IP and Legal Issues for Technology Focused Firms

Introduction

IP plays a very important role in today's knowledge-based economy. Start-up companies use IP to prevent large industrial competitors copying their products. Large companies use IP to reap the benefits of their investments. Even seemingly "traditional" sectors such as the steel industry use IP to protect their intangible assets. Without IP, many innovative projects would not be profitable, because anyone who wanted to could simply copy the results.

It has never been so important to foster the "virtuous circle" leading from Research and Development (R&D) investment to jobs – via innovation, competitive advantage and economic success – as in today's world of increasingly globalised markets and the knowledge economy. This process depends on several different factors, but an efficient system of intellectual property rights (IPR) undoubtedly ranks among the most important, given IP's capacity to encourage creativity and innovation, in all its various forms, throughout the economy.

Intellectual property (IP) refers to creations of the mind – everything from works of art to inventions, computer programs to trademarks and other commercial signs.

IP law is complicated: there are different laws relating to different types of IP, and different national laws in different countries and regions of the world as well as international law. This brings a lot of problems to the table, especially for the starting companies. It is therefore vital to understand how to protect your intellectual property.

The importance of intellectual property

Linux is an example of how IP can be used to enforce "public ownership" of intellectual property. Open source software developers rely on IP protection (copyright) to ensure that people building upon their work have to adhere to certain terms. Because they own the copyright, Linux developers are able to demand that improvements to the Linux code (that they give away for free) have to be free to use, too. In this way, the Linux developers ensure that their IP is not exploited by anyone to set up new proprietary rights. It is the IP system that enables Linux developers to create free knowledge that will remain free.

Another example is the Creative Commons licence. This enables authors to allow other people to use their work, subject to certain conditions, e.g. that their name must be

stated or that the work cannot be used commercially. If the audience is not familiar with licensing, we suggest not mentioning this example.

The IP system ensures that unlicensed use of trade marks can be prevented, so consumers can be confident that all products bearing the mark really do adhere to the promised standards

Whenever a new product is successful on the market, it is very likely that competitors will follow the market trend and attempt to make similar or identical products. The innovator of the original product may have invested significantly not only in developing the product but also in establishing the supply chain for production, getting the product known on the market and finding distributors.

As competitors come in at a later stage, they benefit from the innovator's efforts and can thus offer their products at a cheaper price. This may put the innovator under heavy pressure and eventually drive him out of business, while his competitors get a free ride on the back of his creativity.

That is why innovators should make use of the IP system to protect their inventions, designs, brands, artistic works and so on. The IP system provides them with ownership over their work and exclusive rights to control the production, import and sale of infringing goods.

The different types of IP

During your entrepreneurial journey, when you develop your products / services, you will inevitably find yourself looking for the right type of IP to use for them. Here is a quick overview explanation (as per EUIPO – the European Union Intellectual Property Office):

Patents

Patents are granted for technical inventions. Applications for patents must be filed with a national or regional patent office. They are examined in a process that results in the grant or refusal of a patent. Patents normally last for a maximum of 20 years from the date of filing of the application. In some countries, a special, less powerful kind of patent called a utility model (or "petty patent") is also available.

Utility models

Utility models usually offer simpler protection, for a shorter period of time. Most countries require inventions simply to be new in order for them to receive utility model protection. Others, for example Germany, also require them to involve an inventive

step. But most countries examine neither novelty nor inventive step and will register any utility model that complies with the formalities.

Copyright

Copyright does not need to be registered. It "automatically" exists when the work is created. Copyright protects any original, creative, intellectual or artistic expression, including novels, scientific literature, plays, software, photographs and paintings, music, sculptures, television broadcasts, etc. Even the smell of a perfume may be (indirectly) protected by copyright: the blend of ingredients that goes into a perfume can represent an original work of authorship and can therefore be protected by copyright. The duration of a copyright is roughly the life of the author plus 70 years, depending on the case and country.

