A BRIEF INTRODUCTION TO INTELLECTUAL PROPERTY RIGHTS

INTRODUCTION

Intellectual and Industrial Property Rights are the rights associated with “products of the mind”. The rights which I am going to refer to are:

- Trade Marks
- Patents
- Copyright
- Registered Design Rights
- Unregistered Design Rights; and
- Know-how/ Confidential Information

This is not an exhaustive list as there are other types of intellectual property such as semiconductor topography rights, plant breeder’s rights and database rights.

What is intellectual property?

Intellectual property is an entirely human creation: it is the result of human creativity which is protected only if, and to the extent, that it comes within the common law and statutory laws protecting such creations.

JURISDICTION

Intellectual property rights exist only to the extent provided by law. Needless to say the law is different in different jurisdictions. What may be protected in one jurisdiction may not be protected in a different jurisdiction.

For example, in the US you have the right to a fee for the commercialisation of your face (where photographs of you are sold for profit) whilst there is no such right in the U.K..

Another example is: the concept of moral rights (to be named as author and associated rights) are a somewhat different concept in France to those in the U.K..

TRADE MARKS

The importance of branding

It seems unbelievable that someone has made billions of pounds by mixing up and selling the following ingredients:

“carbonated water, sugar, caramel, colour, phosphoric acid, natural flavours, caffeine”.

The only reason that Coca-Cola have done so is by creating a brand which is extremely strong and widely known. Incidentally, the reason that Father Christmas is always depicted as wearing red and white is because of a Coca-Cola advertising campaign.

The brand associates goods or services with a particular company and the qualities for which the company is known.
Criteria for registration?

- Applied to Goods or services
- Capable of being represented graphically
- Distinguishes Goods or services from the goods or services of another. This will not be the case if, for example, that mark is already used for similar goods or services (or if the brand is particularly well known for dissimilar goods or services, or if the mark is descriptive of the goods or services)

Examples of what can be registered in the U.K.:

- Words
- Designs & Logos
- Sounds
- Shapes
- Smells

Registered Marks

Legislation: Trade Marks Act 1994

Application is made to Trade Marks Registry: registration is not automatic. If the mark is not distinctive, it will not be registrable. Examples of marks which are not distinctive (unless they have become distinctive through use) are: two or three letter initials, geographic names, names which are descriptive of the goods or services.

If registration fees are paid (every 10 years), can last forever.

Gives the right to use the : ® symbol as opposed to just the: ™ symbol. In the US there is a concept of service marks and therefore an “S” mark is sometimes used to denote this. All marks in Europe are known as trade marks, and therefore the “S” symbol is not recognised by consumers here.

Criteria for unregistered marks

The common law provides protection for unregistered marks in that where the following points are proved, the owner of the unregistered mark should in theory be able to prevent the use by another of that or a similar mark:

- Reputation (distinctiveness will again be important)
- In relation to a particular mark
- Confusion in the mind of the public

Things to consider for currently used and new marks:

Registration: things to consider

Reasons for registering

- In infringement proceedings you do not have to prove a reputation in relation to the mark: registration is sufficient;
- It puts other people on notice and may help to discourage them from using your mark for the same or similar goods or services.

U.K. Trade Mark vs European Community Trade Mark (discussed below)

Costs of registration

Domain Name

Do a search on the internet

- Is anyone else using the mark?
- What is it being used for?
- Do they have a domain name/ is the domain name free for use?
- Lots of different domain names: you may want to consider applying for a number of different country specific registrations for the same name.

There are companies which provide a domain name search and also watching service. Some examples of these companies whose advertisements appear in the IT press are. NameWatcher.com; sales@netnames.co.uk, www.netbenefit.com

Company Name

People often think of a company name and have it agreed by the board only to find that someone else has already thought of it. You can now check on the Companies House website whether or not the name is available. This is particularly the case where the name is in some way descriptive. Originality in the name has certain advantages in that:

- Someone else is less likely to be using it; and
- You are more likely to be able to get it registered; and
- It might be easier to protect the name from infringers.

