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Managing and Protecting Intellectual Property
Tuesday 11 September 2012

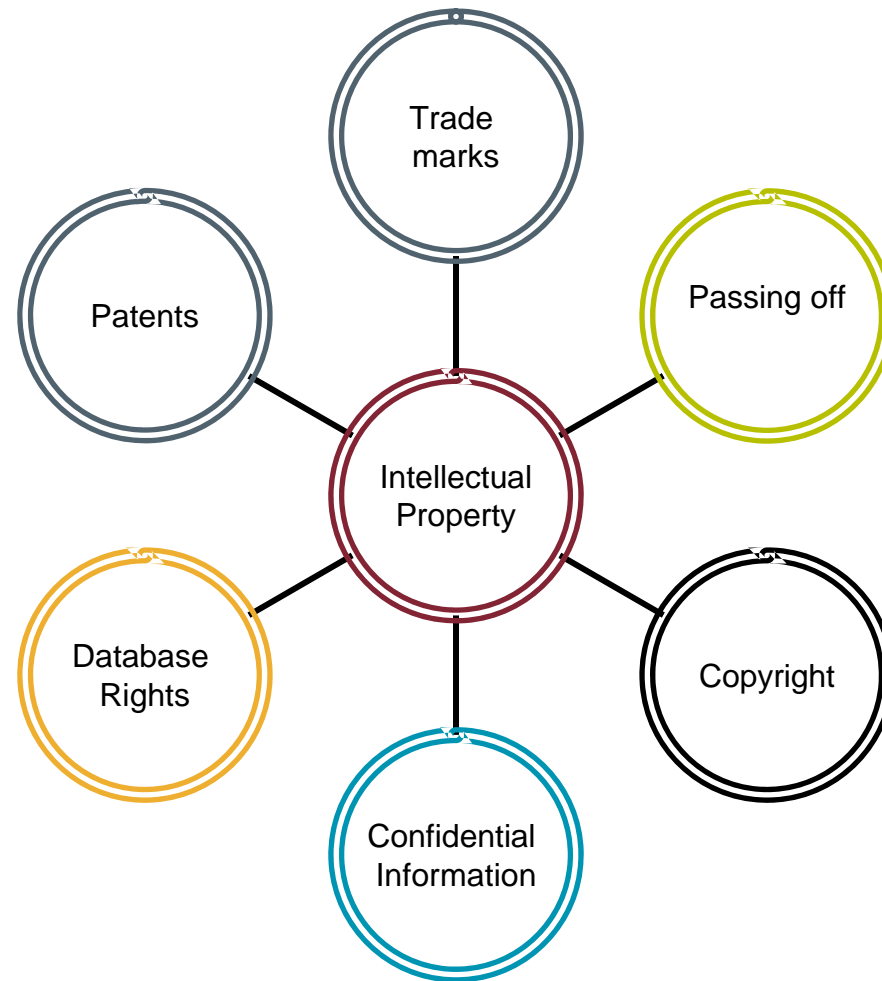
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Introduction

- Brand Protection
- Protection of key IP assets
- Ownership issues
- Exploiting own and third party rights
- Practical steps to protect IP against leavers/ third parties

