

— *An International* —

INTELLECTUAL PROPERTY CONSULTING & BROKERAGE FIRM

Introduction to Intellectual Property IP Toolkit for SMEs

21 June 2017

Prepared by ClearViewIP



Introduction to IP – Summary

This slide deck covers some of the basics of intellectual property

- Why IP matters to SMEs
- The types of IP and their properties
 - Further information on patents and what makes an idea patentable
 - Software patentability
- Why confidentiality is important and what needs to be done to ensure an idea stays secret



How valuable are your IP assets?

On average, 80% of a company's value is attributed to IP

There are two types of IP

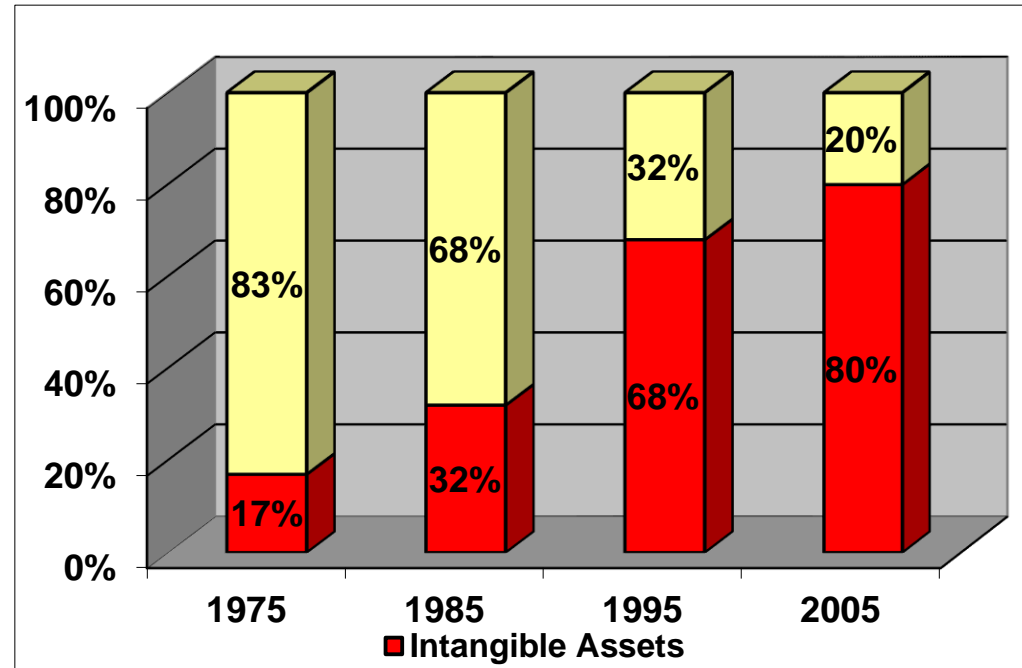
1) Registered IP

- Patents
- Designs
- Trademarks

2) Unregistered IP

- Trade secrets
- Software
- Unregistered designs
- Database rights
- Supplier agreements

US Corporate Valuations: S&P500®










Why does IP matter for SMEs?

- **Funding:** Providing documented & registered IP assets gives investors assurances they are buying into something 'tangible'
- **Success:** Start-ups in VC portfolio with at least one patent are 3.5 times more likely to succeed in next 6 years (source: Francebrevets.com)
- **Jobs:** An approved patent increases a start-up's employment growth by 36% over 5 years (source: USPTO/IV)
- **Growth and Exit:** Registered IP can increase chances that a start-up will be acquired and having at least 1 patent increases the deal value by \$250,000 on average. In Europe, acquisition deal value ~4 times higher for companies with European patents, than those without

Increase company value and chances of success, while reducing risk



Basic Introduction to the Different Types of IP

Type of IP	Subject Matter	Duration	Registration	Cost
 Patent	Technological advance, be it a process, machine, manufacture or composition	20 years	Yes	€€€
 Design	External appearance of a product such as a shape, design or pattern on a product or its packaging	Usually maximum of 15 to 25 years	Yes	€€
 Copyright	Literary and artistic works including sound recording, films, photographs, software and more	70 years from author's death (varies by country)	No	€
 Trademark	A sign which distinguishes a product/brand	Indefinite (provided it is renewed)	Yes	€€
 Trade Secret	Commercially valuable design, formula, process, or data	Indefinite (provided it is kept secret)	Internal database advised	€

Other forms of IP also exist including: related rights and geographic indicators



Patents





What is a Patent?

