Chartered Institute of Purchasing & Supply
Topic Reference File

INTELLECTUAL PROPERTY

INTRODUCTION

Intellectual Property is an important asset of any organisation. Originally the term used was “industrial property”, but the expression “intellectual property” is now universally accepted. The principal aspects are: 1) copyright; 2) design; 3) patents; and 4) trade marks.

1 COPYRIGHT

Copyright is the most pervasive of all the intellectual property rights. It protects a wide range of the material an organisation produces: reports, manuals, production drawings, computer programs and publicity materials. The copyright in materials like these is one of a company’s most important intellectual property assets.

As an intellectual property right, copyright has the great advantage that it arises automatically. It comes into existence as soon as the item concerned - the document, drawing or whatever it may be - is created.

No special steps need be taken to apply for copyright as in the case with patents and no specialised professional assistance is needed to acquire it.

Copyright gives rights to the creators of certain kinds of material, so that they can control the various ways in which their material may be exploited. The rights broadly cover copying, adapting, issuing copies to the public, performing in public and broadcasting the material. Moreover, a rental right is given to owners of copyright in sound recordings, films and computer programs and therefore the exploitation of such works by renting them to the public requires a licence from the copyright owner.

Computer programs are protected on the same basis as literary works. Conversion of a program into or between computer languages and codes corresponds to `adapting’ a work and storing any work in a computer amounts to `copying’ the work. Also, running a computer program or displaying a work on a VDU will usually involve copying and so require the consent of the copyright owner.

2 DESIGN

Design protection takes two forms. **Registered designs** give stronger protection but require application to the Patent Office. **Design rights** on the other hand give less comprehensive protection; registration is not necessary.

a) Registered Designs

This is a monopoly right for the outward appearance of an article or a set of articles of manufacture to which the design is applied, and is additional to any design right or copyright protection which may exist automatically in the design. A registered design is a property which, like any other business commodity, may be bought, sold, hired or licensed.

However, not all designs are registerable, as is the case for instance where there is no design freedom because the design of the part is determined by the shape of the whole. Thus purely functional designs are not eligible for registration because their aesthetic appearance is not important, nor can designs such as car body panels be registered because their shape and configuration are determined by the overall design of the car. In other words, registered design protection will only be available for truly aesthetic, stand-alone designs where competitors do not need to be able to copy such designs in order to compete.

A registered design differs from a patent in that the form applies to the outward appearance of an article - its `eye-appeal' - whereas a patent is concerned with the function, operation, manufacture or material of construction of an article.

b) Design Right

Design right is an intellectual property right which applies to original, non-commonplace designs of the shape or configuration of articles. Design right is not a monopoly right but a right to prevent copying and may, like any other business commodity, be bought, sold or licensed.

To be eligible for design right, the design must be of the shape or configuration of an article; in other words 2-dimensional designs, such as textile or wallpaper designs, will not qualify, although these qualify for copyright and possibly registered design protection. In addition, the design must not be commonplace; in other words, well-known, mundane, routine designs will not acquire design right.

It should be noted that the length of protection afforded by design right is less than for registered designs and copying is allowed in certain circumstances. Moreover, certain spare parts, or features thereof, may get no protection at all if their design is dictated solely by another part or parts with which they have to fit. These are known as the `must fit' or `must match' exceptions; typical examples include cylinder head gaskets and body panels.

3 PATENTS

A patent may be thought of as a contract between the individual and the state whereby, in return for enjoying monopoly rights to the invention, the applicant makes details of it publicly available. To be eligible for a patent under the Patents Act 1977 an invention must satisfy four criteria:

- newness: the invention must not previously have been made publicly available, in the UK or elsewhere;
- inventiveness: it is not sufficient that the invention is novel: it must represent something over and above what an individual with a reasonable knowledge of the subject area may be expected to discover or develop in the normal course of his or her work;
- industrial application: to be eligible for a patent, an invention must be of use in some kind of industry ("industry" is used in its broadest sense, as denoting any useful activity - intellectual, theoretical or aesthetic activities are excluded)
- Excluded inventions: although it may be unusual or highly original, a new idea cannot be patented if it is a scientific discovery, a scientific theory, an aesthetic creation or a computer programme. Nor is it possible to obtain patent protection for the aesthetic or physical appearance of a product, although these can be safeguarded through the design registration process.

