European IPR Helpdesk

Fact Sheet

Commercialising Intellectual Property: Internal product development

November 2015[1]

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Introduction

"Commercialising IP" is a series of fact sheets aiming to provide an introduction to the forms of commercialisation that can be useful for the less advanced public likely to be involved in exploitation of intangible assets. Content provided therein is not intended to be exhaustive, and professional advice is strongly recommended when it comes to choosing the most suitable commercialisation practice for your organisation and dealing with the complex legal issues surrounding contractual arrangements. However, with these guides we aim to give you some understanding of the basic principles, which can help you save money and time.

This fact sheet deals with internal product development. Whether you develop software, or are in the fashion industry, create and sell furniture or technology devices, you are developing intangible assets. Indeed, nowadays every business has websites, develops its own brands, even non-technological small businesses. Others, such as many start-ups, only have intangible assets. Developing products internally and commercialising them therefore requires the proper management of the IP created by the business and possibly embedded in the product. The purpose of this fact sheet is to give you a handy checklist of the

[1] This fact sheet was initially published in August 2013 and updated in November 2015.

most common tasks required in the management of IP during the different stages of a product's development cycle.

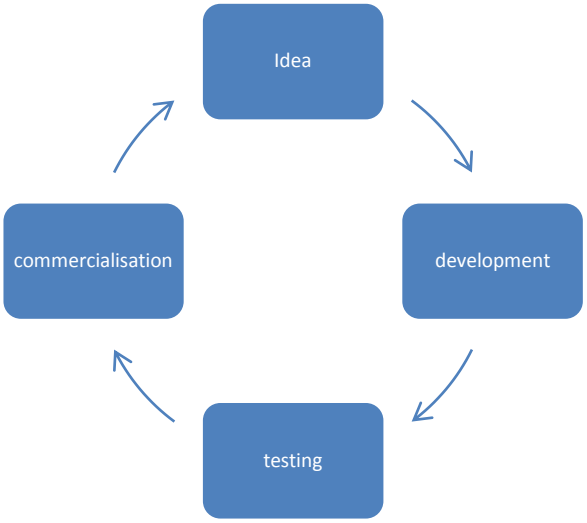

Figure 1: General internal product development cycle

1. The idea

New products or developments of existing products by businesses start with an idea. At the conception stage Intellectual Property already takes an important role.

Keeping the idea in secrecy

At the conception stage, ideas are usually all that businesses hold. Whether the ideas will be commercially viable and how they will be protected is yet to be seen. Nevertheless, since they are expected to give the business a competitive advantage, it is essential to keep them in confidence. In fact, after development some of these ideas may be protected, for example as a patent or utility model. Keeping them secret is therefore an essential prior step, since only new inventions can be protected as a patent or utility model. Even if patenting is not in the end the best option for the invention, or even possible due to lack of patentability criteria, treating it as confidential is surely an option that allows the protection of the idea.

Using patent databases

According to many empirical studies, the majority of the worldwide technical information in patent databases cannot be found in any other sources[2]. Moreover, many of the technologies in these databases have not been marketed and/or are already in the public domain. Screening the patent databases is therefore an essential step to verify whether the idea is in fact new and worth

[2] See among others Bregonje, M., *Patents: A unique source for scientific technical information in chemistry related industry?*, 2005.

being pursued, helping you to avoid re-inventing and re-developing existing technologies[3].

Managing IP information for international business opportunity

Mr Fabio Benetti is the owner of an SME active in the metalworking sector in Italy. Some years ago he contacted his nearest Enterprise Europe Network* branch to present an idea about a new product and enquire about the possibility to exploit it on the international market in partnership. Mr. Benetti's idea was the result of his daily work and, according to his knowledge, nothing similar was being marketed.

After a priority search, Mr Benetti realised that the idea lacked novelty, as previous similar technologies were already registered many years before in the USA. With this information he stopped the business partnership search and started to improve his idea further.

Read this case study in our online library.

