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# SCALEUP QUARTER



*Introduction*

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*A good inventor must have an open and curious mind, and an open and passionate heart.*

*Be aware of the good, the bad and the ugly on our planet. Great inventions are a result of 'things'.*

*Many things, anything and everything!*





In many ways, intellectual property (IP) is the heart and soul of a business; that which makes it different from its competitors.

Differentiation is what drives each and every business, whether it be to make a consumer product more desirable, or to develop a cure for a debilitating disease.

Generally, the IP within your business will be a combination of assets that collectively deliver your competitive edge, or make your offering more attractive to a particular customer. It is therefore fundamental to your operation and success. The recognition and protection of IP assets help your business to maximise that competitive edge, ringfence assets and retain a market position.

If you haven't identified what these assets are, how will you ensure that you consistently deliver to your customers? And if you do not protect these assets, how will you prevent others from copying your ideas and benefiting from your investment and hard work?

Underlying the entire IP system is the importance of incentivising innovation. The principle is relatively simple; in exchange for individuals or businesses innovating and delivering new products, brands, designs and other 'works' (such as music and film) to the public, which in turn drives further economic growth and innovation, they are given the right to control the delivery of those products or offerings to the market. This in turn protects customers as it provides them with tools to make an educated decision regarding their purchases and it also allows IP owners to minimise the misuse of their innovation, particularly in industries where such misuse can cause harm to health or wellbeing.



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Intellectual property is something that you create using your mind - for example, a story, an invention, an artistic work or a symbol.



In order to safeguard your work, and to work profitably in the future, it is important to consider creating a formal IP strategy early on. This is to prevent loss of investment and time.

## The importance of creating a formal IP strategy

Intangible assets can make up to 80% of a business' value, which underlines the importance of basing your company's strategic framework around those assets. Trying to segue an IP strategy into your existing business plan may prove a little less than effective, as trying to protect innovation after you have already begun work, and could leave you vulnerable to finding out someone else got there before you.

When considering your IP strategy, start with an analysis of the business' internal organisation to identify any potential assets that may have been overlooked. At this point, it is important to be aware

of the different business frameworks you may fall within as they will present various challenges, for example:

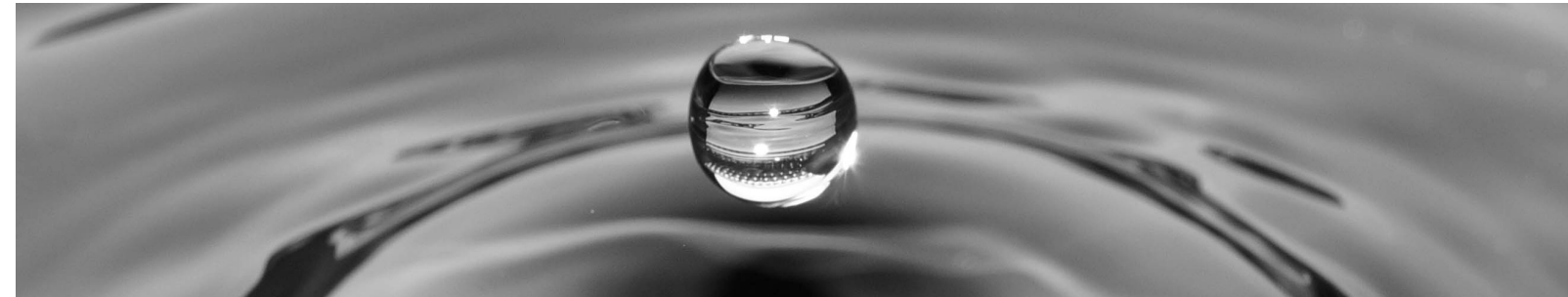
**SMEs** – this size of business tends to have better opportunities to integrate a robust IP framework within their business strategy from the outset. While growing, it can be easier to adopt new IP policies to fit the evolution of the business model.

