

Intellectual Property - Guidelines for small businesses

Introduction

Small businesses are the life blood of most economies in terms of their capacity to innovate and so to create wealth and employment. This will particularly be the case if, as some economists are forecasting, manufacturing activity continues to recover and to strengthen. However, the innovation and development of new products and processes is a demanding task, and the resources of time and money which may be left over to deal with intellectual property issues are sometimes limited. So the question which is often asked “*How can we protect our rights?*” often goes without a satisfactory answer. The purpose of this article is to consider some basic guidelines to ensure worthwhile protection is achieved.

What is Intellectual Property?

There is often a certain amount of confusion about the nature of Intellectual Property rights, illustrated in questions such as “*How can I copyright this trade mark?*” or “*Can I register this copyright?*” So it is important to recognise that Intellectual Property covers a wide range of rights, including:

- **Trademarks**, registered or unregistered, indicate the origin of goods or services from a particular supplier and are frequently the focus of its goodwill in relation to the goods or services concerned. They are of indefinite duration and in the case of registered rights are renewable at 10 year intervals. In general terms, registered trademarks are easier to enforce than unregistered ones;
- **Domain Names** consist of the names by which individuals, companies or organisations are known on the **Internet**, and are cheap and easy to obtain. Ownership of a trademark gives no right to ownership of a domain name, nor does registration of a domain name entitle the owner to register a trademark for the same name or protect against infringement of a third party’s trademark.

In practice, disputes between the owners of trademarks and domain names are not uncommon and, if not resolved amicably, may involve the courts or in UK the Dispute Resolution Service provided by Nominet UK.

- **Copyright** and similar rights protect the intellectual effort involved in the creation of original literary, artistic and other works.

Unlike registered patent, trademark and design rights, copyright is not a monopoly. Its purpose is to protect the owner against unauthorised copying. By the same token, however, it does not require registration and arises automatically upon the creation of the work in question by a qualified person.

Copyright is of quite long duration – in the case of literary works, it continues for the life of the author plus, in UK, the Isle of Man and most other countries, 70 years.

The standard of originality for works the subject of copyright and similar rights is not high, and works as diverse as software, source code and the layout of content and the form in which it is expressed may be protected.

Rights closely related to copyright are the so-called “moral rights” of authors, artists and others, including the right to be identified as the author of the work and for it not to be subjected to derogatory treatment

- **Design rights**, registered and unregistered, protect the “eye appeal” of features of the appearance of new articles which are not dictated solely by their function. Registered rights are renewable for up to 25 years at five year intervals.

In UK and the Isle of Man there is provision for unregistered design rights for three dimensional items. Like copyright, unregistered design rights are not a monopoly and their purpose is to protect against unauthorised copying but for a shorter period – 10 years from first marketing or 15 years from the design date, if longer, and subject to a licence of right in the last five years.

In EU, including UK (but currently not the Isle of Man) there is also an unregistered Community Design Right of three years duration from the design becoming publicly available.

- **Patents** protect by registration the development of products and processes which are novel and inventive for up to 20 years, renewable annually on the fourth anniversary and for subsequent years.

It is a requirement that, to be patentable, an invention must be capable of industrial application, but in some cases software and biotech inventions may also be patentable.

- **Trade Secrets** represent perhaps the most valuable Intellectual Property rights of any organisation. The obligation of confidentiality by which they are protected arises from the obligations of good faith or fidelity implicit in the relationship of the parties typically in the duties owed by employees or directors to their employing company.

Freedom to Use

In practice, and before the protection of rights even arises, it is essential to check that rights in question are, in fact, available for use without infringing the interests of third parties.

For this purpose, appropriate enquiries and searches should be carried out. A review of the trade literature is useful, and the trademark, patent and design registries are available for searching on line, plus, in the case of proposed new trademarks the Companies Register (in the Isle of Man and, as appropriate, also the UK) and, in the Isle of Man, the Business Names Register.

It is also important to check the terms on which work is carried out, particularly where material which may be the subject of Intellectual Property rights is generated by agency staff or commissioned from outside agencies; it is usual to seek assurances that the material in question is original, that it is or will be the property of the supplier, together with an indemnity against the possible infringement of third party rights.

Acquiring Rights

Patent and copyright legislation provides that the rights in work carried out by employees in the normal course of their duties belong to the employer. Nevertheless it is good practice to include in employment contracts express rights, including confidentiality obligations, for the benefit of the employer. It is often important to cover rights in work arising from as well as work carried out during the employment – for instance where an employee carries out in his spare time work which has a bearing on the work he is employed to do, or where he leaves and carries out the same or similar activities for a competitor.

In addition to the assignment of Intellectual Property rights, it is not uncommon to protect the confidentiality of information which may be acquired by employees or others by “*non-solicitation*” or “*no-compete*” restrictions – but they must be of reasonable scope if they are to be enforceable.