Searching for Patents

Although by no means all of the considerable number of applications annually submitted to the Patents Office are successful, those patents that are granted constitute a considerable volume of literature, which needs an efficient classification scheme to facilitate information retrieval, the most commonly used systems being the International Patent Classification, administered by the World Intellectual Property Organisation (WIPO). The universality of IPC is very important, since it simplifies searches through the international patent literature by avoiding the need to use the various schemes employed in different countries. Both the US and the UK, for example have their own national classification schedules. The UK scheme, though broadly similar to the IPC, is very much more complex, being geared to the needs of Patent Office examiners rather than to the average user.

No account of information retrieval in patent literature would be complete without reference to the Derwent system, an important feature of which is the grouping of all patents relating to the same invention together under a single accession number. The first member of the patent family to appear on the Derwent database is the "basic", subsequent patents for the same invention being termed "equivalents". In general only one abstract is prepared for all the patents in the family.

The principal patent services available from Derwent include *Chemical Patents Index, Electrical Patents Index, General Mechanical Patents Index, World Patents Abstracts,* and *World Patents Index.* They are all published weekly soon after publication of the patent documentation. The brief official title is replaced by a more informative heading in English, followed by a short abstract, covering the main features of the invention. The resulting document is far more user friendly than the original patent application.

Relevance to Supply Chain Management

To an increasing extent it is being felt that the buyer should have an involvement in (or at least have an awareness of) innovation and product development strategies. To do this effectively it is useful for him to know what patents are already in force in the area of technology most closely related to his own organisation's activities.

He also needs to take care that he is not guilty of infringement of a patent; he therefore needs to be familiar with the provisions of the 1977 Patents Act;

- ***Where the invention is a product he makes, disposes of, offers to dispose of, uses or imports the product or keeps it, whether for disposal or otherwise".*** *Companies selling and importing products which have been made in infringement of patent are, therefore, just as much at risk of infringement proceedings as a company which is manufacturing goods.*

- ***Where the invention is a process (i),*** *"he uses the process or he offers it for use in the United Kingdom when he knows, or it is obvious to a reasonable person in the circumstances, that its use there with out the consent or the proprietor will be an infringement of the patent". Patents are either for products or for processes. This provision is less likely to be infringed by a supplier or purchaser unless they are undertaking some manufacture too.*

- ***When the invention is a process(ii)*** *"he disposes of/ or offers to dispose of, uses or imports any product obtained directly by means of that process or keeps any such product whether for disposal or otherwise". This captures those who use, sell or import products which infringe a process patent*

The above are situations that should be avoided if at all possible. There are, fortunately a number of practical measures which the buyer can take to minimise the risk or consequences of patent infringement:

1) obtain from the supplier an indemnity against any unintentional infringement
2) obtain appropriate insurance cover
3) enquire of the supplier whether or not there is any patent relating to the goods being supplied
4) obtain the suppliers' confirmation that no legal actions are outstanding in respect of any such patent as may exist
5) when alleged patent owner says that infringement has occurred, do not automatically assume he is correct.

Case Studies

Most litigation in the field of patents focuses, not surprisingly, on the ownership of the patent to which the invention relates. Frequently such cases arise through differences in patent legislation between one country and another.

This is highlighted by the case of Texas Instruments (US) v Fujitsu (Japan), a dispute which goes back to 1991 when Fujitsu asked the court to declare that the Kilby patent, (named after the co-inventor of the semiconductor chip) does not apply to modern memory chips). Texas Instruments then sought an injunction to prevent Fujitsu's manufacture and sale of memory chips.

The decision made by the Tokyo district court was that the Kilby patent was not infringed by Fujitsu, the logic being that the patent is related to outdated technology. The irony of the situation is that Texas Instruments has been fighting for its Kilby patent in Japan since 1959 when the company first filed its patent with the Japan Patent Office. However it was not until 30 years later that the patent was finally granted.

The root cause of this and similar dispute is that Japan's patent system is based on the "first to file" principle whereas the US approach is "first to invent". Additionally patents in Japan may be challenged **before** they are granted whilst in the US opposing claims are filed **after** the patent is granted.

