

MONETISING INTELLECTUAL PROPERTY RIGHTS

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*“Monetising
IP key
growth
driver for
SMEs”*

New age entrepreneurs of small and medium enterprise (**SMEs**) are the growth factors of the Indian economy.

The number of such new age entrepreneurs plunging in mostly all sectors and emerging of SMEs, there is a need for creating awareness about Intellectual Property (**IP**).

IP is different from other kinds of property in following aspects:

- Intangible property, which is created in the mind of the inventor.
- IP laws have been put in place to reward and protect the inventor for his/her creation and promote the economy and technology for the betterment of the society as a whole.

IP though intangible, is the most significant asset of any enterprise in its growth path. Most countries with innovative local industries almost invariably have laws to foster innovation by regulating the copying of inventions, identifying symbols, and creative expressions. IP laws encompass separate and distinct types of intangible property, which can be protected namely; pa-

tents, trademarks, copyrights, designs, geographical indications and trade secrets.

IP is divided mainly into two categories viz; industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications of source; and copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as paintings, photographs drawings, and sculptures, and architectural designs. IP shares many of the characteristics associated with real and personal property and therefore IP can be bought, sold, licensed, exchanged, or gratuitously given away like any other form of property. Further, the IP owner has the right to prevent the unauthorized use or sale of the property.

Trademark and Domain Name: A trademark (popularly known as brand name/logo) distinguishes products/services from other similar goods or services originating from a different undertaking. Trademark can be a word mark or logo and sometimes also include punch line. Trademark not only



identifies the manufacturer or service provider but also distinguishes and certifies consistent quality. Trademarks are of various types such as service trademark, associated trademark, sound trademark, collective trademark, etc. SMEs should ensure that the trademark they adopt is not similar, whether visually or phonetically, with other known trademark as it may not assist them in creating an image or market space for itself. Also, avoiding use of identical or similar trademarks saves one from infringement proceedings. It is advisable to undertake trademark search for conflicting marks before adopting a trademark or initiating registration process. In case of trademarks, an image is created and presence in the market is distinguished. With the increasing digitization, it is important that IP is also adequately protected in digital space. It is advisable to seek domain name registration of the registered trademarks. Often, unscrupulous competitors may infringe the trademark by registering a domain name with similar or identical trademark. Effective IP monitoring may be essential to avoid such passing off.

Patent: A patent is a statutory right for an invention granted for a limited period of time to the patentee in lieu of full dis-

closure of his invention for excluding others, from making, using, selling, importing the patented product or process for producing that product for those purposes without his consent. Patent protection helps materializing innovative ideas and inventions into competitive products that significantly increase profits.

Patent or trade secret?: In general parlance, any confidential business information which provides an enterprise with a competitive edge may be considered a trade secret. Trade secrets are protected in most of the countries if it can be established that such information is indeed a trade secret. However, whether information constitutes a trade secret will depend on the circumstances of each individual case. There is no registration for trade secrets. Consequently, a trade secret can be protected for an unlimited period of time. Article 39 of the Trade Related Aspects of Intellectual Property Rights (“TRIPS”) Agreement specifies certain general conditions in order to seek protection of information as a trade secret:

- The information must not be in public domain;
- It must have commercial value because it is not known to public at large; and



- Adequate steps are taken by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements and made available only to few people on need to know basis with specific confidentiality obligation imposed on such people).

However, some of the following factors should be considered by SMEs before considering whether any innovation should be patented or maintained as trade secret:

- Whether the innovation is patentable? If not, then maintaining it as a trade secret may be the best option.
- Whether such innovation can be kept as secret for considerable period i.e. beyond 20 years which is patent protection period? If not, then again it would be advisable to seek patent protection. For example: The composition of Coca-Cola is kept as trade secret as a matter of business strategy and made known to only few key employees.
- Where the secret can be determined by reverse engineering? If yes, then it should be patented.

Trade secret protection is generally weak in most countries and depending on the existing statutory mechanisms and case law, the establishing of the fact by the claimant that the trade secret is infringed can be a herculean task.

Copyright: Copyright is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings. In India, software cannot be patented. However, protection thereof can be sought as a copyright. Copyright is a bundle of rights including, inter alia, rights of reproduction, communication to the public, adaptation and translation of the work.

Designs: Industrial designs refer to a creative activity, which results in the ornamental or formal appearance of a product. A design right refers to a novel or original design that is accorded to the proprietor of a validly registered design. Many a times, the product may be known in the market due to its unique appearance or shape and hence, it is important to seek protection of designs.

Geographical Indication: Geographical Indications of goods refer to a country or to a place situated therein as being the country or place of origin of that product. Typically, such a name conveys



an assurance of quality and distinctiveness which is essentially attributable to the fact of its origin in that defined geographical locality, region or country. For example: Scotch whisky made in Scotland.

IP - Innovation & Protection

Every product or service is a result of big or small innovations. Such innovation enhances the functionality or aesthetics of the product.