2. The research and development stage

Expenditures in the European Union on research and development occurred in more than 50% by private businesses according to the data from 2008/2009. Overall, it represented nearly 2% of GDP. Protecting the competitive advantage that research and development activities bring to companies is therefore essential and Intellectual Property takes an essential role.

Keeping valuable information secret

During the research and development phase, knowledge and information are created. Secrecy therefore remains one essential activity to guarantee the innovative character of your product, since it will allow your organisation to consider the option of seeking patent protection further on and to differentiate your product from those of your competitors.

Examples of some of the steps you can take to protect your confidential information at this stage include:

- ✓ making sure that your employees, researchers and collaborators have in place confidentiality obligations and reminding them from time to time of the importance of complying with these obligations;
- ✓ reviewing public disclosures (such as technical publications or communications with potential partners) to guarantee that confidential information is not included;

[3] For information on how to carry out a patent search using one of the most used patent databases: Espacenet, please consult the European IPR Helpdesk fact sheet on this topic. You can find this fact sheet in our online library.

* The Enterprise Europe Network helps small business to make the most of the European marketplace. Working through local business organisations, this network can assist businesses going abroad, to license their technologies or to get access to EU finance and funding opportunities. For further information, check their website.

- ✓ signing confidentiality agreements with partners and testers, when performing concept and technical testing with the assistance of third parties.

Using IP searches

In the early stage of research process and development of new products, many companies adopt the best practice of using IP information to identify risks of infringement of third parties rights. In fact, for example a patent belonging to a third party may be necessary for the completion of the research or the product may be improved based on the information acquired. An early identification of these situations can not only give companies the possibility to seek an effective solution such as the negotiation of a licence to use the rights or adaptation of the research process, but also to avoid expensive infringement claims.

Early freedom to operate (FTO) searches should then be performed while conceiving research projects and the development of new products.[4] This type of search aims at analysing whether the "research, development and/or commercial production, marketing or use of a new product or process" can proceed with "a minimal risk of infringing the unlicensed IP rights or tangible property rights of third parties"[5]. At this level, a preliminary and informal FTO is generally sufficient, which can certainly assist a more detailed FTO to be performed before the launch of the product[6]. To perform a preliminary FTO search, you can consult free-of-charge patent databases.

Searches in patent databases can also be an opportunity to find potential business partners, technology that is in the public domain and that can be useful for your research, or ideas for further innovation. In fact, you should not forget that patent rights are limited in time (generally 20 years), are territorial and are kept in the patent databases even after they have lapsed.

Internal rules for record keeping

It is important to implement a culture of keeping laboratory notebooks, where the research and development activities are described and dated. These can be a valuable source of information to help your patent attorney in determining the inventors and drafting the patent application.

Establishing partnerships

In the research and development stage, businesses often require technical, financial and human resources for the development of the activities which they

[4] Krattiger A. 2007. Freedom to Operate, Public Sector Research and Product-Development Partnerships: Strategies and Risk-Management Options. In Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices (eds. A Krattiger, RT Mahoney, L Nelsen, et al.). MIHR: Oxford, U.K., and PIPRA: Davis, U.S.A. Available online at www.ipHandbook.org

[5] Kowalski SP. 2007. Freedom to Operate: The Preparations. In Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices (eds. A Krattiger, RT Mahoney, L Nelsen, et al.). MIHR: Oxford, U.K., and PIPRA: Davis, U.S.A. Available online at www.ipHandbook.org.

[6] To see what the preparations of an FTO entail, please see footnote 4.

do not have. This is particularly the case for many SMEs. Establishing collaborations with academia and other companies can consequently be vital for the reduction of costs and time. At other times, it may be necessary to license from another company or academia a technology for the internal development of the idea.

University – SME Cooperation leads to new radar reflector for life boats

Peters+Bey GmbH, a ship service company from Germany, asked Aachen University to check whether their existing radar reflector was in compliance with the new requirements set by a new Directive. The results showed that the radar reflector did not meet the new standard and consequently the university developed a solution for a radar reflector.