Another case, highlighted in *Purchasing and Supply Management,* concerned a device developed and marketed by Remington (the company knew that there was already a similar device on the market called Epilady, which was patented). Remington believed that they had found a way round the patent and was surprised therefore when the owners of Epilady commenced court proceedings to protect their intellectual property rights. Also drawn into the case were a high street retail chain and a large mail order concern, both of whom had undertaken to market the Remington product.

(See : *Intellectual Property Rights – Ignore Them at your Peril* J Sykes, Purchasing and Supply Management, January 1993, p32)

Another fruitful area for litigation relates to the ownership of inventions developed by employees. Prior to the 1977 Patents Act such issues were governed by the contract of employment. However under sec 39 of the Act there now exist clear criteria and parameters for determining ownership.

The Section provides essentially for two cases in which an employee-made invention will belong to the employer, each case focusing sharply on the actual duties of the employee inventor. The first case related. To employees of a status broadly up to middle management. Here the normal duties of the employee must first be determined. This usually means that the court will look at the realities of what the person was actually employed to do. Having established those duties, the next question is "was it to be expected that an invention would flow from the performance of those duties?" If the answer is "yes" then the invention will automatically belong to the employer.

The second case applies to higher management and director, that is to say, people whose status is such that they have a wider range of duties towards their employer, and they have particular responsibilities arising from those duties giving rise to a "special obligation" to further the interests of the employer's undertaking. For such employees, the test is simpler provided the invention was made in the course of those wider duties and provided that the employee had a "special obligation", the invention will belong to the employer. If the invention was not made in one of the two circumstances outlined above, then the employee is the owner of the invention.

4 TRADEMARKS

Trademarks are viewed as valuable assets of a company and indications of quality. Perhaps even more importantly, they are an invaluable device for maximising market share when the customer has to choose from a range of essentially similar products from a variety of manufacturers. The importance of the trademark as a product differentiation device is underlined in the Trade Mark Act 1994 which defines a trademark in terms of whether it can "distinguish goods or services of one undertaking from those of other undertakings".

Trademarks take different forms, the most obvious being the word mark. This is often an invented word - that is, a made-up word with virtually no semantic content, such as Kodak. An alternative is a two-dimensional symbol, called a design or device mark, the Bass red triangle being one of the earliest and best known examples. As a result of the 1994 Act, three-dimensional shapes such as the Coca Cola bottle may also be considered for trademark status, as may colours and colour combinations, and slogans.

In an article in Supply Management for 4 July 1996 it is suggested that :

> ***"Trademarks were, at least under the medieval guild system, regarded as liabilities, in that their purpose was to enable purchasers of goods which proved to be unsatisfactory to identify the maker. Now the wheel has turned full circle, and trademarks are viewed as valuable assets and indications of quality. Perhaps even more importantly, they are an invaluable device for maximising market share when the customer has to choose from a range of essentially similar products from a variety of manufacturers".***[1]

This commercial importance of trade marks is underlined by Peter Marsh in his paper in the February 1996 issue of Purchasing and Supply Management.

> ***"For the industrial buyer, trade marks may not seem at first sight to have the same commercial significance as patent or design rights. But appearances can be deceptive. For example, character or image merchandising – the use of the name or appearance of a well-known personality or fictitious character to stimulate the sales of goods or services – is widespread across the industry. Licences to the intellectual property rights of the merchandiser is an important part of the commercial function of any firm wishing to promote its products in this way. Further, trade marks and their potential infringement are***

[1] I is for Intellectual Property – K Burnett, Supply Management, 4 July 1996, pp38-39

a source of concern to any buyer whose firm is engaged in the re-sale of the products which it purchases.[2]"

Until the Trade Marks Act of 1994 the key piece of legislation was the Trade Marks Act 1938, where a mark is defined as:

"a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof".

Contrast this with the definition in the 1994 Act:

"any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings"

The effect of this long-awaited change is that trade marks need no longer be restricted to two-dimensional images: distinctive shapes and advertising jingles can now be requested, as exemplified by the Coca Cola bottle, the shape of which can now legitimately be regarded as a trade mark. Under previous legislation the House of Lords refused an application by the Coca Cola company to register the bottle as a trade mark, arguing that any other manufacturer should be at liberty to sell his product in a similarly shaped container, the only proviso being that there should be no chance of the contents being confused with the Coca Cola product.

