

IP Protection and Technology Transfer

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IP Protection

To the entrepreneur with an innovative idea that may change the world, Intellectual Property (IP) rights are sometimes the only weapon available to prevent others from copying or adopting their idea and the main asset that can be sold or licensed. Patents, trade marks, designs and trade secrets can all be used to protect the innovation. The type or types of IP rights that should be used will, of course, depend on the nature of the innovation. Whilst some forms of IP rights are created automatically, such as copyright and unregistered design right, these unregistered rights generally offer limited protection to the entrepreneur seeking to make their fortune in the international markets. For them it will be essential to obtain strong registered IP rights in those markets.

The Budget

The problem facing most entrepreneurs is how best to use the limited funds that are available at the start of any new venture to maximize the commercial benefit of the IP. The amount to budget for the protection of IP has to be commensurate with the commercial value of that IP to the business – more should be spent on innovations that will provide a real market advantage and less on those that (although perhaps academically or technically brilliant) will not. There are many factors that should be taken into consideration when assessing whether obtaining IP will add value to an innovation. For example, considerations should be given to: whether or not the competition will be able to glean sufficient information from the product once the product is publically released to produce their own competing product; the likelihood of someone else independently coming up with the same innovation; the ease with which a competitor would be able to design around the innovation and produce a cost effective alternative; and the likelihood of being able to licence or otherwise obtain a revenue stream from the IP itself.

Skilled IP professionals, such as Chartered Patent Attorneys and Trade Mark Attorneys, are able, using their knowledge of IP law and practice, to help an entrepreneur identify the most important IP rights that will protect the revenue streams underlying the business plan. An entrepreneur who takes advice from an IP professional early in the development process will benefit from that IP professional's ability to suggest creative ways to maximise the benefit of the IP to the business plan. As the business develops, further innovations may of course be made and again early involvement of the IP professional will enable the IP professional to advise whether these further innovations are worthy of separate protection, depending on the commercial advantages they bring and whether or not they are complementary with the existing IP.

Worldwide Protection

As registered IP rights are territorial in nature, costs are incurred in obtaining IP rights in each desired country. “World wide” protection can therefore be prohibitive. However, in most cases, by carefully selecting the countries in which protection is sought, entrepreneurs can maximise the impact of their protection. For example, if Europe is an important market and the cost involved in obtaining protection throughout Europe is prohibitive, then obtaining protection in the UK, France, Germany and Italy may be enough to prevent competitors launching a competing product in other European countries because the market in those countries is too small.

IP Technology Transfer

There are various ways that entrepreneurs can seek to exploit their innovations commercially, such as through licensing agreements, joint ventures and spin-outs for bringing the new technology to market. Technology Transfer Organisations can help with this difficult task, for example Cambridge Enterprise provides this support for the University of Cambridge and its researchers. Not all, however, choose to use a Technology Transfer Office, instead seeking venture capital funding or collaboration directly with commercial partners.

Regardless of the route chosen, care has to be taken to ensure that a fair deal is achieved for all concerned. Sometimes the deal can fail in the gulf between a general idea of technology transfer and the detail of the lawyer’s contract. However, building the deal around Intellectual Property (IP) can provide a way to identify and safeguard the technical aspects provided by each party and the rules for its use and the use of any new technology resulting from the venture. Uniquely, IP bridges the technical, business and legal worlds and can provide a flexible and comprehensive structure for both technology transfer and technology collaboration agreements.

David & Goliath

For those seeking to exploit their research through a joint venture or collaboration with a commercial partner, care should also be taken with regard to the different market positions of those concerned. For example, joint owners of a patent are each able to manufacture and sell the patented product without regard to the other. However, the right to manufacture and sell may be of limited value to the researcher or University that does not have manufacturing or sales capabilities. You might think that this is not a problem and that they would be able to license their rights to someone else who would then be able to manufacture and sell the product for them. Not so. In some countries, joint owners are not allowed to license without the consent of the co-owner. In the case of a joint venture or any other form of collaboration, there needs to be a written agreement between the parties that sets out how each party will be allowed to commercially exploit the technology in a way that is both mutually beneficial and that takes into account the fact that the commercial requirements of the parties may differ.

Allowing for Multiple Partners

Where an innovation has multiple commercial applications, it may be an economic necessity to establish relationships with multiple parties if the full benefit of the innovation is to be realised. This will require a strategic approach to your IP filing and licensing and one that will allow you to retain ownership of the IP in order to

control the exploitation of the research in the different commercial markets. This can be achieved through targeted licensing, but the strategic filing of multiple patent applications or the filing of a number of divisional applications to provide different patents that will protect the different commercial applications should also be considered. One reason for this is that, although more expensive, the multiple application approach provides the flexibility of later being able to assign the technology in some commercial areas (if desired) whilst being able to retain ownership, and therefore control, in others.

3rd Party IP Rights

In addition to obtaining their own IP rights, entrepreneurs have to be aware of the IP rights of others and especially those of their competitors. Infringement of a competitor's IP right may be catastrophic to the business if a licence on reasonable terms can not be obtained. Time, therefore, has to be given to identifying competitors' rights and their potential relevance. If a competitor's rights are identified early in the development process, there may be time to invalidate those rights, to negotiate a reasonable licence or to investigate possible design rounds. If left too late, however, there may be no option but to remove your product from the market or to pay an inflated licence fee.

Entrepreneurs seeking investment from commercial partners or through VC funding will have to demonstrate that they have considered such 3rd party IP rights or they face the prospect of the deal falling through or worse still being forced to provide unrealistic and potentially punitive warranties to secure the investment.

An IP Strategy

IP clearly has a fundamental role to play in protecting innovations made by entrepreneurs and in providing the foundations for commercial agreements to exploit those innovations. It is vital, therefore, that appropriate attention is given to all areas of IP as the business plan develops, including protection of your IP at an early stage, updating of your IP to ensure that it maintains its relevance, and investigation of third party IP to ensure that you have freedom to exploit your innovations. Working early on with your IP advisers can ensure that an appropriate IP strategy is put in place that is commensurate with the business plan and that will allow the successful commercial exploitation of your innovations.

If you require advice or assistance with your IP strategy or your IP portfolio, or if you would like to know more about Mathys & Squire LLP, please contact the author or visit our website at www.mathys-squire.com.