Peters+Bey GmbH was very interested in the solution which was developed and consequently completed a confidentiality agreement with Aachen University to positively influence the patent process by preserving the novelty of the intellectual property involved. Moreover, a prototype of this new radar reflector was built and tested with success. Afterwards, Aachen University and Peters+Bey GmbH negotiated a licence agreement allowing the company to use the new radar reflector.

Read this case study in the Bulletin n. 9, available in our online library.

Either way, it is imperative to negotiate and conclude the necessary contracts before entering in such collaborations. Rules on intellectual property and confidentiality must be included in these agreements to avoid potential pitfalls[7].

Typical agreements

CONFIDENTIALITY AGREEMENTS	LICENCE AGREEMENTS	COLLABORATION AGREEMENT
Do not forget to keep your valuable information in secret while negotiating the partnerships. Sign non-disclosure agreements as a first step.	A licence-in agreement establishes the terms under which you are able to use the intellectual property/technology which belongs to another company or research organisation (the licensor).	Under this agreement you can establish the rights and obligations concerning the development of the R&D project and the results, including any intellectual property right.

IP protection

Taking steps to protect your intangible assets is necessary for proper management, but also to allow you to fully benefit from those assets: with protection comes monopoly. This means for several types of intellectual property rights, such as patents or utility models, seeking registration.

Moreover, remember that the development of a product is likely to be protected by several types of intellectual property rights. Moreover, the same assets can often be protected by different types of intellectual property rights and consequently you must choose the most appropriate protection strategy. For

[7] In the European IPR Helpdesk online library you can find information and models of these agreements.

example inventions can be protected through patents and utility models, or by keeping them in secrecy.

You should therefore consult with an IP professional on the most adequate registration strategy according to your product, business plan and budget.

Patents and Utility Models:

- ✓ Before filing a patent an essential step to take is to perform a patentability search to define the state of the art in order to verify the novelty of the invention. For this purpose you can search in patent databases, which contain worldwide technical information. Scientific publications and other sources of information should also be verified.
- ✓ An important element of patent applications is the identification of the inventors. It is therefore advisable to assess the contribution of each researcher for the development of the invention[8] and closely collaborate with them for the preparation of the application.

Confidential business information

- ✓ Any kind of information can be considered as confidential. Examples can be the technical drawings and sketches made during the research and development stage, as well as the information described within the laboratory books. Inventions that do not meet the patentability criteria or which are considered by the company better protected under secrecy (such as where an invention relates to the process of the product and not the product itself) are also examples of confidential business information.
- ✓ Confidential business information does not confer apposite "proprietary rights", as is the case with patents or utility models. As a general rule, it is protected under obligation of confidence and its theft is considered unfair trade practice.
- ✓ Obligation of confidence arises when an agreement has been reached between parties to maintain the information confidential. This can be done by the signature of a non-disclosure agreement or the insertion of confidentiality clauses within a contract (e.g. employment agreement).
- ✓ Companies should implement in-house protection measures to keep in secrecy confidential business information. Perhaps the most important aspect of a protection management programme is to securely store information in places where access is allowed under authorisation, such as archives, safes or other appropriate locked rooms. Only personnel needing to know it should have access to the information. Electronically stored information should be technologically protected.

[8] For an outline of what is inventorship, please see the fact sheet "Inventorship, Authorship and Ownership". You can find this fact sheet in our online library.

Industrial Designs:

- ✓ Many new products and developments of technologies hold new aesthetic features. Consider protecting the appearance of your product through industrial design rights. Furniture, fashion articles, packages, software, technology devices are, among others, examples of products whose design features can be protected.
- ✓ In the European Union industrial designs can be protected even without registration. Unregistered community designs protect designs for three years without need to spend money on registration, as long as the design is new and has individual character. In many activity sectors such as the fashion industry, this short period of monopoly is often enough, given the quick change of the market.
- ✓ Registered designs however provide a longer period of protection (generally 25 years) and are easier to maintain against infringers since you have a title to show evidence of ownership. You should therefore consider the importance of the design for your business and seek registration for an optimal and longer protection.