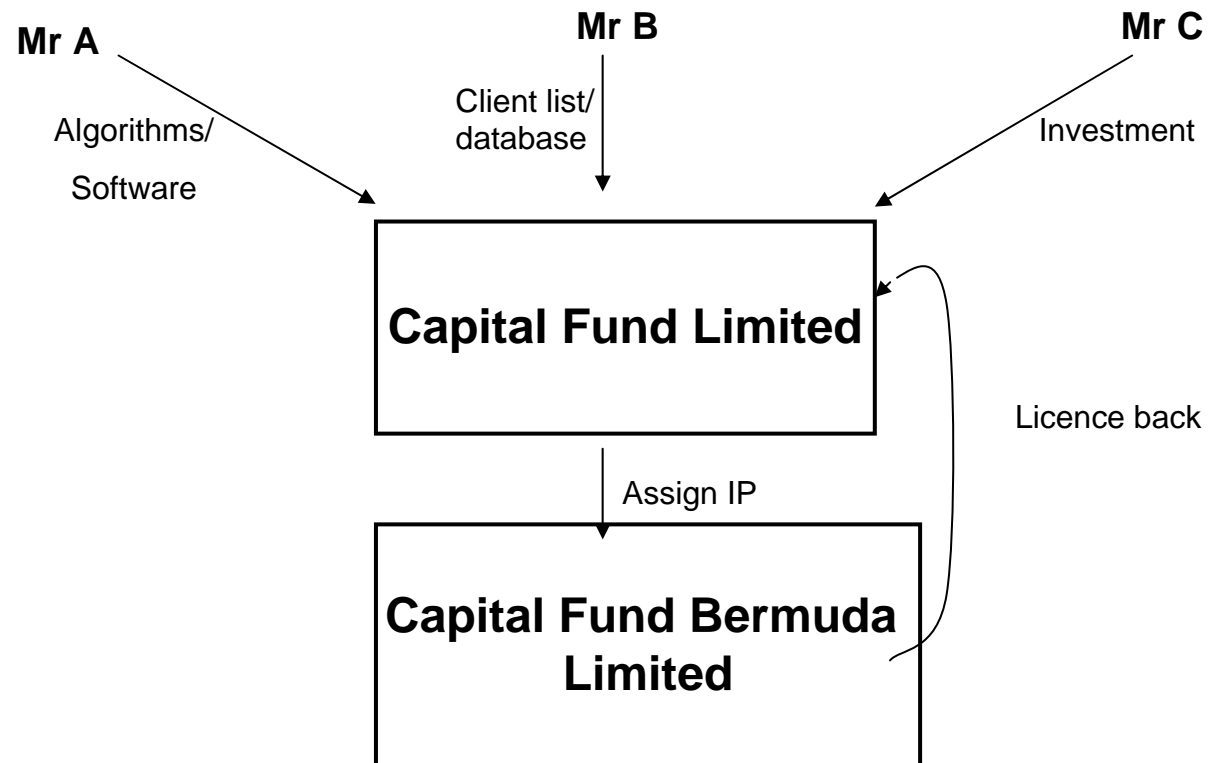
Intellectual Property Rights



Intellectual Property overview

- Monopolies – either absolute or qualified
- Either owned or used
- Either registered or unregistered

For example:



Mr A: “I’ve protected the brand by registering a domain name”

Mr B: “I’ve got the name Capital Fund Limited registered at Companies House.”

Register a trade mark in each country where you do or intend to do business.

Should be non-descriptive

SELL FRIDGES



If it does what it says on the tin, it probably isn't a trade mark...

Alternative Securities Market

Financial CRM

Capital Fund

Should not be similar to names
used by competitors

Spec saving at Asda



Be a real spec saver at Asda



- Choose a distinctive brand which is:
 - not descriptive of your products/services;
 - not similar to names of competitors;

and

- do freedom to operate searches;
- apply for trade mark registrations.

Trade Marks - Registration

- Designate all relevant goods and services
- Words, logos, stylised words, acronyms
- A registered trade mark is a monopoly right (no need to show copying)