- A patent protects new ‘inventions’: what they are, what they do and how they work
- A granted patent provides the owner with **monopoly** on the subject of their application
- A patent **prevents others** from making, selling, distributing the invention as set out in the patent claims, without prior consent from the patent owner
 - It is therefore a “**negative right**”
 - It does not give the owner a right to practice the invention, **or mean that the owner’s invention does not infringe any other patents**
- In exchange for the monopoly the invention will be publicly disclosed
- Patents are country specific. You must have a patent in each country that you wish to protect your invention (though there are ways of making multiple applications at once).



Guide to Patentability

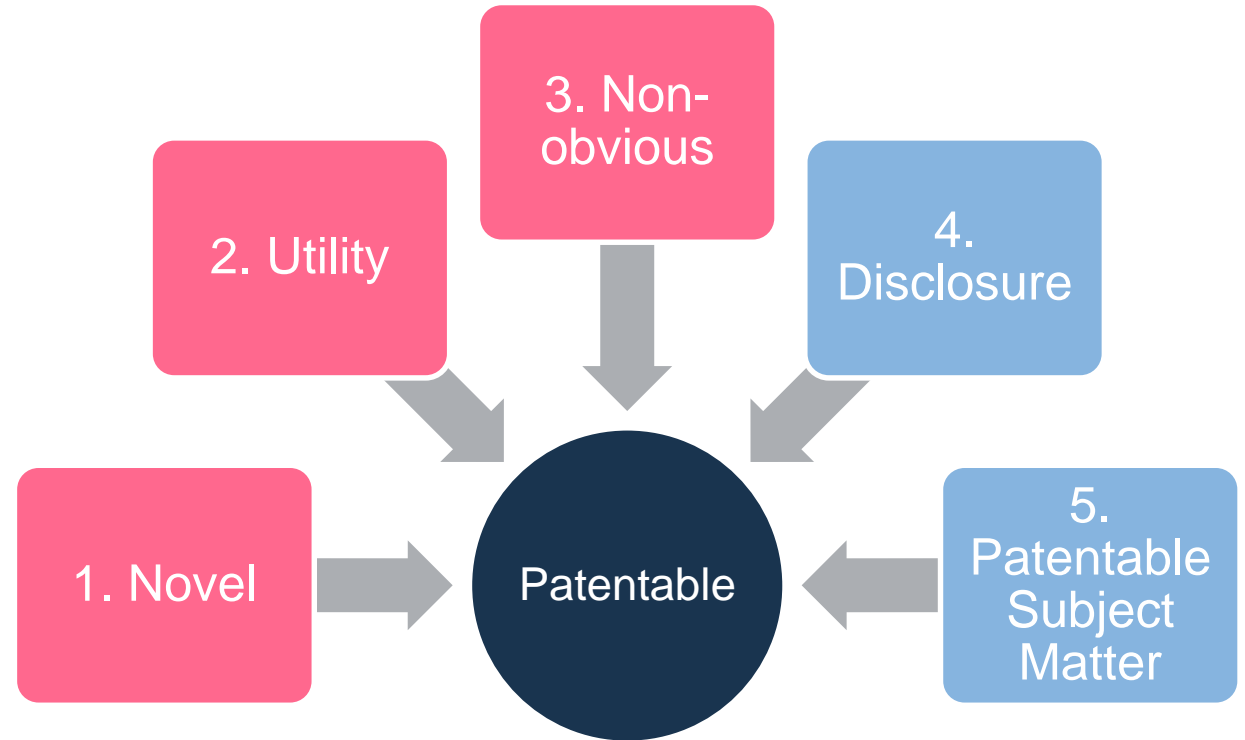
There are three criterion to obtain a patent plus two additional requirements

All five must be satisfied* in order for the invention to be eligible for a patent.

Patent applications are examined by the relevant patent office to determine if they meet these requirements before a patent is granted. Until a patent is granted the owner cannot enforce their rights.

In the Western Balkans (excluding Serbia) this examination is only conducted after 10 years, or if the owner wishes to enforce their patent.