**Corporates** – with large organisations and wide-ranging activities, clarity around IP strategy is vital. Either a strong in-house IP counsel or an excellent relationship with an external IP firm is strongly advisable.

## Carry out an IP audit

It's important to include more than just the basics here, such as a schedule of registered IP including patents, trade marks, design registrations and plant variety rights. Think about the things that the audit should help determine, e.g.:

- any existing risks (internal systems, ownership and conditions of use);
- any existing opportunities that there is no strategy around – the protection needs could be broader than the current business model; and
- whether any of your current IP spend is trying to resuscitate property past its sell-by date.



## IP creation

Growing a business with poor or no IP strategy can be expensive. You may find your organisation going down the route of protecting the wrong things or developing an unprotectable product, or even launching a product that is protected by someone else's rights, which, down the line, may have to be discontinued.

Investing in any cost-heavy marketing campaign without a clear approach to both your own and other businesses' IP could be ruinous; think reputation and budget.

# People always ask us when's the best time to create an IP strategy?

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## Identification

Undoubtedly the best time to create an IP strategy is at the same time as creating your very first business plan. That said, many businesses will adopt an IP strategy much later down the line and whilst there may be complications by this time, any time is better than never!

The first step in developing an IP strategy is to identify the current or planned IP assets of the business. Identification of IP assets means all potential designs, copyright, trade marks, patents as well as confidential information and know-how; it does not just mean registered rights. This process will immediately highlight the intangible assets that are likely to require ongoing attention and protection and will allow you to plan how to maximise their value accordingly.

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## Policy creation

Once assets have been identified, it is then advisable to put in place a policy that ensures assets are captured and cleared for use on an on-going basis, and that they are managed effectively by everyone in the business.

A policy will help those creating IP to identify these potential assets from an early stage and communicate them to the business such that protection and exploitation may be considered at the right time. It also serves to create a paper trail within the innovation process (which may be extremely important) and makes sure that IP is i) treated consistently across the business, and ii) portrayed consistently to your customers.

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## Protection

Once assets are identified, an assessment can be made as to whether those assets would benefit from protection, and if so, what kind of protection. This decision in itself often requires a separate strategy that considers the long-term commercial value of those assets and how they may be used. Registered protection is not always the answer, but it should nevertheless be considered as part of the decision-making process.

As many IP rights are time-critical (relying on non-disclosure before protection, as well as general budgetary planning), it is important to ensure that discussions begin early on in the process.

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## Management

Once a business has IP assets identified and protected, it must then ensure those assets are:

- renewed and maintained for as long as they are still valuable;
- commercially exploited where possible; and
- protected from misuse by employees or third parties.



# Is there such a thing as a worldwide IP right?



**The short answer is *no*, but that doesn't mean you can't protect your IP internationally.**

If your business crosses borders, so should your IP strategy. If your business plan involves manufacturing or selling products abroad, or even siting R&D facilities there, you should obtain IP protection in at least your key markets. There is no global patent, trade mark or design, so you will need to obtain IP protection separately in each relevant country.

This requires considerable financial commitments and will take time, typically several years. Most countries allow you to file in the UK or Europe first, and defer filing abroad. This can help to spread costs and delay a final decision on where you need IP protection until later in the product life cycle. With our international expertise of working with startups and SMEs, we'll guide you every step of the way and help you to secure IP protection in the right place, and at the right time.

## What do investors expect?



### Pre-seed

#### Demonstrate ownership of technology

Investors want to feel secure that a business actually owns the technology that it is asserting as key to its business plans. Registered IP such as patents, or pending IP rights such as patent applications, can help in this regard as they are a public statement of ownership.



### Seed

#### Disclose any risks and provide warranties

Investors often conduct due diligence before investing in businesses. This can include wanting warranties to be signed regarding ownership and/or non-infringement. In many cases, this can raise issues that business owners weren't initially aware of – e.g. was some of the initial development work performed when the inventor was employed or working at a university, or by a contractor?