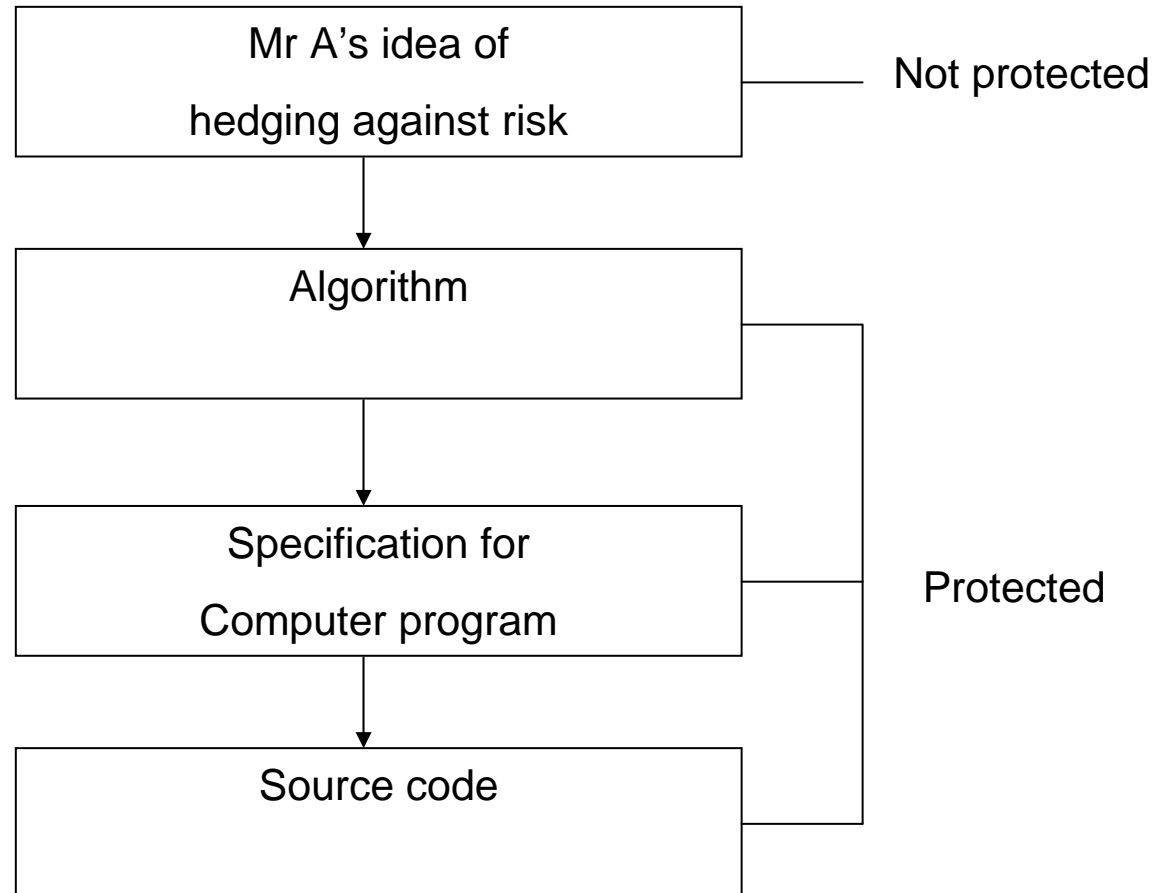
Protecting Key IP Assets

- Rights which arise automatically
- Rights acquired by registration
- Rights under contract
- Internal policies

Rights in Mr A's algorithms and software

- Copyright
- Is it an original work?
- Skill and labour?
- Copyright does protect computer programs (including preparatory works and algorithms)

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Gaps

- Copyright does not protect ideas, procedures, methods of operation or mathematical concepts as such
- Qualified monopoly – copyright does not prevent someone using the same idea if it has not been copied
- Higher levels of abstraction are less well protected
- Hard to prevent someone from replicating your functionality

Other methods of enforcement

- The various overlapping IP rights all depend on the facts
- Difficult to guarantee that every aspect of a work is protected
- Always consider:
 - protecting confidential information
 - protecting rights by using contracts

Database Rights – rights in Mr B’s client databases (also relevant for compilations and indices)

- Structure will be protected by copyright if the selection or arrangement of the data amounts to an original expression of the author (should not be straightforward).
- The data held will be protected by Database Right if there has been substantial investment in obtaining, verifying or presenting the contents, and the maker is based in the EEA.

Patents

Your invention must:

- be **new**
- have an **inventive step** that is not obvious to someone with knowledge and experience in the subject and
- be capable of being **made** or **used** in some kind of industry

Exclusions

A patent will not be granted for any of the following:

- A discovery, scientific theory or mathematical method.
- A scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer.
- The presentation of information.