Trade marks

Trade marks are distinctive signs identifying and distinguishing the commercial source of goods or services. They can consist of words, logos, names and colours, as well as any other means of identifying commercial origin, such as the shape of the product or its packaging, or even sounds or smells. For instance, most Disney characters are registered as trade marks. Trade marks can be created simply by using them (as Google did, for example) or by explicitly registering them.

Registered designs

Registered designs (USA: "design patents") protect the ornamental design, form, appearance and style of objects, but not their functional aspects. The requirements are absolute novelty and individual character. The duration of protection for a Community registered design is a maximum of 25 years from the date of application to register. They are granted in fiveyear terms, which are renewable.

Unregistered designs

Unregistered designs also enjoy protection under certain conditions. You get a free, automatic right when you present an original design to the public. It gives you the right to stop anyone from copying your design, but is usually of a more limited duration than that available for registered designs. The duration of protection for a Community unregistered design is a maximum of three years following publication of the design in the European Union.

A trade secret

Trade secrets consist of any confidential business information which provides an enterprise a competitive edge. Contrary to other figures of IP, trade secrets are

protected without any procedural formalities; consequently, they can be protected for an unlimited period of time. A trade secret information must be (a) secret, (b) must have commercial value due to its secret nature and (c) must have been subjected to reasonable steps by the rightful holder of the information to keep it secret (i.e. non-disclosure agreements with employees and business partners and measures to prevent industrial espionage). The conditions may vary from country to country; however, the information provided above corresponds to the general standards which are referred to in article 39 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement).

Other forms of IP

Other forms of IP not shown here include plant variety protection (USA: "plant patents"), databases, geographical indications and semiconductor topography designs.

All the IP rights described so far can be used in combination to help inventors protect their innovations. For example, a company might use a patent in order to ensure that it is the only one that offers a particular technical feature, and registered or unregistered designs to protect the features relating to the appearance of the product. It can also use trade marks to communicate the source of the product. It might also choose to keep some aspects of the production process secret. If it makes serious efforts to maintain secrecy then it can enjoy the protection of trade secrets.

Legal Issues

As defined by Corrs Chambers Westgarth (a leading independent law firm), there are several legal issues which starting companies face and need to consider:

1. Identify and seek IP protection early

The first step is to identify what IP is relevant and what steps need to be taken to protect it. The steps differ for each type of IP right:

- **Trade marks and branding.** The selection of a company brand name or the name of a new product should be the starting point for all new companies. A trade mark is a badge of origin – to be registrable, it must be capable of distinguishing a company's goods or services from those of another. Names or logos that are unrelated to a company's goods or services represent the 'gold standard'. Apple and Amazon are good examples of such trade marks. It is also important to remember that trade marks are more than just a name – e.g. in

Australia, protection can be obtained for logos, colour, sound and shape marks (amongst other signs).

Before selecting a trade mark or branding, it is critical to consider the state of the market and any existing prior rights. This is a separate consideration to securing a company or business name. A trade mark search is a simple and effective way to ensure that your proposed name is new and available to use (i.e. will not infringe another person's trade mark).

- **Patents and trade secrets.** Patents protect new inventions. The registration of a patent gives the owner a right to exploit the invention (or allow others to do so) during the term of the patent. For example, in Australia, there are two types of patents – standard and innovation patents. While standard patents provide the longest period of protection (20 years), the innovation patent is an attractive option for tech start-ups and emerging companies. With a lower inventive threshold requirement and the ability to obtain a patent very quickly (within as little as one month), the innovation patent is able to provide start-ups with 8 years of exclusivity. This, combined with the fact that innovation patents provide the same infringement remedies as standard patents and are not subject to a pre-grant opposition procedure, means that it is relatively straight forward for new or emerging companies to obtain a powerful enforcement tool.

  The alternative to patents is trade secrets (or confidential information). The two are mutually exclusive. As confidentiality underpins trade secrets, secrecy is essential.