All types of IP are protected on a national basis though there is an option of filing global application for patent, trademark, designs and copyright. Thus, the scope of protection and the requirements for obtaining protection will vary from country to country. However, there are similarities between national laws and the current global trend is harmonizing the national laws.

As IP rights are territorial (unless global protection sought), before exporting to or embarking in foreign territory, it is important for SMEs to ascertain that its product or service is not infringing any IP in such foreign territory and also seek protection for its own IP in such foreign territory. Protecting IP in export markets is crucial to enjoy the same level of protection in a foreign country,

as are enjoyed in the domestic market.

International protection of inventions (patent) is provided under the PCT system. Under PCT application by filing one international patent application, one can apply for protection of an invention in each of the member countries. Similarly, under the Madrid system, an international registration by a single application for registration of the mark for each of the countries designated by the applicant can be made. International protection of industrial designs is provided by the Hague Agreement in several countries by simply filing one application with the International Bureau of WIPO. India is not a party to Hague Convention which facilitates global application for industrial designs. In case of copyright, if work is first time published in a country which is a party to the Berne Convention for the Protection of Literary and Artistic Works or member of the World Trade Organization (“WTO”) bound by the provisions of the TRIPS Agreement, such copyright will be automatically protected in all other countries that are party to the Berne Convention or are members of the WTO. India is signatory to TRIPS and also a party to the Berne Convention.

Each country specifies priority period from the date of filing of the first application for applying for patents in such



countries. After the lapse of such priority period, it is not possible to obtain patent protection in other countries which may result in loss of exclusivity and consequently loss of business opportunity as well as profits. Similarly, for trademarks as well as designs, most countries provide priority period from the date of filing of the first application for applying for trademarks and industrial designs in such countries, respectively.

Today's economy is knowledge-driven and hence, the IP is increasingly becoming a vital factor for all businesses globally. SMEs are substantial contributors of innovations worldwide. However, due to various factors such as lack of awareness, legal help, etc., SMEs are not able to fully exploit its IP. Nonetheless, it is imperative to protect IP under the applicable laws because in the absence of such protection, the innovation may be exploited by the larger competitors who have deep pockets to exploit the same in economical manner and on mass scale. Most IPs require mandatory registration (save and except trademark and copyright in India) without which it may not be possible to restrain the infringers from infringing the IP. In order to turn ideas into assets, which have

market value, it is pertinent to seek protection. SMEs must bear in mind that creating a comprehensive IP portfolio may be a considerable investment. SMEs must therefore carefully assess the costs and benefits of patenting, which suit its overall business plan.

IP & Strategy

Generally, new products or services embody different types of IP. Any entity which invests its time and resources to protecting its IP will have an edge over its competitors in several ways. Effective IP protection ensures that the product or service offered by such entity is not copied or imitated by the competitor. Further, depending on the protection, access to new markets can be enhanced without stiff competition. Even if SMEs do not have resources to exploit the IP, protected IP can be exploited by way of joint-venture, franchise, license, etc. Where the potential of IP is enormous and resources are limited, SMEs may also opt for financing through private equity, venture capital, angel investor network, etc.

One of the critical principles in developing IP is to ensure that the IP to be developed does not infringe third party IP rights as any such infringement may turn into an expensive and time consuming litigation affair. Such unintentional in-



fringement can to certain extent be avoided by undertaking search.

SMEs constitute about 90% of all enterprises worldwide and account for more than 70% of the production of goods and services. Hence, effective use by SMEs of IP assets is a key factor in ongoing economic development ¹.

SMEs should focus on the role of IP in its business strategy and give an emphasis on patents in product development strategy, use of trademarks as far as possible for all its products to create brand equity, designs and geographical indications as marketing tools. SMEs often do not give adequate weightage to IP. Sometimes, the value of IP is not appreciated and its potential is also underestimated. However, protected IP is a valuable asset as it may generate income by commercialization; improve the value of SMEs for seeking finance or in case of sale, merger or acquisition. Licensing of IP should be a vital component of the business strategy of SMEs, especially for the innovations made in area unrelated to their current business. Whilst licensing is important, SMEs should ensure that the licensing agreement contains provisions based on commercial understanding pertaining to exclusivity/non-

exclusivity, territory, only for the IP specified to the exclusion of improvements and developments thereon, royalty, period, etc.

IP is also an essential marketing tool for SMEs who are forward looking and desirous of increasing their market share. IP assists distinction between the products and service of the competitors. For example, if a product is offered under a trademark, continuous use of that trademark for such product creates an association of such trademark in the minds of the customer who associate such product with certain desired qualities. The complexities associated with IP acquisition may be minimized by understanding of the IP system and formulating in-house IP strategy.

Though developing and acquiring IP protection is a crucial stepping stone, effective IP management and enforcement of the IP rights is equally crucial. A single product or service may be protected by various forms of IP rights covering different aspects of that product or service. SMEs should obtain effective IP protection to comply its business plans. A remarkable IP portfolio is an assurance for SMEs growth in today's knowledge-driven economy.

1. www.wipo.int