The only downside is that you have to work hard to get people to associate your product with the name. However many companies have done this very successfully; (Orange, the mobile phone company, is one example).

If you are considering setting up a new company you can look at the list of company names free of charge on the Companies House web site at: http://www.companieshouse.gov.uk

Once you have decided on a name, get it registered as a trade mark, domain name and a company name. Having registered a company with a particular name will not necessarily mean that you can prevent someone from registering that name as a registered mark or a domain name.
Community Trade Mark vs U.K. and other national trade marks

Advantages of CTM

The advantages of the CTM are all to do with the fact that there is only one application, registration and mark.

- **Cost**: (Relative cost of obtaining registration in 15 member states (U.K. £1,000 per mark per class whereas CTM £3,500 per mark per class.)
- **Number of attorneys**: (For national registrations a local attorney must be instructed for each country.)
- **Renewals**: (Only one renewal (not one in each country))
- **Enforcement**: (A single action in one court, with validity in entire EU.)
- **Ease of Registration**: (Appears to be easier in some cases to obtain than a U.K. trade mark, particularly where marks are descriptive. **Note**: this may change and these marks may be revoked.)
- **Seniority**: (Can claim seniority against national marks registered later.)

Disadvantages of CTM

Disadvantages are all to do with having all your eggs in one basket.

- **Must be registrable in all member states**:  
  As a unitary right:  
  If the mark is not registrable in one of the states, it cannot be a CTM. Note: because of language differences, a mark which is descriptive in one member state may not be in another state. All national registers are searched before a CTM is granted.
- **Transfers/ Assignments can only be made in the Community as a whole**: (Must be transferred for all 15 states. Cannot split a CTM.)

However, when undertaking a registration, consider that a national mark can be converted to a CTM and vice versa.

**Conclusion**: The best and most economic route will depend on the individual mark and what you are planning to do with it. A trade mark agent will be able to advise. Warner Cranston can recommend a trade mark agent to you if you would like us to do so.

Assignments and Licensing

Assignments and licences must be in writing to be effective at law.

Assignments must be registered at the Trade Marks registry, otherwise it will be ineffective against anyone acquiring a conflicting interest who does not know of the earlier assignment.

Licences must also be registered within 6 months if the licensee is to be entitled to damages in respect of any infringement which occurs between the licence being granted and the date of registration.
PATENTS

Legislation: Patents Act 1977

Patent protection is available for inventions which have the following characteristics:

**New:** that is, has not been done before (whether or not it was patented) and the inventor must not have disclosed the invention to the public.

Until a patent has been applied for, the invention is merely confidential information. **IT MUST STAY THAT WAY.** People have lost the availability of patent protection because they have inadvertently disclosed the invention. This includes:

- Discussion with potential manufacturers or sales people;
- Putting the invention on the back of a lorry where it could be seen by the travelling public; and
- Putting the invention on display at a trade fair.

**Not Obvious:** to someone skilled in the particular field. This can be difficult to define. Sometimes the invention will be obvious, such as the teat of a trainer cup but will be considered to be not that obvious that someone has not thought of it before.

**Capable of industrial application:** this does not mean it has to be an industrial, engineering type project, but merely that it is a product or process that “works” and is capable of being manufactured or (in the case of a process) being used.

**Duration:**

20 years from publication if annual fees are paid

**U.K. patent v European patent protection**

**PCT:** application made to local national patent office for national registrations countries listed in that application (for these purposes a patent under the EPC counts as a national patent). There are 70 countries in which this is available, including almost all European countries, plus Slovenia, Bosnia-Hercegovina and Croatia.

**EPC:** Only for national patents in countries which are members of the European Community and the European Economic Area, plus Switzerland. When the Community Patent Convention comes into force, it will form the basis of a single Europe-wide patent. These are the fees valid at 11 May 1992.