### Funded

#### Quantify and mitigate any existing IP risks

Investors will expect you to be honest. This includes disclosing any IP risks that you may be aware of – e.g. if a competitor owns some key IP in the area that could hinder the commercialisation of your technology. It is therefore prudent to conduct a review to quantify any potential IP risks, and if possible, take mitigating action to perhaps improve your business position before seeking investment.



### Exit

#### Have an exit plan formulated

Investors will want to know what your eventual exit plans are or will be. Investors will be reassured if you can demonstrate that your IP strategy has been formulated with your planned exit in mind and to support a successful exit.



# Who should consider IP due diligence?

## Are you looking to sell or license-out your own IP?

IP due diligence can be used to help promote your IP and ensure you receive what it's worth. Sometimes relatively simple adjustments to your IP strategy can increase the value of the IP.

## Are you looking to buy or license-in IP?

As well as checking that the IP rights you are acquiring are worth what you're paying, you should consider what IP you already have and what effect this may have on the deal, e.g. cross-licensing opportunities that may be available.

## Are you looking for investment in your company or for it to be acquired?

IP is important to investors and, if presented well, can increase the value of your company. Investors may ask difficult questions and it's important to be able to answer these promptly and positively.


## What does it actually look like?

**Formalities** – What IP rights are there? Are the formal requirements, such as recording ownership and payment of fees, in order? Which rights are granted and which are still pending?

**Geographical coverage** – Where does IP protection exist? Is this appropriate, considering the key markets and placement of competitors? What options are there for extending IP protection to other territories?

**Validity** – Are the IP rights valid? If there are challenges to their validity, e.g. if competitors have opposed your rights, what likelihood do these have of success? What scope might validly be granted for pending rights?

**Scope** – Do the IP rights cover something commercially useful? This may take into account your company's own products and services and those of the competition. Are there easy design-arounds? Are there any pending rights that could be directed to cover other commercially useful products?



*Many companies are unaware of the value of their IP, and in turn, how they can leverage these assets. We believe in providing commercial advice for our clients that will help them to raise funding, improve the marketability of their company, help them to prepare a solid exit strategy, or strengthen their position through acquisition.*





## Why not file it yourself?

Getting an invention patented can be complicated. A patent application is a legal document in which the boundary of the invention - in technical terms - is defined in a sentence or two. Strict rules are in place governing the changes that may be made to an application after filing. It may not be possible to rectify mistakes or omissions.

## What is excluded from patentability?

There are some things the law specifically excludes from patentability, e.g. inventions that relate purely to methods of doing business. These exclusions can differ from one country to another and the scope of what is allowable in some fields, e.g. computer programs - is constantly evolving. Patent attorneys can tease out which elements of your inventions might provide promising subject matter for a patent application and help you navigate the time frames and fine lines of applicable patentability criteria.

**To be patentable, your invention must be new, i.e. it must not have been disclosed before, and must be non-obvious.**

On top of being new and non-obvious, it is important to file at the right time: too early and there may not be enough data or information to support the patent application; too late and there is the risk of third parties beating you to the punch by disclosing something that makes it harder for you to obtain patent protection, or even filing their own patent application first.

### 1. Ideas

Most IP is generated during the ideas and R&D phase of the life cycle. However, you should be mindful of progress throughout as opportunities for protection can arise at other stages in the innovation cycle - don't miss them.

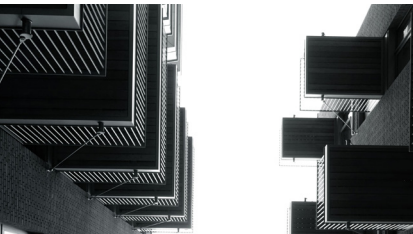
### 2. Research & development (R&D)

In some instances, businesses decide not to file a patent application - for example, because the invention is excluded from patentability, other forms of IP being more appropriate (e.g. trade secrets) or the lack of market (or only a small market). Do your research and seek advice.

