

Intellectual Property

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The law in this booklet is stated as at 31 January 2001.

This booklet has been prepared for general information. It is not an exhaustive statement of the law. For advice in applying this general information to your specific circumstances, and details of the specialist e-commerce law services Fox Williams provides, please contact Stephen Sidkin, Nigel Miller or Robin Baron at Fox Williams.

1. Introduction

Intellectual property rights provide legal recognition of the ownership of new ideas or brand names and give the proprietor the right to stop other people exploiting these. The rights may be sold or licensed to others or may be used to safeguard investment in ventures in order that new ideas may be developed and exploited.

This practical booklet provides an introductory guide to the types of intellectual property rights which exist.

2. Patents

Virtually all machines, products and processes and their components are patentable provided they satisfy the following criteria:

- the invention must be new. The invention must never have been made public in any way, anywhere in the world before the date on which the patent application is filed. If an earlier application involving identical or similar subject matter was made in the United Kingdom or in a foreign country up to 12 months earlier, the novelty of the invention may, in certain circumstances, be judged from that date.
- The invention must involve an inventive step. This would be the case where someone with good knowledge and experience of the subject matter of the invention would not consider the development obvious when compared with that which is already known.
- The invention must be capable of industrial application. For these purposes, industry must be understood in its broader sense as including any useful, practical activities. It need not require use of a machine or the manufacture of an article. The invention must take the form of an apparatus, device or product such as some new material or substance or an industrial process or method of operation. The activity should not be purely intellectual or aesthetic.
- The invention must not be excluded. Certain ideas may not be patented. These include scientific theories or mathematical methods, aesthetic creations, schemes or methods of performing a mental act, playing games or doing business, the presentation of the information, and computer programmes. If, however, there are physical features in addition to these abstract aspects, patent protection may be obtained. It may also be possible to obtain this protection for an article which has artistic appeal if its appearance has a functional purpose.

Patents may not be obtained for new animal or plant varieties or methods of treatment or check diagnosis. Limited protection is currently available for new types of seeds. The European Union is also developing a common view with regard to patenting new breeds of living creatures.

Patents generally belong to their inventor unless the rights have been given to someone else by means of an agreement or contract of employment. If an employee makes an invention in the course of normal duties as an employee, or as a result of a special assignment, then the invention will usually belong to the employer. Compensation may, however, be awarded to the employee.

A company director has a special duty of loyalty to his company. It is, therefore, more likely that any invention created by a director will belong to his company.

The patent may be granted to the original owner or to someone to whom ownership has passed. If the invention resulted from the collaboration of more than one person, each person may be entitled to a share in the ownership and should be named in any application.

When making an application it will be necessary to provide a detailed description of the invention. This description must be sufficiently clear and complete so as to permit the invention to be understood by anyone else who may wish to use it when the patent, if granted, has expired. The drafting of this description is particularly complex.

A United Kingdom patent application may take more than 4 years to complete. On filing a patent application an initial fee is payable. Prior to registration of the patent further fees will become due. When the patent is granted, annual renewal fees must be paid and are based on a sliding scale which increases throughout the life of the patent.

Although there is no *world patent*, procedures do exist to simplify applications in Europe and on a worldwide scale.

Application may be made under the European Patent Convention ("EPC"). The application will state for which of the EPC contracting states protection is required. The EPC contracting states are set out in Annex A. Such an application may include the United Kingdom. If granted the application will result in a bundle of separate national patents for each country for which protection was sought. The patent right will then be subject to the relevant contracting state's law.

A national or resident in one of the Patent Co-operation Treaty ("PCT") contracting states may take advantage of a simplified procedure to obtain

patents in those states. The PCT contracting states are set out in Annex B. A single international application can be filed with the Patent Office in London. This application will be sent to an International Searching Authority. In turn it will be passed to the International Bureau of the World Intellectual Property Organisation in Geneva. The application will then be processed in each PCT contracting state for which a patent is sought in accordance with each PCT contracting state's national rules and on payment of the appropriate national fees.

Before an application for a patent is made outside the United Kingdom, the United Kingdom Patent Office in London must be notified unless an application has been made for a United Kingdom patent. The Patent Office may prohibit any application which may be prejudicial to national security or the safety of the public.

3. Registered Designs

The appearance of a product may be crucial for its market success or failure. The external decorative appearance of a product is protectable by either a registered design, which requires an application to the Patent Office, or by an automatic unregistered design right.

A registered design right is a monopoly right and lasts for an initial 5 years which may be extended in four 5 year terms up to a maximum of 25 years. This registered right will be in addition to any unregistered design right or copyright protection which may exist automatically in the design.

Purely functional designs, designs where the aesthetic appearance is only of marginal importance or designs where their shape and configuration is determined by their function are not registrable.

