Key IP considerations for smaller enterprises

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“SMEs are a crucial pillar of economies across the globe.”

Small and medium-sized enterprises (SMEs) are critical to the ever-expanding innovation economy. They create new technologies and make significant improvements to existing ones. They also develop, manufacture, and market products that embody these new and improved technologies, and in so doing give rise to well-paying jobs. For these reasons, SMEs are a crucial pillar of economies across the globe. These businesses currently account for around 90 percent of the world’s businesses and employ around 70 percent of the global workforce, according to the 2020 ILO SCORE Programme survey.

The central importance of SMEs to national economies is clear; the big question is how to help ensure their success. In this regard, building awareness among small businesses about how to protect and manage their intellectual property (IP) assets is a crucial first step.
Needless to say, protecting IP rights is not a simple undertaking. In many cases, the technologies deployed by SMEs flow from collaborations with other entities, including government agencies, universities and other companies, a fact that raises complex considerations.

Fortunately, in leveraging the potential value of their intellectual assets, SMEs can draw on a range of IP rights. These include patents, trade secrets (including know how), copyright, design rights and trademarks.

**PROTECTING INVENTIONS: PATENTS**

Patents are a key way to protect research and development (R&D) outputs. With patent rights, an SME can prevent others from using the patented invention in their products. An SME can also in-license its technology to preserve its freedom to operate in a market, and can generate royalty revenue from licensing such technology to other organizations.

With R&D activities, from the outset, it is critical to establish internal programs to manage the processes of creating an invention, obtaining patent protection for it, and managing and maintaining a corresponding patent portfolio.

R&D teams need to understand the general need for their technical work to remain confidential, because any public disclosure of an invention prior to submitting a patent application jeopardizes its patentability.

R&D teams also need to understand the importance of documenting every stage of their work, from an idea's conception to the implementation of the invention (known as "reduction to practice"). Such documentation is invaluable if disputes arise over questions such as who invented the technology or who is entitled to own the patent rights for it.

On top of a rigorous documentation process, companies also need to establish an invention-disclosure and evaluation procedure. This typically involves an invention-disclosure form to capture the invention's key attributes in sufficient technical detail for other technical staff to evaluate it for potential patent protection. Ideally, this process is closely monitored by an invention evaluation team of senior technology experts and an IP attorney, which identifies the best options to protect the invention (for example, with a patent or as a trade secret). This team will consider the similarity of the invention to other technologies and ask whether other firms are likely to use it. For example, is it a game-changer that others will have to implement to remain competitive? The team will also look at the invention's potential market size (especially if licensing the patent is part of the business plan), and where products that embody it will be sold or manufactured.

Finally, SMEs would do well to establish a strategic patent portfolio development and management program. These programs can be handled by patent attorneys or in-house technical and/or business staff. As a patent is only enforceable in the country that granted it, and since maintenance fees are payable throughout the life of a patent, such a program helps to determine where to seek patent protection and for how long. These variables will depend on the market for the invention and the life expectancy of the invention in a product. While the patenting process can be onerous for SMEs, the WIPO-administered Patent Cooperation Treaty (PCT) offers a cost-effective option when seeking protection in multiple countries. For example, by filing a single international application under the PCT, an applicant can defer the payment of some significant patent filing fees relating to internationalization by 2.5 years, allowing time to assess the commercial value of an invention. In addition, a growing number of countries offer discounts to SMEs, to make the process more affordable.
TRADE SECRETS

Alternatively, SMEs can protect their innovative outputs and other non-public information as trade secrets.

Most countries provide some form of legal protection for confidential information, including trade secrets. That’s why a trade secret protection program sits comfortably alongside the patent-protection program, and is a critical part of any company’s IP strategy. Trade secrets are a form of unregistered right, meaning there are no formalities before an IP office to secure them.

Trade secrets programs identify confidential technical and business information and ensure that non-disclosure agreements are in place when sharing such information with potential partners, suppliers, and others. They also ensure that employee contracts contain clauses obliging staff to maintain the confidentiality of any sensitive technical and business information they come into contact with at work.

Only written information that is truly confidential should be marked as such. It may be tempting to mark all documents as confidential, but an overly-inclusive confidentiality program may result in truly confidential information being rendered unprotectable. It is, therefore, extremely important to distinguish between confidential and non-confidential information.

A trade secrets program also ensures that only employees who need to know about the confidential information to conduct their work have access to it. This reduces the risk of disclosure of such information beyond the company.

Close coordination between trade secrets and patent protection activities is critical, especially as some inventions may be best protected as trade secrets and others, which may be patentable, also need to be treated as trade secrets until the relevant patent applications are filed.
COPYRIGHT AND CREATIVE CONTENT

SMEs also need to carefully consider how copyright protection can support their business. Copyright, which allows the owner to prevent others from copying relevant works without permission, covers a broad range of original creations including, for example, computer software and promotional materials.

Copyright is immediate and automatic at the point of creation of any original work. In other words, registration is generally not required. It is, however, still good practice to place a copyright notice on any creative work leaving the company. It informs the public that the company intends to enforce its copyright and means that an alleged infringer can’t claim that they didn’t know the work was protected. While there is no formal requirement to register copyright, voluntary registration systems may exist in some countries, and in others, registration may be a prerequisite for enforcing those rights. It is therefore advisable to seek legal advice on these matters.