3. Testing

Testing the products in the situation in which they will be required is a crucial step of a product development. For this reason once the prototype is ready, it should be tested. These tests often include customer and market tests, which can include performing tests with selective potential customers or even a pre-launch of the product at trade fairs or in limited regions.

□ Confidentiality agreements and IP protection

When performing controlled tests, it is important to make sure that the testers keep all the information concerning the product in confidence, as well as the comments and results. Confidentiality agreements should therefore be signed with the purpose of making sure that the valuable information you acquire from testers is not leaked to your competitors, or your new product made known to them.

However, many test activities are performed in real scenarios, including trade fairs, at predetermined shops or at the houses of testers. It is imperative in these situations to take steps to seek IP protection before these disclosures, particularly if your strategy foresees patent protection.

□ Conducting freedom to operate searches

Before the launch of the product it is important to be clear about any potential risks. For this reason, it is best practice to verify in particular what the potential infringement risks are - that is, your freedom to operate. In fact, competitors'

rights may put you out of business and therefore it is essential to conduct thorough freedom to operate analysis.

Many consultancy and law firms provide these services for a fee, as well as some national Intellectual Property Offices in the European Union.[9]

4. Commercialisation

There are many different options for commercialisation of a product. When companies have the means and resources available, they can directly exploit the product and commercialise it. Several management activities of the intellectual property attached to the product must therefore be performed, for making the most of the company's assets.

AT PRE-MARKET STAGE

□ IP protection

Trade marks:

- ✓ As soon as you decide the brand you want to use for the product, seek registration at your national Intellectual Property Office. Trade marks can protect the brand name of the product, but also any logos or labels used in the packaging and therefore you should protect all those signs.
- ✓ Before filing the registration in the Intellectual Property Office, it is imperative to perform trade mark clearances to verify whether the trade mark is free to use: check the internet and the free databases of registered trade marks[10].
- ✓ Trade marks are territorial rights, therefore it is not enough to seek registration only where you manufacture the product, but also where you sell it. Any new territory where you wish to export should also be considered for registration as early as possible.
- ✓ Since you often want to use trade marks in domain names, select both at the same time to make sure that you are free to use them. For clarification, domain names are not intellectual property rights and having a trade mark does not give necessarily a priority right over the domain name.
- ✓ Mark the products with signs such as ® after registration is granted to make others aware of your rights.

[9] Check with your national Intellectual Property office whether it provides these types of IP searches. You can find the contacts in the Innovacess website, a network of European Intellectual Property Offices.
[10] To know more about trade mark searches and how to perform them, you can consult the fact sheet "How to perform trade mark searches", which is available in our online library.

Industrial design:

- ✓ The Registered Community Design provides a grace period of one year, which means that you can still apply for protection up to one year after the disclosure of the design, for example in a trade fair, to a potential business partner or through commercialisation. The novelty is not destroyed during the grace period, which can therefore be used to test the product in the market and help deciding whether to seek registered design protection.
- ✓ Keep evidence of the development of the design, as well as of the first disclosure (i.e. date and place). This is particularly important to keep track of whether you are still in the grace period and in case you have a litigation procedure concerning an unregistered design right.
- ✓ Mark the product or its packaging with a notice informing others that you have been granted a registered design right.

Copyright:

- ✓ Copyright does not require registration. Examples of potential copyrighted works are brochures or other marketing material or the content of your website.
- ✓ However, remember to keep records concerning the development of copyrighted works to prove ownership if necessary in a litigation proceeding. In some countries there are public deposits for copyright, which are not mandatory but may help in showing evidence of ownership and date of creation[11].
- ✓ Should you outsource the development of your marketing material, do not assume that because you are paying for the service you will own the copyright resulting from the performance of the contract. On the contrary, the general principle in intellectual property is that the creator keeps the ownership, unless there is a contract establishing otherwise. For this reason, do include intellectual property regulations dealing with ownership when outsourcing services.
- ✓ Use the copyright symbol © in publications and on the website to make others aware of your copyright, as well as copyright notices.