Considerations:

- Relative costs much greater for EPC and PCT than for a single national registration.
- Length of time to grant is substantially longer for EPC and PCT applications: a minimum of 2 years.
- Have to decide at outset in which countries applicant wants to file.
Fees and costs

In addition to the patent office fees you will have to pay fees for drawing up the documents and drafting the claims. This will normally involve using a patent agent and if drawings are required, a drafts person.

Infringement

Patent owner has an absolute monopoly: subject to exhaustion within Europe: if put on market in an EC country and it gets exported to a country where there is no such protection, you cannot prevent this export or any subsequent sales in that country.

Infringement consists of someone, without permission:

- making the product/using the process
- selling the product/ or products made using the process
- importing the product/products made using the process (exception of exhaustion of rights if sales made with permission anywhere in the EC)

Assignments, Licensing and Charges

Void, unless in writing and signed by or on behalf of the parties to the transaction.

(failure to do so means that only equitable title passes, and if the equitable owner wishing to sue any infringers, the legal owner will have to be joined into the action.)

Must expressly exclude the right to sub-license or mortgage (different from trade marks).

Exclusive licensee, if the licence is on the register, has the same right as the patentee to sue for infringement.

Failure to register transactions: the first in time defeats a later registration (registration gives good proof of title).

COPYRIGHT

Legislation: Copyright Designs and Patents Act 1988 (CDPA)

Subsistence of copyright

Copyright subsists in the expression of an idea, not in the idea in itself.

The level of originality for a work to attract copyright is very low. Literary or artistic merit are not a prerequisite. Therefore copyright can exist in everyday items in business such as customer lists and management accounts. Personal items such as letters will also attract copyright protection.
Copyright exists automatically as soon as an idea is expressed, whether on paper, a computer, photographic, sound or video film. Unlike other intellectual property rights, in the U.K., there is no registration system for copyright.

**Categories of copyright work**

Copyright works are divided into different categories under the CDPA. Each category has its own set of rules to suit the particular media. These categories include:

- Literary, dramatic, musical or artistic works;
- Sound recordings, films; broadcasts and cable programmes; and
- Typographical arrangement of published editions.

For most people, the most important category is that for literary, dramatic, musical and artistic works. Examples of such works include: books, drawings (including design drawings), paintings, music, photographs, and (very importantly) computer programmes.

**Copyright as bundles of rights**

Copyright consists of a number of different rights, each of which can be separately commercialised. For example, in a Harry Potter book, there is copyright in the words on the page from which JK Rawlinson can sell or licence the following different rights to different entities: translation rights into all different languages (each of which can be licensed separately); publication rights (which can be separated into the right to publish in each different country); the right to adapt the book to film, radio or stage plays; right in the copy (typesetting); and moral rights (which are discussed further below).

**Copyright is not a monopoly**

If the same work is independently created by different authors, each author will own the copyright in their own independently created work. For this reason it is important that those creating copyright works, in particular in the design industry, keep records of the inspiration for those works and records of the design process, with each drawing having a date and the name of the author included on them.

**Duration of copyright**

This has changed fairly recently with the implementation of the Commission directive on copyright on 1 January 1996.

<table>
<thead>
<tr>
<th>Duration of Copyright and Rights in Performances Regulations 1995</th>
<th>Was</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literary, dramatic, musical or artistic works (except for computer-generated works)</td>
<td>50 years</td>
<td>70 years</td>
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<tr>
<td>from the end of the year in which the author dies</td>
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<tr>
<td>Computer-generated works</td>
<td>no legislation</td>
<td>50 years</td>
</tr>
<tr>
<td>from the end of the year in which it was made</td>
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</tbody>
</table>
Ownership

the author of the work is normally the first owner. (The author is the person who creates the work).

However, if an employee creates a literary or artistic work (including a computer programme) in the course of his employment, his employer is the first owner of any copyright in the work. The difficulty is determining whether a particular piece of work is done in the course of an employee's employment? For example, a computer programmer may write computer programme in his spare time: is this in the course of his employment?

