

Intellectual Property - A Hidden Asset



It would be unthinkable for a business not to have a list of its tangible assets such as machinery and buildings, so why would a business consider it acceptable not to have a list of its intangible assets? Increasingly, businesses are carrying out audits of their intellectual property so that they can recognise, protect and exploit them.

If you are in business, ask yourself the following questions:- Do I employ people who may generate software, ideas or innovations as part of their employment – if I do will I own the rights to such? Do I sell or distribute products that may either be innovative or alternatively potentially infringe third party rights? What would happen if a competitor used the trading name of my business or a similar domain name – what rights do I have to my business name or other trade marks that are key to my business? What would happen if an ex-employee used trade secrets of my business? What are the key assets of my business – its people, its innovations, its trade marks, its know-how and goodwill? Do I use third parties to generate copyright material for my business, including its website, promotional materials, logos and the like? How do I protect the confidential information of my business? Do I even know what intellectual property my business owns?

Intellectual property has a value in that it can:-
be sold, licensed or franchised;

- be an effective marketing tool and add credibility to a business;
- assist in generating income streams;
- provide a competitive advantage and deter competitors.

However, before any of the benefits can be obtained from intellectual property, these intangible assets have to be recognised and managed.

The principal forms of intellectual property are:-

- patents;
- trade marks (both registered and unregistered);
- copyright;
- database rights;
- design rights (both registered and unregistered);
- confidential information/trade secrets.

A patent is a monopoly right that protects new products and processes, provided that such meets the requirements of the relevant legislation in that it must be novel, involve an inventive step and have industrial application. Patents are essential to sectors such as the pharmaceutical and manufacturing industries however, patents are relevant not just for big business as patents can be obtained for small, incremental improvements in technology and can generate significant value for a company. The Isle of Man does not have its own patents register but the UK Patents Act 1977 extends to the Isle of Man. If granted, patents provide a monopoly right for 20 years from the date of filing.

In the Isle of Man, copyright is protected by the Copyright Act 1991 (Act of Tynwald) and in the Isle of Man, the general length of protection for copyright is the life of the author plus 50 years (in

the UK, the general rule is that copyright lasts for the life of the author plus 70 years).

Trade marks can be both registered and unregistered. Unregistered rights arise through use and the action that is taken against a third party using an unregistered trade mark unlawfully is known as a passing off action. Passing off actions are however, notoriously difficult to prove and therefore the better protection comes in the form of registered trade marks. As with patents, the Isle of Man does not have its own registry for trade marks but registration is effected via the Trade Mark Registry, which is part of the UK Patent Office and the UK legislation in this area, namely the Trade Marks Act 1994, applies to the Isle of Man. Alternatively, although not part of the EU, the Community Trade Mark (which covers the whole of the EU) is recognised and protected in the Isle of Man. The Community Trade Mark system is a unitary system that allows one single registration process with the rights, if granted, applying to the entire EU.

The law of copyright underpins many industries, including the music industry, the software industry, the publishing industry and the broadcasting industry. Copyright is a right that arises automatically and generally protects original literary, artistic, dramatic works, films, sound recordings, broadcasts and typographical arrangements of printed works.

Software is regarded as a literary work and therefore the traditional protection for software is copyright, although it is now possible to obtain patents for software in certain circumstances.

Database rights were introduced by Part 2 of the Copyright (Amendment) Act 1999 (an Act of Tynwald). This legislation reflects generally the database right that exists in the UK. The database right is separate to any copyright that may exist in or be included in any contents within the database. The database right only exists however if there has been substantial investment in obtaining, verifying or presenting the contents of the database. The owner of the database has a right for fifteen years to prevent the extraction and re-utilisation of all or a substantial part of the contents of the database.

Design rights can be both registered and unregistered. An unregistered design right is similar to copyright in that it is a right that arises automatically and no registration process is required.

Unregistered design right is regulated by the Design Right Act 1991 (an Act of Tynwald). Unregistered design right protects the design of any aspect of the shape or configuration (whether internal or external) of the whole or any part of an article, provided that the design is not commonplace in the design field in question at the time of its creation. The right lasts for a period of fifteen years or ten years from the first sale or hire of the design.

A system also exists whereby designs can be registered under the Registered Designs Act 1949 (an Act of Parliament) as this UK legislation extends to the Isle of Man. A registered design is a monopoly right for the appearance of the whole or part of a product or its decoration. The design itself is protected no matter what product the design is applied to. Registering a design gives the owner the exclusive right to the design in the United Kingdom and the Isle of Man for a maximum of 25 years. Before a registration will be granted however, the design must be "new" and have "individual character" (as defined under the legislation).

Every business will own confidential information, the disclosure of which would be detrimental to the organisation. This may consist of information such as client lists and information relating to areas such as production processes, research and development, new business projects and any finances of the business.

It is arguable whether confidential information and/or trade secrets are distinct forms of intellectual property. However, whether they are regarded as forms of intellectual property or not, the law does provide the means by which they are protected. Indeed, in the case of information which can be commercially used, the law allows that information to be protected and exploited by the organisation that owns it. In addition, the law relating to the protection of confidential information compliments the intellectual property rights system as it provides a form of legal protection to ideas and inventions before the stage when formal registration may be possible. For example, an idea may be at too early a stage for a patent application to be filed. However, to

protect the idea prior to the patent application being filed, confidentiality agreements are essential if the idea requires to be shared with third parties.

The value of business is increasingly tied to its intangible, rather than its tangible assets – if you do not recognise what impact this may have on your business then perhaps your competitors do?

Should you have any questions or requests for further information please contact:

Claire Milne
Partner
cmilne@applebyglobal.com

Bahrain
Bermuda
British Virgin Islands

Cayman Islands
Hong Kong
Isle of Man

Jersey
London
Mauritius

Seychelles
Zurich