*Utility is not a requirement in Bosnia and Herzegovina





Patentability Criteria – 1/3

1. The Invention must be new. It must not have existed before.

- The invention can not have been made or disclosed anywhere in the world before the date at which you file your patent
- Prior disclosure includes anything that is made publicly available including but not limited to:
 - Physical devices
 - Patent applications
 - Articles/white papers
 - Scientific journals
 - Conference talks
- This includes your own disclosures. It is therefore crucial to keep your inventions confidential until you have filed a patent application

2. The invention must be useful

- The invention provides some kind of benefit or technical improvement. This is not a difficult bar to pass
- The patent does not contravene the laws of physics (e.g. perpetual motion machine)



Patentability Criteria – 2/3

3. The invention must **not be obvious**

- The invention must not be obvious to someone skilled in the relevant technical field
- This is the most difficult criteria to define and requires a degree of interpretation but some examples of obvious inventions would be:
 - The invention combines a number of known components/devices from the same technical field with predictable results
 - The invention substitutes one element with another known element with predictable results
 - The invention simply changes the size of a known invention
- A key skill of a patent attorney is to successfully convince a patent examiner that the invention is non-obvious. They may need to modify the patent claims in order to do this

4. In order to patent an invention, it must be **disclosed** in the patent specifications in sufficient detail such that someone skilled in the technical field could understand and create the invention



5. The invention has to be on matter which is **eligible** for patenting.

Excluded from eligibility are inventions on:

- Business methods/models (apart from in the US)
- Mathematical methods
- Ways of presenting information
- Things that exist in nature
- Aesthetic creations
- Rules and methods for performing mental acts or playing games



Guide to Software Patentability

- Digital and software companies often believe it is not possible to **patent software**
- It can be possible to patent software where there is a **technical issue**, and the software developed helps to solve that problem. Software which only solves a **business problem cannot be patented** in Europe but may still be patentable in the US
- Examples of suitable technical effects are:
 - Improving the **retrievability of data** within huge data collections
 - Improving the **efficiency**, reliability, robustness, security, or compatibility of the software
 - **Saving processing resources**, saving network bandwidth
- Several ways in which you can make your patent **more likely to be granted**:
Source: IPWatchdog.com
 - Focus on the **technical aspects**
 - Make sure your software is adequately **supported by hardware components**
 - Write specification from the **perspective of the machine**, not the end-user, thus explaining the logic behind the software code



Guide to Software Patentability

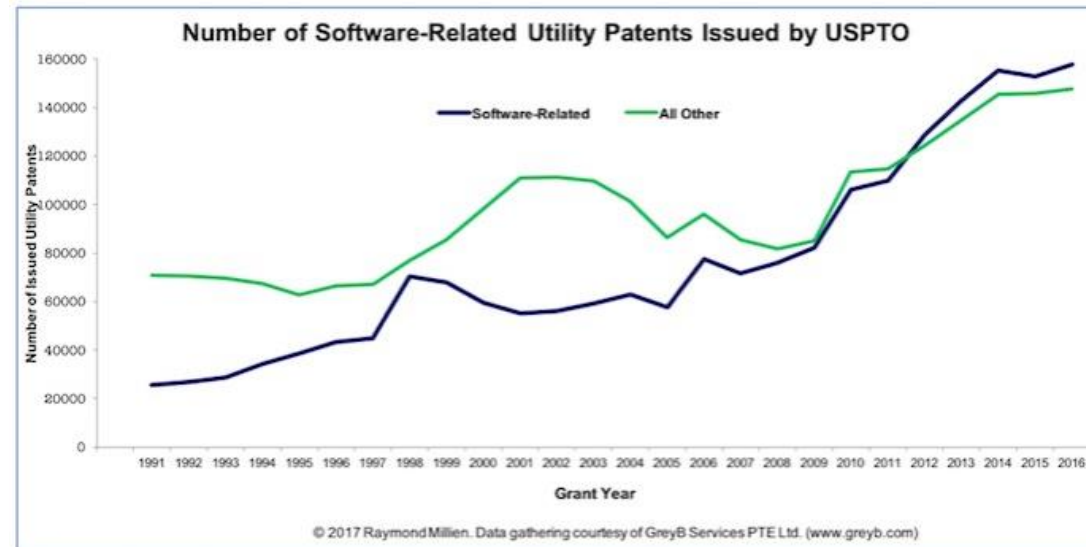
Alice v CLS Bank International was a landmark case in the US concerning software patent eligibility

- Invalidated patents because the **implementation of an abstract idea** on a generic computer was not deemed to be **patentable subject matter**
- Following this decision in 2014 it became more **difficult to obtain** software-related patents in the US

However, despite the above ruling...

More than half of the US patents issued each year are software related.