There are also certain other specific exclusions. These include sculptures, medals, printed matter, and any other literary or artistic material such as book jackets and calendars. Generally they will attract copyright protection.

For registration a design must:

- be new.
- Not have been disclosed to the public in the United Kingdom before application for registration was made, nor registered in an earlier design application.

- Be materially different from any other published design for the same or any type of article.

If registered, the proprietor has an exclusive right in the United Kingdom to make, import, sell or hire an article to which the design has been applied. Alternatively, the proprietor may licence any use of the registered design.

Registration should normally be completed within 6 months, although it may take a total of 15 months in certain circumstances. If the design is subsequently modified or applied to a different type of article than that covered by the original registration, further application for registration may be made.

An initial filing fee must be paid on making the application for registration. Following expiry of each five year term, further renewal fees become payable.

As with patents, care is to be taken not to disclose the design until the application for registration has been filed. Nevertheless, the design may be displayed at an exhibition certified by the Department of Trade and Industry provided application is made within 6 months of the opening of such an exhibition.

A United Kingdom registered design will only apply within the United Kingdom. In certain circumstances some countries may accept registration of the design in the United Kingdom as equivalent to an independent registration.

4. Unregistered Design Rights

This right applies to the shape or configuration of articles which is original and non-commonplace.

The unregistered design right is not a monopoly right. Instead it is a right to prevent copying and will last for 10 years after first marketing of articles made to the design. This is subject to an overall limit of 15 years from creation of the design.

The unregistered design right will not apply to two-dimensional designs, such as pictures or wallpaper designs.

Unregistered design rights are automatic and will protect designs created by persons in the European Union. It will also apply to designs of nationals of New Zealand and United Kingdom colonies.

During the first 5 years of the design right the owner may prevent and seek damages from anyone copying the design or carrying out any unauthorised trading in articles incorporating the design.

During the final 5 years of protection, anyone will be entitled to a license to use the design, subject to payment of a royalty. However certain attachments, such as electrical plugs, which of themselves are not deemed to have a sufficiently independent character, will not receive protection.

Design of semi-conductor chips also attract design right protection and are subject to a full 10 year exclusive right. Licences to copy the product during the last 5 years of protection are not available.

5. Trade Marks and Service Marks

Trade mark and service marks identify the connection between a trader and his goods or services and distinguish his goods or services from those of another.

Trade marks are often a valuable marketing tool. They do not need to be registered. Providing sufficient trading reputation and goodwill have been built up in the mark, a degree of protection is available at common law against others who may wish to pass off goods as those of the person enjoying, and entitled to, the reputation in the market.

Where an action is based on an unregistered trade mark or service mark, it is necessary to show that there is established goodwill in the United Kingdom and that the use complained of would be liable to confuse or deceive the public.

On the other hand, registration of a trade or service mark gives an immediate right to prevent someone using the same mark without the need to prove reputation or to demonstrate a risk of confusion.

In order to register a mark, it must not be possible to confuse it with another mark (whether registered or unregistered). It is also not possible to register a mark which is likely to confuse or deceive the public about the nature of the goods or services or which is descriptive.

The registration will cover a particular range of goods or services. It is unnecessary to be trading in those goods or services at the time of registration provided that there is an intention to use the mark in the near future.

The procedure for registration takes approximately 2 years from the date of filing the application.

When registered, a mark may be challenged on the basis that it was not properly registered, perhaps because another trader was already using the mark. The mark may be revoked if it is not used for more than 5 years.

Registration in the United Kingdom will not give any protection of the mark overseas. A separate application must be made for each country where protection is sought.

6. Copyright

Copyright protects original literary, dramatic, musical and artistic work. It will protect published editions of work, sound recordings, films (including videos) and broadcasts (including cable and satellite broadcasts).

The work may attract a number of forms of copyright. For example, a book will attract typographical copyright for a particular edition, and literary copyright in its written content. Any picture in the book may attract artistic copyright.

Copyright does not protect an idea, but only the expression of an idea.

A copyright owner may prevent copying, adapting, performing in public or broadcasting protected material.

Computer programmes may be protected on the same basis as a literary work. Conversion of a programme into or between computer languages or codes in corresponds to adapting the work. Storing any work on a computer amounts to copying it. Running computer programmes or displaying work on a VDU will usually involve copying and will require the consent of the copyright owner.

A copyright work need have no novelty or aesthetic value. However, it must be the result of an independent intellectual effort. Technical description, catalogues and engineering drawings may attract the copyright protection.

Copyright in literary, dramatic, musical or artistic works (including photographs) last for 50 years after the death of the author. This is the case for both published and unpublished works.