In addition to these new categories recognised in the TMA of 1994, the traditional and widely known forms of TM (that is to say, 2-dimensional signs or symbols) may be classified under four main headings:

- Created Words
- Symbols
- Signatures
- Descriptive Names/Company Names

Created Words

There are words created *ex-nihilo*, the theory being that the word so created will be associated with the product(s) concerned and with nothing else. Probably the best known and certainly one of the earliest is Kodak, created by George Eastman in 1868. More usually, however, the trade mark is simply an adaption of a conventional word, two examples being *Brasso* and *Silvo*, both owned by Reckitt and Colman.

Symbols

The best-known example in the UK is the red triangle owned by Bass. With today's emphasis on corporate branding and image making, this is a category which is growing rapidly. Among the countless examples in todays marketplace are the 3-lozenge mark (Mitsubishi), the 'telephone on wheels' (Direct Line Insurance) and the multicoloured umbrella (Legal and General).

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[2] The Trade Marks Act of 1994, P Marsh, Purchasing & Supply Management, February 1996, p20

Signatures

Well known examples in this category, which includes company names written in a distinctive style include Boots, Cadbury and St Michael (M & S). In some cases the dividing line between this type of trade mark and a symbol is blurred as in the case of the BHS trade marks in which the individual letters combine in distinctive fashion to produce a non-abstract symbol.

Descriptive Names/Company Names

The use of a company name (often but by no means always the name of the founder) is frequently used for trade mark purposes. However, registration is certainly not automatic and those wishing to register in this way need to bear in mind that the name needs to be distinctive or should be written in a distinctive way so that, as required by the 1994 Trade Mark Act there is no risk of confusion with other undertakings. To take Ford, the name itself is not distinctive, but the way in which it is written in longhand style enables it to have Trade Mark status.

Registration of Trade marks

Registration may be refused on either the absolute or relative grounds set out in the 1994 Act, as follows:

1 Absolute grounds

- the sign does not satisfy the basic requirements of section 1 of the Act
- the sign lacks any distinctive character
- the sign is wholly descriptive
- the sign is generic (ie it is used in everyday language or in the relevant trade to describe the product rather than to indicate its commercial origin)
- the sign falls into one of the categories of exclusions relating to the shape of goods
- the sign is immoral or deceptive, or applied for in bad faith

2 Relative grounds

- an identical mark for identical goods or services
- an identical mark for similar goods or services, a similar mark for identical goods or services, or a similar mark for similar goods or services in circumstances where there is a likelihood of confusion on the part of the public, including a likelihood of association with an earlier mark
- an identical or similar mark for dissimilar goods or services in circumstances where an earlier mark has a reputation in the United Kingdom and use of the later mark prejudicial to the reputation of the earlier mark.

Case Study

An article in the July 1996 issue of *Crosslinks*, the Bayer house magazine, clearly shows by the cost of litigation which the company has committed itself to in recent years the importance of a trade mark (in this case the name 'Bayer' written in a distinctive cruciform manner).

At the beginning of 1918, ie just a few months after the US entered the war against Germany, the assets of German companies operating in the United States, including those of Bayer, were confiscated by the US government. Subsequently the American Alien Property Custodian auctioned the Bayer name, its patents and trademarks to Sterling Product Incs.

Over the next 20 years, various agreements were reached whereby Bayer recognised Sterling's claims and, in return for manufacturing information, Sterling shared its profits from the Bayer products. In 1941 however, these agreements were cancelled and Sterling re-acquired sole rights in North America and many other countries.

From 1949, Bayer initiated legal proceedings to obtain the return of its rights around the world; after 20 years of constant activity, the company succeeded in buying back its worldwide rights (with the exception of North America) for $2.8 million. A second breakthrough came in 1986 when Bayer acquired the rights to use its name for a holding company, Bayer USA Inc., for which the company paid $25 million.

