to be most neglected, misunderstood, and underestimated by entrepreneurs in their new industrial, commercial, educational, or scientific ventures. Watching as new businesses spend their money on chancy patent applications always puzzles us when they're obviously neglecting the wondrous marketing tools provided by good commercial identifiers.

Company image, product fame, or a reputation for providing quality service form critical aspects of a business that can be greatly enhanced by, and benefit from, the right choice and use of motivating identifiers, logos, and distinctive packaging. However, coming up with an identifier that's a hit with customers isn't easy, so we devote the whole of Chapter 15 to providing an insight into making such a selection.

We detail all you need to know about the ins and outs of developing marks and names that the courts protect, and explain how the degree of protection awarded to company identifiers and other commercial names depends mainly upon the distinctiveness of the name, all in Chapter 14.

A great name can be the most valuable asset of a company and deserves a lot of attention and appropriate protective measures, such as registration and proper usage. But a great commercial identifier won't do you any good if it duplicates an existing identifier, so before you begin the registration process,

discussed in Chapter 17, we suggest you do a search to make sure that no one else is using your brainchild – or even something close to it. We explain trade mark searches in Chapter 16.

Keeping Quiet: Trade Secrets

Kiss and tell only on a need-to-know basis. The best way to keep a commercially advantageous piece of information such as a manufacturing method or customer list away from your competitors is to take advantage of laws that protect *trade secrets*, a very important and inexpensive IP right. Don't let anyone in on a trade secret other than the people who necessarily need to know about the secret. For example, you may have developed a new formulation for a polymer-based coating for a concrete roof tile. Although you may file an application for patent protection, it's more advantageous not to and to keep the details secret, especially if reverse engineering of the formulation and process steps is a remote possibility.

Not every type of commercially advantageous material can be safely and practically kept under lock and key. Whenever that happens to be the case, and you can't keep certain information as a trade secret, you need to rely on other types of IP rights – patents, registered designs, copyright, or trade marks – for protection.

In Chapter 2 we explain how to implement a trade-secret strategy and how the law provides for enforcement of trade secrets in case of negligent or intentional disclosures. We also discuss the trade-offs between patents and a trade-secret policy.

Putting Things in Writing: Looking at Contractual IP Rights

A category of legal contracts, which we explain in Chapter 19, deals specifically with IP rights. The contracts provide contractual IP rights to all parties. For instance, a company may acquire the contractual right to manufacture a patented product while the inventor obtains rights to a percentage of the sales proceeds called *royalties*. Even if you're not an inventor or computer programmer, you may acquire contractual rights to inventions or software that you can exploit in place of, or in addition to, their creators.

Similarly, after you acquire your patent, registered design, copyright, or commercial identifier, you can profitably sell or lease it to others. You can transfer your IP rights through an *assignment* (the outright purchase or sale of the IP right) or a *licence* (an agreement allowing another individual or business to use your IP rights). For example, if you want to publish an author's book, you must buy the copyright from the author using an assignment, or obtain the author's permission to publish the work under a licence.

When you commission independent contractors to do a job for you, you can enter into written and signed agreements stating that any technological advancement or original work of authorship that results from the commission belongs to you. See Chapter 12 for information on assigning and licensing copyright and Chapter 14 for information about commercial identifiers. In relation to employees, the Patents Act 1977 sets out the ownership of rights in inventions made by an employee while in your employ.

Any contract with a commissioned contractor should always be in writing and be signed by all parties to the agreement.

You can also acquire contractual rights to intellectual property by buying a *franchise* for a specific type of business – fast-food and dry-cleaning franchises are common examples in the UK. In Chapter 19, we explain how a franchise constitutes a classic and convenient way of exploiting a bundle of IP assets and related IP rights.

Putting Your IP to Work at Home and Abroad

You can use IP assets and rights in many ways. Developing and protecting your intellectual property assets and rights can give you an edge over the competition by discouraging unscrupulous competitors, developing new revenue sources, and increasing the value of your company. (We talk about each of these aspects in detail in Chapter 2.)

But because IP rights are rare exceptions to antimonopoly and antitrust laws and regulations, their use is strictly limited. (The limitation became very apparent in relation to Microsoft, who incurred the wrath of the European Commission over its monopolistic position in regard to its own software, which it won't share with its competitors. Microsoft's competitors and their customers find themselves forced to only use Microsoft software for access to other Microsoft features.)

The European Commission enforces EU competition rules on restrictive practices and abuses of monopoly power for the whole of the European Union when cross-border trade and competition are affected.

When you misuse your teddy bear – even though it belongs to you – to beat your little sister, the bear is confiscated. The rules haven't changed with regard to IP rights. The usual penalty for an abusive misuse of an IP right is forfeiture.

When you take advantage of your IP assets within the confines of your own company – basically exploiting your own invention – you face little risk of running foul of the law. However, when you use your IP rights against others outside of your company who infringe upon them, you need to be more careful. Trust your IP litigation attorney to know how to stay within the bounds of the law. Check out Chapter 3 to find out how to select and work with an IP Attorney. IP Attorneys are bound by strict confidentiality obligations and are subject to discipline and loss of their right to practise if they breach their obligations under the Rules of Conduct set by the Chartered Institute of Patent Attorneys (CIPA). Therefore, you can reveal your most sensitive knowledge or information to your attorney. There's no need to make them sign a confidentiality or non-disclosure agreement because they're already bound by rules of conduct set down by their professional body to complete discretion.

Most industrialised countries have IP laws roughly parallel to those in the UK. Because acquiring a copyright doesn't require any application or other formality, you can readily defend and exploit your copyright all across the planet; however, take note of our comments in Chapter 3 relating to the likely costs of such activity.

By contrast, patents, registered designs, and trade marks require local applications and examinations in almost every foreign land, which we explain in Chapter 18. Costs tend to be even higher abroad than they are in the UK, and proceedings can drag on for years. Establishing a foreign patent portfolio is not for the fainthearted and requires substantial financial resources.