Moral rights:

consist of a bundle of rights of the author of the work to be identified as such in circumstances specified in CDPA. It does not apply with respect to computer programmes, nor to works which vest in employers by virtue of their employment of the “author” ie neither the employer nor the employee has the right to be identified;

moral rights are not infringed unless they are asserted.

Infringement

Without permission:

“substantial copying”: this is a question of degree and includes adaptations

selling or importing copyright material

performing, showing or broadcasting a play, music or film

but NOT independently creating the same work (hence advice to creators to retain original drawings and to systematically date all their work)

Assignments and licensing

To be effective, legal assignments need to be in writing and signed by the assignor.

The assignor takes the copyright subject to the terms of any licence, except for a bona fide purchaser without notice.

Note: All consultancy agreements must have IP clauses, preferably with an assignment of all IP created in connection with the work undertaken and a power of attorney for the person appointing the consultant to sign any legal assignment.
REGISTERED DESIGN RIGHTS

Legislation: Registered Designs Act 1949, as amended.

What is protected?

Features of:

- shape
- configuration
- pattern
- ornament

(2-D or 3-D)

The article’s design must be important: it must have significant eye appeal.

Examples: lamps, wall paper patterns, patterns on china, figurines, furniture and cutlery.

Exclusions

- method of construction (nuts and bolts)
- features dictated by function (razor blade)
- features of shape which are dictated by another article (for example Ford MC applied to register car doors, steering wheels, seats, bonnets and wheel covers, all of which were rejected.)

Other requirements

- applied to an article by an industrial process
- new ie not made public before registration (same as requirement for patents).
- registration (application to the Patent Office)

(can register same design for different objects).

Ownership

First author (the creator)
employee or employee designer
the commissioner of a commissioned design for money or money’s worth
transfers of ownership need registration

Duration

Up to 25 years if fees are paid every 5 years

Protection of rights

Mark on the product “registered design” and the registered number (otherwise possible defense of innocent infringement, which, if successful, means that the infringer does not have to pay damages)
World wide protection

Registration in U.K. is recognised in some (mainly commonwealth) countries.

A community design right has been proposed.

Assignment and licensing

Assignments and licenses are registerable.

UNREGISTERED DESIGN RIGHTS

Legislation: Copyright, Designs and Patents Act 1988

Protects the shape of an object (ie does not 2 dimensional designs)

Examples: Lamps, toothbrushes, furniture.

Requirements:

Must be original ie not common place in the field of design

Person must be someone capable of acquiring U.K. design right (citizen of U.K., EU and commonwealth)

Exclusions:

things that are common place in the field of design
things that must fit or must match
surface decoration

Duration:

The lesser of 15 years from creation/10 years from first marketing

Ownership:

designed by employee: employer is first owner

designed by commissioner: if payment made, belongs to commissioner

must be in writing and signed by or on behalf of the assignor

Protection:

design right notice on object (As with registered designs, there is a defence of innocent infringement)
keep prototypes or photographs

Assignments and licensing

Must be in writing and signed on behalf of assignor

Licence binding on all assignees, except a purchaser in good faith for valuable consideration and without notice of the licence.

Exclusive licensee has same remedies available as owner.

Comparative Table:

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Registered Design Right</th>
<th>Unregistered Design Right</th>
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<tbody>
<tr>
<td></td>
<td>Must have significant eye appeal</td>
<td>3-D only</td>
</tr>
<tr>
<td></td>
<td>2-D and 3-D</td>
<td>Like copyright</td>
</tr>
<tr>
<td></td>
<td>Like patent rights</td>
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<tr>
<td>Essential Elements</td>
<td>Design applied by industrial process</td>
<td>Original (not commonplace)</td>
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<td></td>
<td>New Registration</td>
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<tr>
<td>Exclusions</td>
<td>Method of construction</td>
<td>Not Functionally fitted or</td>
</tr>
<tr>
<td></td>
<td>Features dictated by function or by another article</td>
<td>aesthetically matched</td>
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<tr>
<td>Duration</td>
<td>up to 25 years, if fees paid every 5 years</td>
<td>15 years from creation. 10</td>
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<td></td>
<td>years from first marketing</td>
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<tr>
<td>Ownership</td>
<td>Employee: Employer is first owner</td>
<td>Employee: Employer is first</td>
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<td></td>
<td>Commissioned for money or money’s worth: Commissioner owns</td>
<td>owner</td>
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<td></td>
<td></td>
<td>Commissioned, whether or not</td>
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<td></td>
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<td>for money or money’s worth:</td>
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<td></td>
<td></td>
<td>Commissioner owns</td>
</tr>
<tr>
<td>Protection</td>
<td>Mark on “registered design”</td>
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<tr>
<td></td>
<td>Date and retain all development drawings</td>
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<td></td>
<td>Mark on registration number</td>
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KNOW-HOW CONFIDENTIAL INFORMATION

