

Intellectual Property Rights – What to watch out for...

November 28th, 2008 New Delhi

Background

few mid-sized companies understand the inherent nuances of the Intellectual Property Rights (IPR) landscape. While they have a broad understanding of the benefits of building, recognizing and securing IPRs – few are pro-active. More often than not, they are daunted by the complex legal and technical considerations and therefore lag behind their larger counterparts in investing time and money to extract value from their IPRs. Intellectual Property Rights (IPR) is a 'prickly area' – on two counts. Firstly; on compelling companies to understand, protect and derive value from their own intangible assets; and secondly, on how to ensure that they don't infringe on others?'

9.9 Media hosted a briefing on Intellectual Property Rights on 23rd October 2008 at The Imperial Hotel, New Delhi. The session was addressed by **Gayatri Roy** - senior partner and head of the IPR practice at "Luthra and Luthra". She addressed issues with regard to establishing IPR, the pitfalls of infringement and its potential commercial implications.

Introduction

Although MNC's apply a forward looking approach to IPR, Indian companies tend to passively react to IPR issues. Innovations seldom have reporting mechanisms, resulting in delayed post innovation patent filings. With patent law prohibiting applications made after an innovation is published, companies often unintentionally lose the rights to their own breakthroughs. Numerous Indian companies have lost their IPR this way. Companies must take on a more proactive approach to secure their IP, by formulating comprehensive IPR strategies. These strategies need to leverage on IP as a value driver and highlight how a company can exploit and protect their innovations and assets.

Levelling the ground

A fairly large mid-sized Indian media company tried to build value by creating subsidiaries. Unwittingly, the parent company transferred ownership of their domain names, a key asset/brand of the company, to one subsidiary. Subsequently, the business that controlled these subsidiaries entered into a joint venture with a foreign company, resulting in the foreign company acquiring ownership of the domain names. From a legal stand-point, the process could not be reversed and, as a result, the parent company lost all rights to their IPs. The internet has facilitated an increased awareness, among Indian companies who today are in a better position to formulate and develop effective IP strategies.

Defining an IP strategy

An IP strategy must achieve business objectives, and therefore, strategy formulation requires an in-depth knowledge of the business. Identifying current and potential IP assets allows companies to define how to effectively leverage and maximize on their value.

On the value of IP Assets

Exploiting IP assets can increase a business’s scale given that IP routinely validates private equity investments. Product market share and competitive advantage are enhanced by IP for instance through royalties and licensing revenues. Even bank loans can be granted on the basis of IP alone, in fact one Indian liquor company funded its entire acquisition of a foreign liquor company by securitising their interests in a subsidiary’s brands. IP is a value driver for mergers and acquisitions, particularly for IT and media companies, where the value lies in IP technology and content.

Identifying IP Assets

Mid-sized companies often have difficulty in identifying their IP assets. An IP audit can help identify IP assets and ascertain what needs to be protected, and what can derive additional value for the company. Identifying IP assets enables the company to protect and maximize their value, and equally minimizes the risk of losing these assets, due to lack of awareness.

Typical IP assets include:

- Copyright
- Trademarks (includes business names, domain names, slogans and trade dress)
- Patent
- Trade secret
- Design

Copyrights are territorial and businesses expanding internationally need to register their IPR in each of their operating countries. This ensures that from the moment a company registers their patent, they can begin operations protected from infringement. Trademarks have common law protections in most countries; therefore registering them is often a stronger tool for rights enforcement.

On how to decide Patent vs. Trade Secrets

If an invention can be re-engineered, or if maintaining secrets of the invention is difficult, companies should patent the product or service. However, if the invention can become obsolete very quickly, the use of trade secrets would apply. This is because a 20 year patent is expensive and serves limited use, while a trade secret, which typically last 2 to 3 years, is more pertinent.

Companies often ignore, or take lightly, the security of information/documents within the organisation. Yet when information leaks, a great deal of effort goes towards gathering information with regard to its misuse. Trade secrets are an area where Indian companies need advice on how to

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structure policies to maintain secrecy. Design, in the legal sense, refers to the designs you apply to an item/article. Over a period of time, some articles acquire value as a result of their design. *Samsonite* suitcases are a case where one pays for the suitcase on the basis of its design, as are perfume bottles and ornaments.

Patent Cooperation Treaty (PCT)

The Patent Cooperation Treaty (PCT) provides a unified procedure for filing patent applications to protect inventions internationally. After filing for a PCT application - A patent application filed under the PCT is called an international application or PCT application- a period of 30 months must elapse. During which time companies must select countries where they wish to be protected and file applications accordingly. The PCT mandatorily opts for a research report, where certain identified databases are searched for patents. India has ratified the treaty and these international patent search reports can be done from India as well.

On filing strategy

The cost of procuring and maintaining patents is prohibitive, therefore it is imperative that filings are done quickly, thus avoiding the possibility of losing the patent. The scope of the filing needs to be broad, across multiple filings, such that all aspects/elements of the invention are covered. And only then would Indian companies begin to look forward and leverage on their IP.