Limited exceptions

- Patents can protect a computer program if it also has a technical effect.
 - Technical/ physical effect outside the computer?
 - Increase speed or reliability of computer?

Patents – are they justified?

- Powerful monopoly
- Expensive to obtain
- Difficult in this field
- Is the expense justified?
- If not, can the technology be kept secret?

Patent pitfalls

- Patents are national rights
- Treatment of business method and computer software patents differs in the US
- Infringing third party patents
- Patent searches before setting up in e.g. the US
- Patents that do not cover key products
- Weak patents
- Strategy

Ownership Issues

- Guarding against ownership issues with joiners:
 - Due diligence – ask all the right questions
 - Warranties to back up due diligence – ownership/ no third party rights
 - Written assignment of rights – assign all IP rights from Mr A and Mr B to the Company

Ownership Issues

- Avoiding infringement:
 - Registered rights – searches for patents, trade marks, designs
 - Unregistered rights (especially copyright) - implement policies to avoid copying

Ownership Issues

- Ensuring development work by employee and consultants belongs to you:
 - Employees – copyright vests in the employer
 - Reinforce this in the employment contract
 - Consultants – need a written assignment of all rights

Exploiting own and third party rights

- Licensing or assignment?
- Licensing Mr A's Risk Analysis Software to third parties:
 - Exclusive, strategic relationship
 - Non-exclusive, more standard commercial contract
 - You may want to license the results / service only and keep your intellectual assets (e.g. source code) confidential
 - Intra-group licences

Exploiting own and third party rights

- Taking an assignment or a licence from a third party:
 - Ensure it covers everything
 - Warranties
 - Special knowledge required to operate / maintain?
 - Rights to future improvements

Protecting your IP from leavers / other third parties

- It can be difficult to prove infringement where copying is sufficiently 'altered'
- Employment contract – contractual obligations
- Confidentiality agreements
- Restrictive covenants
- 'Black box'/ need-to-know
- Computer Misuse Act

Computer Misuse Act 1990

- Criminal offence: attempting to gain unauthorised access to programs or data held on a computer.
- Accessing data at an authorised level for an unauthorised purpose.
- Consider including in employee policies.

Practical Tips

- Identify the IP you own and use
- What are your key products?
- Adopt a procedure which ensures that any IP which is used in your company's products, marketing or service is cleared when it is not your own.
- Be aware that you are liable for the actions of your employees including infringements of IP rights

Practical Tips

- Records:
 - Keep records of press/media articles featuring your products
 - Archive any development specifications for each project and date the final work
 - Keep records of communication (electronic, on the phone, by post) with potential clients, collaborators, manufacturers and suppliers when you share information about your new product or concepts.
 - A brand style sheet to ensure that any trade marks and signs are used consistently throughout your company. Inconsistency can weaken your brand.

Practical Tips

- Use confidentiality agreements where appropriate
- All freelance developers of trading models and algorithms must sign an appropriate contract
- A procedure to keep information about products at concept stage and trade secrets confidential
- Covenants in your employees' contracts which ensures that they don't share sensitive information including client databases with competitors after they leave
- Regular staff training on your IP policy and procedures

Practical Tips

- Optimise your position on exit
- Make sure you own or are licensed to use all IP used in your business

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IP tax issues

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Benefits of holding IP offshore

- IP held in a low tax jurisdiction
- Licence fees paid for use of IP reduce taxable profits of investment manager in the UK
- Note WHT of 20% unless reduction under DTT
- Transfer IP out when newly created to avoid gain in the UK

Holding IP offshore – tax points to note

- Licence fees should be arm's length fees
- Offshore company should be offshore! Consider management and control, and location of work on IP
- Investment manager's exemption

Holding IP onshore

- Income from IP taxed in the UK (24% CT) but deduction available
- UK patent box regime – lower tax rate of 10%
- R&D tax credits?

Investor considerations

- Extraction of profits
- Consider personal circumstances and anti-avoidance rules