

## Value-for-money IP

*Stephen Carter at Mewburn Ellis discusses how to get the most out of your IP budget.*

The tougher economic climate that businesses have faced in recent times has brought spending on patents, trademarks and other forms of intellectual property into perspective. Even large multinational companies, which in the past might have had seemingly bottomless pockets when it comes to intellectual property budgets, have been forced to reconsider their strategies, seeking value-for-money approaches to intellectual property spend. For small and medium-sized enterprises the decisions are more difficult still, but with wise planning and good knowledge of the protection options available even the smallest of businesses can adopt an intellectual property strategy that strikes a balance between protection for the key assets of the business and available budget. In hard times taking a value-for-money approach to intellectual property may be vital to succeed. Even in better times it makes good business sense.

### **What are the key assets?**

Securing intellectual property rights, especially the stronger registered rights such as patents and trademarks, is an expensive business. Without focus, expenditure on IP can rapidly spiral out of control. But where should that focus be?

Ask yourself what it is that gives you the edge over the competition. Be specific in your answer. Don't be satisfied with a general answer, for example that your products or services are higher-quality, cheaper or more advanced or your reputation is better. Drill down into the reasons for these differences. Especially in the case where you offer multiple services or a range of products, consider whether there are features common to all of the services or products that underpin their value. Put another way, what is it that you are doing that you need to be able to stop a competitor from replicating if you are to maintain your competitive advantage?

In reaching your conclusions, be careful to take account of your (actual or potential) revenue streams. There is little point in focusing your efforts on a product or service that is only ever going to find a small market, no matter how unique or innovative it may be, if in doing so there is no budget left for seeking protection for a less 'exciting' product or service that nevertheless accounts for your main stream of income.

By identifying these key assets that underpin your competitive advantage you can bring the necessary focus to your intellectual property strategy and avoid unnecessary spend on protecting aspects of your products and services that are less critical to the success of your business.

### **Are the key assets yours?**

Having invested the time and effort required to focus your intellectual property strategy on the key assets, it is all too easy to rush ahead with patent or trademark filings without stopping to ask perhaps the single most important question there is: are these assets yours to protect in the first place?

The laws governing ownership of intellectual property rights are far from straightforward, and all too often businesses fall into the trap of assuming that if they have borne the cost of developing something they must necessarily own the outcome of that development. Whilst in many cases this will be true, especially where the people undertaking the development are employees, it does not always follow.

Particular problems can arise, for example, where work is carried out by a subcontractor or consultant or where the work is a result of collaboration between different companies or institutions. In such cases, it will always be best to have agreements in place from an early stage, preferably before work commences, that deal specifically with the question of ownership of intellectual property.

And it will generally be easier to sort out the chain of ownership and any possible ownership disputes at an early stage rather than leaving things until later when matters may have become much more contentious and relevant evidence may have been lost or forgotten. For any prudent patent business, therefore, there should be a careful determination of the identity of those individuals who have made significant contributions to a development, followed by careful confirmation that the necessary rights have passed from these individuals to the business.

### **How and where?**

Having decided what to protect and established your ownership of it, thought needs to be given to how best to protect it and where. In fact, this can be an iterative process, because the 'how' and the 'where' will affect the cost, so may inform to some extent the 'what'.

Often, you will choose a combination of the available rights. Patent key features but rely on trade secrets for the black box in the middle. Use design rights to protect the outward appearance of something where that has significance and trademarks to protect your name and logo.

It is also important to understand that 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.

### **A 'Swiss cheese' approach**

Most businesses will adopt an approach of obtaining protection in some countries (the 'cheese') but not in others (the 'holes'), with the objective of reducing cost without reducing the effectiveness of the protection. 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).

At one extreme, a patent in a single major market may be highly effective in, say, the automobile industry, where the costs of introducing a new model are very high. Without being able to sell in that market, it becomes uneconomic for a competitor to put a potentially infringing product on the market at all. At the other extreme, if the cost of introducing a product to the market is low, it may be economic for a competitor to market a potentially infringing product in even very small 'holes'. A Swiss cheese approach may not keep competitors off the market altogether in this situation, although by picking off the major markets a business may still be able to make healthy profits for itself whilst accepting that in other markets it must share the spoils.

## **Spreading the cost**

Especially for smaller businesses, the cost of securing protection in multiple jurisdictions early in a project can be prohibitive. Even larger businesses may be reluctant to make the necessary investment for broad geographical coverage until a new product or service has proven its value to the business. This can be at odds with the rules for securing registered IP rights, especially patents and designs, which typically require you to have filed for protection prior to there having been any public disclosure.

Fortunately, 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 trademarks, and European patents) that provide cost-effective routes to obtaining protection in multiple countries within the region.

## **International patent applications**

Taking patents as an example, usually a business begins by filing a single patent application at its local national patent office, for example the UK Intellectual Property Office. This establishes a priority date. Further patent applications filed within one year from the priority date are treated as if they had been filed on the priority date, so their eventual grant or refusal will be judged only against what was known in the public domain prior to the filing of the first application.

Instead of filing many individual foreign patent applications at the one-year stage, it is common to file a single 'international' or 'PCT' patent application. For a period, referred to as the 'international phase', this PCT application takes the place of the many individual foreign patent applications that would otherwise have been required. Afterwards, in a period referred to as the 'national/regional phase', the PCT application is converted into many individual foreign patent applications, one in each country where patent protection is to be sought.

Taking this approach, a final decision as to which countries to seek protection in, and the potentially very high costs of pursuing such protection if a broad geographical coverage is desired, can be postponed up to two and a half years from the filing date of the single, first-filed application, by which time a project is likely to have either taken off or failed, allowing a better-informed decision about which countries to proceed in or, indeed, whether to proceed at all.

## **Clearing the way**

In all of this it must not be forgotten that your competitors may well have their own intellectual property rights. It is important to be aware of the impact that the 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 competitors' patents or other rights and/or to consider whether it might be vulnerable to attack. Watching competitors' IP filing activity can also provide useful intelligence for their development work.

A wise business might also consider the arguably counter-intuitive possibility of

publishing details of developments that they do not intend to protect themselves but that they intend to commercialize now or in the future. Such publication can prevent a competitor from later securing their own protection that might otherwise foreclose your ability to commercialize your development.

And sometimes the best defence can be possession of your own portfolio of intellectual property rights.

### **About the author**

Stephen Carter is a Partner in Mewburn Ellis LLP, one of Europe's premier IP firms, with over 60 patent and trademark attorneys and technical specialists, covering the full range of intellectual property issues: patents (in all technology areas), trademarks, designs, industrial copyright and related matters. He has a degree and MPhil in mechanical engineering from the University of Bath. He joined Mewburn Ellis in 1994 and became a chartered patent attorney and European patent attorney in 1998. He worked for a 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. His work is mainly in the engineering and software fields.

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