  Start-ups that wish to protect inventions by trade secrets should consider how this form of protection aligns with the company's business strategy. For start-ups with minimal capital, trade secrets may be an effective way to protect an invention prior to obtaining the necessary funding and investment to commercialise or test the invention.

  Confidentiality is also critical for patents. The need to keep the invention private and out of the public domain before filing for a patent can be overlooked in the early stages of securing capital. Tech start-ups wishing to obtain patent protection should ensure that they have appropriate confidentiality or non-disclosure agreements in place before entering into funding discussions or presenting the new invention or technology to prospective customers.

- **Copyright.** Unlike patents or trade marks, there is no system of registration for copyright. Copyright protection is automatic once the work has been put into material form. The central tenant of copyright is that it protects the particular expression – copyright does not protect facts, information or ideas. To be

protectable, copyright must be original and created by a human author. The human author requirement raises interesting questions in the tech space in light of the emergence of artificial intelligence and the increased reliance on algorithms and machine learning.

For tech start-ups, software and computer programs can attract copyright protection. While software is protectable as a 'literary work', any copyright in software code that is partly based on open source will need careful consideration as it raises questions as to whether the software code is original. Separately, copyright may also provide tech start-ups with the ability to protect user interfaces for digital technologies (i.e. on the basis that they are artistic works).

- **Designs.** Registered designs can be used to protect the visual features of the technology, but importantly not the technology itself. While designs are more frequently utilised in protecting the look of products (widgets), in the digital technology space, designs may provide start-ups with the ability to protect the graphical user interface of products.

2. Ensure you own the IP rights

Once you have determined which IP rights to protect, the next step is to ensure that the right is owned by the correct entity. For many companies, the failure to execute proper agreements or obtain relevant assignments from inventors can result in protracted IP ownership disputes. Such headaches can be avoided by ensuring that your company has the proper agreements in place.

For tech start-ups, particular attention should be paid to the following issues:

- The terms of any contractual arrangements with third parties. For example, have any third party inventors assigned their IP rights to the company? Is the third party under an obligation of confidence or subject to a non-disclosure agreement?

- The scope of any assignment and rights to any developmental IP. For example, is the assignment limited to a particular technology or IP right (patent or copyright), or does it extend to the assignment of all future IP rights?

- As particular rights (and limitations) apply to jointly owned IP, special attention should be had to any arrangements that contemplate the co-ownership of IP. Co-ownership can also be difficult to navigate when the interest of co-owners cease to align.

- Tax implications arising from the transfer of IP between different entities.

3. Think global

Finally, it is important to think global. While many start-up companies are often focused on building the business locally, this can impact on the breadth of IP protection around the world. Copycats need not be located in your home country. This issue comes into sharp focus in the context of patents and trade marks.

Considering at the outset which countries your company may wish to enter will help ensure that the relevant protection is achieved as early as possible. Engaging with patent advisors early about the global patent filing strategy is key to obtaining robust global protection.

Similarly, trade mark protection can be sought globally based on rights sought or obtained in your home country. This is also helpful in preventing what may otherwise be a costly and avoidable dispute in another country.

Wrapping-Up

Closing this lesson, you can do further reading on the topic here:

- https://euipo.europa.eu/ohimportal/en/web/observatory/understanding-ip
- https://www.wipo.int/sme/en/

Also, if you feel confident in your knowledge, you can do the Intellectual Property Quiz of the WIPO https://www.wipo.int/about-ip/en/quiz/index.html

You can also use the WIPO IP Diagnostics tool to undertake a basic diagnostic of the intellectual property (IP) situation of your business. It is in the form of a questionnaire with several sections that will ask you questions on different IP topics (e.g. innovative products, trademarks, licensing, designs, internationalisation, etc.). Access the tool here: https://www.wipo.int/ipdiagnostics/en/index.html

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