### 3. Evaluation

You need to regularly review incremental advances that provide a commercial edge. These can be just as important to protect as the initial innovation.

**What can be patented  
and what's excluded  
from patentability?**



## Why do I need to protect my trade mark?

Brands are an integral part of a company's identity. Without legal protection in the form of registered trade marks, companies have very limited ownership of their brands and will struggle to stop others 'riding on their coat-tails' and potentially damaging their own reputation.

Trade mark protection provides you with the legal right to stop others from using the brand in which you have invested. Moreover, it is a company asset that can grow in value significantly. Over time, the goodwill in a brand can be the greatest asset a company owns. When managed carefully, that asset can be used to generate significant value in terms of revenue, market dominance and repeat product sales.

Counterfeit goods can make a serious dent in a business' finances. Not only do they divert sales away from the business, they can affect a company's reputation and the loyalty of its customers, particularly when the quality of goods is poor. A registered trade mark enables you to effectively enforce against unauthorised use of those brands.



## What is a registered design?

A registered design is a form of IP that protects the aesthetics of a product and/or its get-up. Where appropriate, this can cover the shape, texture and/or finish of a product, as well as graphical designs and packaging. Once a design is validly registered, it can generally be used to prevent others from using the same, or very similar design.

**Relatively inexpensive** – Registered designs are relatively inexpensive and the registration process is generally straight-forward and quick. This makes them well suited for the fast-paced product life cycles associated with many sectors. They can also offer a valuable level of protection for digital products that may be difficult to protect using other means, such as patents.

**Protecting the aesthetics** – Many may not be aware that registered designs can also be used to protect the aesthetic elements of digital products, such as icons and aspects of a graphical user interface (GUI). They are not therefore limited to protecting the external physical appearance of a product.





# What other things should you consider?

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## Trade secrets

Trade secrets can remain in force indefinitely, provided they can be kept secret, and can therefore be a very powerful tool in maintaining your competitive advantage in the market. Some of the most successful trade secrets, such as the Coca-Cola® recipe, have clearly stood the test of time. However, attempting to protect the wrong information as a trade secret, such as products or processes which may be reverse engineered, can leave the door open for competitors to enter your marketplace.

Licensing the particular information encompassed by the trade secrets provisions can provide a useful source of additional revenue for your business and can improve the sustainability and growth of your company.

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## Copyright

Copyright is typically an automatic right which arises as soon as a 'creative work' is created, although it is possible to register copyright in some territories, such as the US and China. Creative works could take many forms, from designs of logos and video recordings, to computer software code.

The right typically exists for the life of the creator plus a certain number of years, depending on the type of work and the territory in which it is protected. The scope of protection of the rights arising from copyright is typically narrower than those of registered IP rights, such as trade marks, so it is best practice to register IP where possible to complement copyright and ensure a broad scope of protection.

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## IP agreements

Just like any other form of property, access to IP can be controlled by its owner. IP agreements are the legal mechanism by which access to IP is granted. These agreements often include provisions for payment in exchange for access to IP, which can be hugely valuable to a business. Other important provisions often included in IP agreements relate to the confidential nature of the IP, ownership or other access rights to existing IP, and where new IP is generated, who will own that new IP.

Various types of IP agreements are used to grant different types of access – a few of these main types include assignments, licences, non-disclosure agreements (NDAs), material transfer agreements (MTAs) and research & development agreements (RDAs).

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## Ownership

It is also important to consider who owns the IP in your innovations. Inventions made by employees will in most cases automatically belong to the company employing them, but the same is not true for contractors or work commissioned from outside parties.

Therefore, if your development work involves external parties (or even 'in-house' contractors), IP ownership should be set out clearly in a contract – ideally this should be settled before any work begins to avoid disputes later.

The same applies where IP is developed in a collaborative project (e.g. with a university) – parties commonly have different ideas as to IP ownership and it is important to settle this as early in the process as possible.



## Join us on social

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