Source: IPWatchdog.com





Other Types of IP

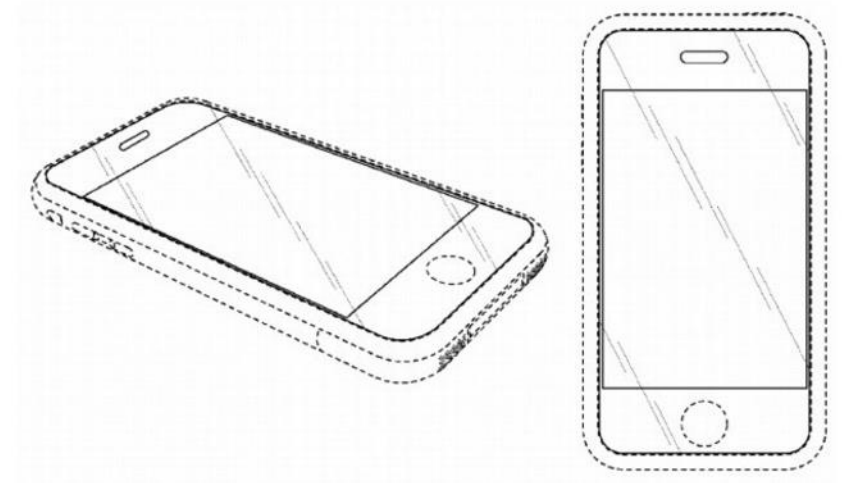




Registered Designs

Type of IP	Subject Matter	Duration	Registration	Cost
Design	External appearance of a product such as a shape, design or pattern on a product or its packaging	Usually maximum of 15 to 25 years	Yes	€€

- Protect the aesthetic appearance of your product or user interface
- Generally quicker and cheaper to obtain than patents
- Designs must be novel and have “individual character”
- Scope of coverage is much narrower than for a patent. The infringing product must look very similar to your drawing





Copyright

Type of IP	Subject Matter	Duration	Registration	Cost
Copyright	Literary and artistic works including sound recording, films, photographs, software and more	70 years from author's death (varies by country)	No	€

- Copyright exists automatically when you create the work – there is therefore no fee
- Registration schemes are available to help verify the date on which it was created but don't have to be used. It is important to record when IP is created
- To enforce copyright you have to show that copying has taken place. It is not enough that someone has come up with the same result using different code
- Databases can be protected using copyright if they are original and the selection or arrangement of contents is the author's intellectual creation. Otherwise they can be protected using a specific database right as long as there has been a substantial investment in obtaining verifying or presenting the contents of the database



Trademarks

Type of IP	Subject Matter	Duration	Registration	Cost
Trademark	A sign which distinguishes a product/brand	Indefinite (provided it is renewed)	Yes	€€

- Can be used for business names, logos, slogans
- Allows the protection of good will associated with your brand
- Can also be used for distinctive shapes of Products or packaging in some cases (e.g. Coke bottle shape)
- Trademarks are registered for certain classes of goods or services
- Like patents, trademarks are national rights, though there are international application systems
- If a registered trademark is not used it may be challenged and revoked





Trade Secret

Type of IP	Subject Matter	Duration	Registration	Cost
Trade Secret	Commercially valuable design, formula, process, or data	Indefinite (provided it is kept secret)	Internal database advised	€

- May be better choice than patents where the product does not enable someone to know how the invention works e.g. complex algorithm, manufacturing technique, recipe
- Protection is free, immediate and indefinite
- However, once lost a trade secret can not be recovered. If the secret is discovered by a competitor by e.g. reverse engineering, there's nothing you can do
- If you have put in place steps to keep the secret, but the secret is stolen a court may give you compensation but the secret is out
- Trade secrets need to be actively identified and managed like other types of IP
- Most common form of trade secret theft is employees taking secrets with them to new companies. This should be considered in employment contracts and leaving interviews (see 3.5 Example IP Clause for Employment Contract or Consultancy Agreement).



Summary





Introduction to IP – Takeaways

- **Up to 80%** of a company's value can be attributed to registered or unregistered IP
- For SMEs, IP matters greatly as it can:
 - Give investors **assurances**
 - Increase the **likelihood of success**
 - Improve **employment growth** and
 - Increase the chances that a start-up will be acquired for a **higher deal value**
- The most common types of IP are **patents, designs, copyright, trademark** and **trade secret**. Each covers different things and have different durations, registration methods and costs vary.
- The first step for an SME is to ascertain what **IP it has or can create**.
- **A patent is a negative right**, enables owner to prevent others making, using or selling invention.
- To be patentable, an invention must fulfil the **5 patentability criteria**.
- Despite the Alice ruling, **software can be patented** where a technical issue is solved.