In August 1994, SmithKline Beecham acquired Sterling Winthrop from its then owner, Eastman Kodak, for $2.9 billion. A mere two weeks afterwards, on 12 September, Bayer paid $1bn for the North American self-medication business of Sterling Winthrop, plus the use of the all important Bayer name in those name markets. The last piece of the jigsaw to restore the Bayer name worldwide was in place.

Legislation/Legal Aspects

As noted above the key piece of statutory legislation is the 1994 Trade Mark Act, which represents the UK implementation of the EC Trade Marks Directive 89/104C. The principal benefits of the Act are:

- It is now easier for a trade mark to qualify for registration. It replaces outdated tests for distinctiveness and registration will depend on whether a trade mark is actually distinctive in the market place.

- It is now easier for business to protect valuable marks without having to resort to complex and expensive common law action for passing-off.

- It has made it possible to ratify the Madrid Protocol, the international registration of marks. This makes it much simple for businesses to protect their trade marks in overseas countries, enabling them to cover all contracting states by a single application.

- Businesses will no longer be put to the unnecessary expense of producing legal documentation in order to register licences and transfers (assignments).

- Improved measures against counterfeiting to deal with the case where the trader describes the goods as "brand copies". It will also be easier for courts to order the forfeiture of counterfeit goods.

Applications may be opposed within three months of publication for opposition, and may be based on rights in any of the EU member States, whether by way of registration or other rights, including unregistered trade marks. Applications successfully opposed, or otherwise refused, may be converted into national applications retaining the original application date.

Recent Developments

Events and developments which at first sight have little or nothing to do with intellectual property (the death of Diana Princess of Wales for example) are able to bring certain aspects of the law into sharper focus and/or actually bring about amendments to the existing legislation. One example referred to in the 1999 (issue 2) of Legal Eye, the newsletter of Singletons (Solicitors) is the refusal by the Trade Marks Office to register as Trade Marks a number of images of Diana which her family had wished to protect through the acquisition of registered trade mark rights.

Elsewhere, new laws which came into effect on 1 April 1997 have brought the trade mark system in Japan into line with current European practice. The general effect of this legislation is to make the application, maintenance and protection of marks simpler and cheaper. These measures have been welcomed by trade mark owners in Japan who for many years have had to suffer very high costs to acquire and maintain protection.

BOOKS and GUIDES

Patent Protection (Booklet)

How to Prepare a UK Patent Application (Booklet)

Both titles available FOC from the Patent Office.

Intellectual Property Newsletter
Published by the Monitor Press, Sudbury Suffolk. Telephone 01787 378607

Intellectual Property and the Internet
J Cornthwaite
Protecting Your Ideas: Inventor's Guide to Patents
Joy Bryant 1998

User's Guide to Patents
Trevor Cook 1999

Using Patents in Business
Kim Wilson 1997

Introduction to Patents Information
Stephen van Dulken 1998

Practical Guide to Patents, Trademarks, Copyright, Design
Lawrence Shaw 1996

World Databases in Patents
CJ Armstrong 1995

ASSOCIATED ORGANISATIONS

World Intellectual Property Organisation
34 Chamin des Colombattes
CH 1211 Geneva 20
Switzerland

The Patent Office
Cardiff Road
Newport
Gwent
NP9 1RH
Tel: 01633 814000
Fax: 01633 814444

The British Library
Science Reference and Information Services(SRIS)
25 Southampton Buildings
London
WC2A 1AW
Tel: 0171 412 7470
Fax: 0171 412 7947

Chartered Institute of Patent Agents
Staple Inn Buildings
High Holborn
London
WC1V 7PZ
Tel: 0171 405 9450
Fax: 01710 430 0471

Institute of Trade Mark Agents
Canterbury House
2-6 Sydenham Road
Croydon
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CRO 9XE
Tel: 0181 686 2052
Fax: 0181 680 5723

Trade Mark Owners Association
30-35 Pall Mall
London SW1Y 5LY
Tel: 0171 925 2515
Fax: 0171 925 2436

Trade Mark, Patents and Designs Federation
1-3 Brighton Road
Crawley
Sussex
RH10 6AE
Tel: 01293 614300
Fax: 01293 531279

British Copyright Council
Copyright House
29-33 Berners Street
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