[11] Examples of such public deposits are the i-DEPOT (a service provided by the Benelux Office for Intellectual Property) and the "*Enveloppe Soleau*" (provided by the French Intellectual Property Office).

Different channels to commercialisation

For many companies, taking a new product to market is only possible through the establishment of partnerships, such as joint ventures or licence agreements[12]. In fact, considerable financial resources and regulatory steps may be necessary, which for small businesses can be a barrier for entering the market alone.

Having secured IP protection can be a bargaining chip in the establishment of these partnerships.

Raising funds

Several studies reveal that, in particular, owning patents and a proper IP management play a crucial role in the decision of venture capitalists[13]. Hence, it is important to think laterally: how can my IP facilitate access to sources of funding?

Leveraging patents for business growth

Regify S.A., is an international provider for trusted and binding communication and digital post. The company owns a portfolio of three core patents that have been registered in several countries. The company piloted both the technology and the business case in the highly competitive German market. In order to do so, Regify secured investment from national business angels. In those first four years, Regify optimised its technology and managed to win the first key customers.

Based on these initial commercialisation successes, Regify decided to grow its business product offerings internationally. However, going abroad not only required substantial investments, but also the need to be able to protect one's business and be prepared that competitors can claim ownership of IP rights in a critical domain. The way chosen by Regify to prevent margin deterioration and to reduce legal risks related to IP rights was to develop its own portfolio of IP.

Ownership of IP turned out to be one of the main assets for investors to financially support the international expansion of the business.

[12] For further information on these partnerships, please consult the fact sheets published by the European IPR Helpdesk available in the online library.

[13] Kamiyama, S., J. Sheehan and C. Martinez (2006), "Valuation and Exploitation of Intellectual Property", OECD Science, Technology and Industry Working Papers, 2006/085, OECD Publishing.

AT MARKET STAGE

- **Enforcing intellectual property rights**

IPR require constant monitoring, which is a responsibility of the owner. Hence, it is best practice to monitor the market (for example trade fairs), to make sure you identify any person copying or imitating your product. Using the customs authorities to combat counterfeiting and piracy is also a cost-effective prevention measure to deter counterfeited products. It allows the infringing goods to be stopped before entering the market.

Take actions when identifying infringers, but remember to consult with your IP advisor before on the best course of action and on the risks involved.

Useful Resources

For further information on the topic please also see:

- *Prior Art Searches: a must for innovative SMEs*, by Paul Schwander, European Patent Office, The Hague: http://www.wipo.int/sme/en/documents/prior_art_fulltext.html
- *Role of Intellectual Property in innovation and new product development*, by Christopher M. Kalanje, World Intellectual Property Organization: http://www.wipo.int/sme/en/documents/ip_innovation_development_fulltext.html

GET IN TOUCH

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The European IPR Helpdesk aims at raising awareness of Intellectual Property (IP) and Intellectual Property Rights (IPR) by providing information, direct advice and training on IP and IPR matters to current and potential participants of EU funded projects. In addition, the European IPR Helpdesk provides IP support to EU SMEs negotiating or concluding transnational partnership agreements, especially through the Enterprise Europe Network. All services provided are free of charge.

Helpline: The Helpline service answers your IP queries within three working days. Please contact us via registration on our website – www.iprhelpdesk.eu – phone or fax.

Website: On our website you can find extensive information and helpful documents on different aspects of IPR and IP management, especially with regard to specific IP questions in the context of EU funded programmes.

Newsletter and Bulletin: Keep track of the latest news on IP and read expert articles and case studies by subscribing to our email newsletter and Bulletin.

Training: We have designed a training catalogue consisting of nine different modules. If you are interested in planning a session with us, simply send us an email at training@iprhelpdesk.eu.

DISCLAIMER

This Fact Sheet has been initially developed under a previous edition of the European IPR Helpdesk (2011-2014). At that time the European IPR Helpdesk operated under a service contract with the European Commission.

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