The legal rights considered above are all (except unregistered trade marks) created by statute law. However, despite all the details set out in statutes regarding those rights, probably the most important in all business is confidentiality of information relating to the business itself, such as customers and details of contracts with them and the finances of the company.

Confidentiality does not exist unless you create that confidentiality. First of all you have to inform people of what information is confidential and secondly the level of confidentiality. For example, in a laboratory, information may be freely divulged as ideas are discussed with the aim of combining the information to achieve a workable product.

You should consider the following when framing the terms of confidentiality in respect of a particular piece of information:
having a written policy whereby different levels of confidential information are disclosed to different levels of employees/consultants;

having a clear statement of what information the employer considers to be confidential and providing it to all relevant employees and consultants; and

marking information as confidential and as the property of the employer.

For employees at the higher levels of the firm, specific clauses can be included in their employment contracts such as:

restrictive covenants preventing them working for a competitor for a specified period of time (these have to be drafted no wider than is necessary to protect the proper interests of the employer, or they will not be enforceable); and

garden leave clauses for employees at highest level handling the most sensitive information.

Consultants and confidential information

The main difference between consultants and employees when it comes to protecting confidential information is that there is no implied duty of confidentiality on consultants. It is therefore imperative that there is an appropriate clause in the consultancy agreement protecting the appointor’s confidential information, whether this was created by the consultant or simply provided to him. In addition, all information provided to the consultant should be marked “Confidential”, to try to give it the necessary quality of confidentiality worthy of protection. Appropriately drafted restrictive covenants might also be included in the consultancy agreement.

Alison Dennis, Associate, Corporate, Commercial & Finance

**DISCLAIMER:** This document is for general guidance only. All liability is excluded for actions taken or not taken in reliance on these guidelines alone. Specific advice should be obtained in each specific case. Please contact adennis@reedsmith.co.uk at Reed Smith Warner Cranston, Solicitors, London to review your specific circumstances.
<table>
<thead>
<tr>
<th>IP Right</th>
<th>Constituent Elements</th>
<th>Duration</th>
<th>Ownership</th>
<th>Legislation/ Common Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Trade Marks</td>
<td>- For goods or services</td>
<td>Perpetual if registration maintained (renewals every 10 years)</td>
<td>Person registered</td>
<td>Trade Marks Act 1994</td>
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<td></td>
<td>- Graphically represented</td>
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<td></td>
<td>- Distinctive</td>
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<tr>
<td>Unregistered Trade marks (passing-off)</td>
<td>- Mark/ brand</td>
<td>Perpetual</td>
<td>Person to whom the goodwill belongs</td>
<td>Common Law</td>
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<td>- Reputation</td>
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<td>Copyright</td>
<td>- Expression of an idea</td>
<td>70 years from the end of the year in which the author dies</td>
<td>Author, unless author is employee acting in the course of their employment, when their employer will be owner</td>
<td>Copyright Designs and Patents Act 1988</td>
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<td>Patents</td>
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<td>- Not Obvious</td>
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<td>- Protects shapes, configurations, patterns and ornaments</td>
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<td>- Industrial Process</td>
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<td>- NOT: common place, must fit or match or surface decoration</td>
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