Alternatively, an SME can use a digital time stamping service to prove that a work had already been created—and was in the creator’s possession—at a given time and date. Such services are user-friendly and affordable.

TRADEMARKS AND BRANDING

SMEs can also derive significant benefits from establishing a robust branding program with the support of marketing teams.

Trademarks are at the core of any branding program. They help to create a relationship of trust with customers, enable businesses to distinguish their goods and services from those of their competitors and build their commercial reputation.
Trademarks only offer protection in the markets where they are granted. That’s why marketing teams need to work closely with trademark specialists to determine the availability of a given trademark in target markets. In managing trademark rights, it is good practice to create internal guidelines to ensure the appropriate usage of trademarks on products and services and marketing materials, in particular, to prevent them from becoming generic terms, which are unenforceable.

WIPO’s Madrid System for the International Registration of Trademarks offers a cost-effective and user-friendly way to register — and subsequently manage — trademark rights in up to 124 countries by filing a single application.

Again, as private rights, it falls to the trademark owner to monitor any abusive or infringing behavior. Enforcement of trademark rights must be pursued in the courts of the country where infringement occurs, and in accordance with national trademark laws, which typically prescribe specific notices of trademark registration on products and services. SMEs need to follow these requirements to maximize damage awards in infringement cases.

**DESIGN RIGHTS**

SMEs can also strengthen their brand and market reputation through their designs. Design is a key determinant of commercial success of any product and is an important focus for all companies. Good design adds market value to a product and makes it stand out in the crowd. SMEs can protect their investment in design with design rights, also known as design patents in some jurisdictions. Design rights protect the ornamental aspects of a product, including shape, form and color. For SMEs, applying for design rights in many individual countries and then subsequently managing those rights can be a real challenge. The WIPO-administered Hague System for the International Registration of Industrial Designs offers a unique international mechanism to quickly and easily secure, manage and renew design rights simultaneously in more than 90 countries through one international application.

**TACKLING INFRINGERS**

As noted, it is the SME’s responsibility to tackle any abuse of its rights. What are the options? If it’s clear that IP rights have been infringed, the SME may actually be able to turn the situation into a new business opportunity. How? By negotiating a license agreement. Alternatively, the company can enforce its rights in court. To get started, it is worth getting professional legal advice. In some jurisdictions, marking a product with a notice of the relevant IP rights can maximize damages if an SME wins in court. This marking starts the clock for damages earlier, moving it from the time the infringer gets noticed to when the infringement of a marked product actually starts.

Where sales are threatened by imports of counterfeit or pirated goods, an application can be made to request Customs to detain suspected infringing goods at the border, pending infringement
proceedings. Where criminals counterfeit or pirate on a commercial scale, civil enforcement may not be effective and the police or market inspectorate may need to get involved.

COLLABORATIONS

SMEs often collaborate with others to acquire capital, participate in R&D activities, bring products to market, or license their patented technology to others. Typically, such collaborations are underpinned by IP rights.

In negotiating these relationships, IP owners need a clear understanding of the value of the IP assets they bring to the collaboration. An independent IP valuation can provide a clearer picture, and potentially increase the amount of available financing or investment. A growing number of companies are using IP rights as collateral. This can open up new avenues of financing for SMEs but also carries risks of losing the company’s most important assets if there is a default on the loan. Similarly, when licensing IP assets, SMEs need to take care not to permanently encumber their patent with a given license, and thereby decrease the patent’s value (for example in the event of bankruptcy).

GOVERNMENT-FUNDED RESEARCH ACTIVITIES

Many SMEs enter contractual arrangements with government-funded academic institutions to support their R&D activities. Such relationships can generate significant benefits; however, SMEs need to consider various factors before engaging in them.

First, they need to understand the government’s policies on ownership and management of IP arising from the venture. SMEs need to ensure they can freely use this IP, either through assignment of ownership or by license. This analysis should consider an SME’s exit strategy including whether the IP could be used by an acquirer.

Second, SMEs need to ensure that R&D collaboration contracts address all forms of IP, so they have all the rights they need for commercialization. For example, if there is a unique manufacturing process created through the collaboration, the SME may want to refer to it by name. If that process is protected by a trademark, the SME will need the right to use it in its marketing materials.

Third, the contract should carefully define the scope of the license, its duration, products covered, and so on, so the licensee can make, use, and sell the products in question.

Fourth, parties to government-funded research contracts need to agree on how improvements to the licensed product will be treated, and provide parties with sufficient access to any IP that is embodied in those improvements.

FINAL THOUGHTS

Various types of IP rights provide SMEs with the opportunity to protect their technical innovations and the flexibility to optimize their business pursuits. To maximize the benefits of IP rights, it is critical for SMEs to develop a disciplined and strategic IP protection program from the outset. Such an approach facilitates alternative business approaches and options. With IP rights, SMEs can create clear boundaries that support successful collaborations, commercialization, and other positive outcomes as their businesses evolve.

To get started, check out WIPO’s IP Diagnostic at www.wipo.int/ipdiagnostic/.