Where work is carried out by agency staff or commissioned from outside agencies, the position is more complicated. It is a common misconception that where work is paid any rights belong to the person making the payment. It is certainly the case that payment may give rise to some sort of equitable entitlement or implied licence, but the hurdle to be overcome is that Intellectual Property legislation usually requires an assignment of a legal interest in the rights in question to be in writing. Contracts for the carrying out of work should therefore include the express assignment of relevant rights, and contain provisions for the confidentiality of information which is disclosed by the employing party or developed by the party from whom it is commissioned – sometimes called respectively “*Background*” and “*Foreground*” information.

Where work is carried out which may be the subject of copyright it is usual also to obtain a waiver of the moral rights of the author or artist, in particular to enable the work to be modified without complaint by the author or artist, and, indeed, without having to identify him as such.

Use of Rights

It is good practice to identify the Intellectual Property rights as belonging to the company concerned: but it needs to be carried out accurately.

It is an offence to claim that trademark is registered when it isn't, for instance by the use of the well-known ® symbol – ownership of an unregistered mark should be indicated only by

use of a TM symbol. Similar offences are committed when inventions or designs are wrongly claimed to be registered.

The usual indication of copyright ownership is © often accompanied by the name of the owner and the year in which the work was created.

In the case of trademarks, their continued effectiveness is dependent upon their proper use.

For instance, a trademark registration may be open to challenge if unused for five years.

It is sometimes a temptation to use a trademark as the name of the product or service concerned, but it is dangerous to do so: if a trademark becomes simply a generic name, it ceases to fulfil its function of distinguishing the goods of the trademark owner and may therefore become open to challenge. There are some well-known examples of trademarks which have suffered misuse in this way – for instance where a carpet is “*hoovered*” using a *Dyson*® vacuum cleaner.

Care needs to be taken where the mark is used by others. It is not uncommon for an agent or distributor of a product to register – with or without the supplier’s consent – as his own the supplier’s trademark in the territory for which he is appointed, with the difficulties which can arise in trying to secure its assignment to the supplier when there is a change of appointment.

A similar risk arises where a trademark forming part of the proprietor’s corporate name is allowed to be used within a distribution network as part of the corporate name of each distributor: in most jurisdictions a change of corporate name requires shareholders’ approval, and in case of any termination of an appointment, since the distributor agreement will usually be with the company as distinct from its shareholders, there is no easy mechanism to recover control of the trademark and the goodwill attaching to it.

It is important, therefore, in agency, distributor, franchising or similar agreements to include properly tailored provisions in relation to the use of the supplier’s trademarks and other Intellectual Property rights

Licensing of Intellectual Property

The preparation of Intellectual Property licences is often a matter of some technical complexity, and the forms they take are many and varied.

In almost all cases, however, they perform the important function of increasing the use of the Intellectual Property rights concerned.

Where the grant of a licence includes an exchange of improvements, a licence agreement can also accelerate technical development.

Perhaps most important, a licence agreement can also serve to establish the value of the Intellectual Property rights being licensed, whether on an arm's length basis between independent parties, or between members of a group or other related parties. Licence agreements are, therefore, of particular importance where the rights in question are held in a jurisdiction, such as the Isle of Man.

Enforcement of Rights

It is often a temptation when an infringement is suspected to fire off an angry letter or email or to engage in an acrimonious phone call or meeting.

Such a reaction is understandable, but it needs to be tempered with caution.

In the case of registered rights – patents, registered trademarks or registered designs – the legislation contains provisions to restrain groundless threats by providing the recipient of such a threat with a cause of action against the person making it. The making of a threat can, therefore, backfire and the aggrieved party can find himself at the receiving end of a claim, instead of, as he might have expected, as a potential claimant.

In such situations, the most that can be done is to draw the attention of the infringing party to the registration in question, having first worked out the litigation steps which will follow if the infringement continues.

There are no such “*threats*” actions provided for in relation to unregistered Intellectual Property rights. However, since a claim for the infringement of unregistered rights is often linked to the infringement of registered rights, care needs to be taken not to present a claim in a way in which give rise to a “*threats*” action.

There are also certain remedies which be ordered by the court without notice to the defendant, for example to secure evidence which a claimant reasonably considers might be destroyed if the defendant were to get wind of a potential claim. These and other possible remedies could be put at risk if action is taken too precipitately.

It is also important to evaluate the possible risk that a claim may be met with an allegation that the enforcement of a particular right may be anti-competitive (often called “*competition*” or “*anti-trust*” defences) or otherwise contrary to public policy.

Conclusion

It is hoped that the above guidelines are of practical help, but since the freedom to use, and the acquisition, exploitation and enforcement of intellectual property rights can be

complex, it is often desirable to obtain an objective view – a service which Simcocks is pleased to offer.

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