Films, sound recordings and broadcasts are protected for 50 years, published editions for 25 years.

Although copyright may protect the drawing from which an article is made, it cannot be used to prevent the manufacture of that article. Reliance will have to be placed upon design rights in such circumstances.

There are certain exceptions to the rights given to the creator of the rights in the material. For example, limited use of work is allowed for research and private study, criticism or review, reporting current events, judicial proceedings and teaching at school.

As a general rule, the author is the first owner of copyright in any literary, dramatic, musical or artistic work. This will apply even where work is commissioned. However, where such work is made in the course of employment the employer will own the copyright.

There can be no copyright in a name, title or a single word.

Any work protected by a United Kingdom copyright will normally attract overseas protection. The United Kingdom is a member of several international conventions in this field, in particular, the Berne Convention for the protection of literary and artistic works and the Universal Copyright Convention. Copyright material created by United Kingdom nationals, or residents is protected in each convention country by the national law for that country.

7. Moral Rights

The author or creator of a work which attracts copyright protection will also have the benefit of certain *moral rights*. These are:

- The right to be identified as author of a work or director of a film (the *paternity right*).
- The right to object to derogatory treatment of a work (the *integrity right*).
- The right to restrain false attribution of a work.
- The right to preserve privacy of certain photographs and films which are commissioned for private and domestic purposes.

The circumstances in which the *paternity right* arises will be dependent on the type of work concerned. For example, there is no right to be identified as the author of a musical work when the work is performed; only where copies of the work are issued to the public or used in a sound-track to a film shown or issued to the public. The *paternity right* does not apply to computer programmes or where there is no human author of any computer generated work.

For this right to take effect, it must have been asserted by the author or, where there is more than one author, by each author in respect of himself.

The *integrity right* applies in relation to the whole or any part of the work. The circumstances in which the right will be infringed will again depend on the type of work concerned.

The *paternity right*, *integrity right* and right to privacy in certain photographs and films endure so long as copyright subsists in the work.

The right relating to false attribution will last for up to 20 years after the death of the author. Any infringement following the author's death may be acted against by the author's personal representatives.

Moral rights are personal to the author or creator of the work and may not be assigned or transferred. However, on the death of the author or creator the *paternity right*, the *integrity right* and the right to privacy in certain photographs and films may pass to such person as is directed by the author's will or else to the person to whom copyright passes.

8. Overseas Registration and Licensing

The decision whether to seek protection outside of the United Kingdom will be a commercial assessment. In order to justify the expense of obtaining registration overseas, there will generally be an intention to actively market products overseas or to license the intellectual property rights to a third party abroad.

If protection is not sought overseas, others will be free to exploit the invention or work where no protection exists.

However, the importation of goods incorporating the invention or work from a country outside the European Union may be prohibited. Importation of such items from within the European Union may, generally, only be prevented where the owner of the United Kingdom intellectual property rights has not consented to the marketing of those items in the relevant member state.

With reference to licensing it is necessary to consider whether it may affect trade between member states and, if this is a possibility, Article 81 of the Treaty of Rome. Article 81 prohibits such licensing where it has as its object or effect the prevention, restriction or distortion of competition within the common market. In addition, the European Commission may impose fines on the licensor and licensee, whilst third parties may be able to sue for damages or obtain an injunction where Article 81(1) has been infringed.

As well as individual exemptions which may be obtained under Article 81(3), advantage may be taken of a block exemption regulation issued by the European Commission. This provides an exemption from Article 81(1) for

technology transfer licenses. This will usually be in the form of patent or know-how licences.

9. Fox Williams

Fox Williams is a firm of solicitors practising in the City of London dealing with all aspects of company law, corporate finance, e-commerce law, banking and financial services, insolvency and corporate recovery, employment, partnership, corporate tax, commercial property and commercial litigation. We are dedicated to providing clients with the highest quality of legal service.

The partners in Fox Williams have advised many businesses and individuals in connection with all aspects of the protection and exploitation of intellectual property. Please contact any of the partners if you would like to know more about any of the matters mentioned in this guide or simply to discuss our particular approach to your legal needs.

Our expertise is at your disposal.

ANNEX A - European Patent Convention Contracting States

Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

ANNEX B - Patent Co-operation Treaty Contracting States

Austria, Barbados, Brazil, Bulgaria, Canada, Democratic Peoples Republic of Korea, Denmark, Finland, Germany, Hungary, Japan, Kazakhstan, Liechtenstein, Luxembourg, Madagascar, Malawi, Mongolia, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russia, Slovak Republic, Spain, Sri Lanka, Sudan, Sweden, Switzerland, the Czech Republic, Ukraine, United Kingdom, USA and Vietnam.

The law in this booklet is stated as at 31 December 1998.