

Creativity, Innovation and Intellectual Property (LCMB7007)

Week – 5 (Part 1) **Intellectual Property & Digital Business**

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Intellectual Property & Digital Business

Content

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- Definition of IP
- Legal framework: Intellectual Property Rights
- Rights to business name

The IP Rights

- Trade Marks
- Copyright
- Design Rights

Managing IP

- Employer/Employee obligations
- Data Protection Awareness

Risks to IP

- Ownership
- Counterfeit Goods
- Cybercrime

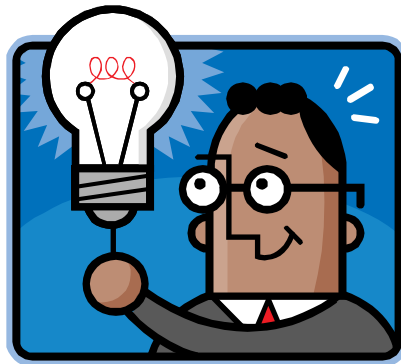
Setting the foundations of IP

What is Intellectual Property?

Definition: What Is Intellectual Property?

‘Intellectual Property (IP) is any form of original creation that can be bought or sold.’
(The Intellectual Property Office)

- An intangible asset(s) resulting from the intellectual labours of a business or individual



Why is IP important?

Transferable Skill

Creating advantages for your employer – a valuable skill!

- Being able to create and recognise IP can give you an edge over other candidates;
- An asset to employers to have IP savvy staff - able to identify IP in an organisation; able to protect an employers commercially sensitive information;
- A way to quickly demonstrate that you know how to contribute to the success of the business
- You have legal literacy and understand that your employment contract may have IP and confidentiality responsibilities
- A skill relevant in the UK and globally

When is IP important?

**Is a Non-Disclosure /
Confidentiality Agreement
required?**

- When collaborating with other/external groups
- When using material from elsewhere
- When you have an invention

Assessing Commercial Viability

The potential of IP

- Could support the start-up of a new business
- Could give an existing business a competitive edge
- Could provide beneficial partnership opportunities
- Could be used to attract funding
- Could be used to expand market opportunities:
 - What can be done with the IP outside of your business?
 - Could it be licensed to companies in other territories?
 - Could someone else use it in a different way?

The Legal Framework

How does the law support business?

- Gives certainty regarding your rights
- Prevents others from copying and benefiting without putting in their own investment
- Provides enforcement measures

IP Frameworks

Enabling business to operate globally

International Frameworks

- The Paris Convention for the Protection of Industrial Property
- The Berne Convention for the protection of Literary and Artistic Works
- The Patent Cooperation Treaty
- The Madrid Agreement Concerning the International Registration of Marks
- Treaties on Classification
- World Trade Organisation (WTO) TRIPS Agreement (164 Member Countries)

https://www.wto.org/english/docs_e/legal_e/31bis_trips_01_e.htm

UK IP Laws

- The Patents Act 1977
- The Trade Marks Act 1994
- Copyright, Designs & Patents Act 1988

Obligations of Agreements

- Member of WTO - must oblige by the TRIPS Agreement governing trade between countries

The Legal Framework: Intellectual Property Rights (IPR)

- Patents
- Copyright
- Design Rights
- Trade marks



Information is made available in the public domain

- Know-How
- Trade Secrets



Technical information and knowledge that is not available in the public domain – actively kept away from the public domain

Rights to the name of a Business

Understanding the differences

- Company name
- Domain name
- Trade mark

Company Name

Governed by Companies Act
2006

Example

ETSY UK LIMITED

SIC 73110 – Advertising
Agencies

- Register Company and Company Name with Companies House
- You must select your Standard Industrial Classification of Economic Activities (SIC)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/455263/SIC_codes_V2.pdf
- Company Names governed by Part 5 of Companies Act 2006:
 - Requirements for a company name
 - Similarity to another name on the registrar's index
 - Similarity to other name in which person has goodwill<https://www.legislation.gov.uk/ukpga/2006/46/contents>
- In cases of dispute over company names, Secretary of State appoints a Company Names Adjudicator

Domain Name

Governed by policies set by ICANN (Internet Cooperation for Assigned Names and Numbers)

Example:

<https://www.etsy.com/uk/>

- Registration of domain names handled by accredited registrars
- Registration is on first come first serve basis
- Registrars do not accept liability for any disputes
- Cyber-squatting is an example where disputes occur as the registrant tries to sell the name back
- Domain Names can clash with existing trade marks – WIPO offers a Dispute Resolution Policy
- List of Virgin Cases with WIPO
<https://www.dndisputes.com/case/complainant/virgin-enterprises-limited/>

Why IP is important

Company Name

Defined IP



Domain Name

International legal framework

Business potential of IP

The different IP Rights

The IP Rights

Trade Marks

In this Act “trade mark” means any sign which is capable—

- (a) of being represented in the register in a manner which enables the registrar and other competent authorities and the public to determine the clear and precise subject matter of the protection afforded to the proprietor, and
- (b) of distinguishing goods or services of one undertaking from those of other undertakings.
- A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals, colours, sounds or the shape of goods or their packaging.

Trade Marks Act 1994 (as amended by Trade Marks Regulations 2018)

Trade Marks

Governed by Trade Mark
Act 1994

Example: ETSY

[https://trademarks.ipo.gov.uk/ipo-
tmcase/page/Results/23/WE00000912704](https://trademarks.ipo.gov.uk/ipo-tmcase/page/Results/23/WE00000912704)

- They can be incredibly valuable in brand recognition
- The key test in trade mark cases is the 'likelihood of confusion'
- In the case of a Digital business, a registered trade mark can be useful evidence of claim and use of the business name

Trade Marks

For E-Business

- Name or logo must meet criteria for a trade mark
See grounds for refusal here:
<https://www.legislation.gov.uk/ukpga/1994/26/part/I/crossheading/grounds-for-refusal-of-registration>
- The name or logo must not infringe an existing trade mark
- The trade mark must be used as filed
- Non-use of the trade mark can put your right to the trade mark at risk
- Must be renewed every 10 years
- In the case of E-Business, a registered trade mark can be useful evidence of the use of the business name, customer recognition etc

Trade Marks

Other considerations for digital business

- Ensure clear ownership of the trade mark – who will own the trade mark?
- Be careful in the use of meta-tags – must not infringe existing trade marks

Case Study:

Cosmetic Warriors Ltd vs Amazon.co.uk Ltd



- Amazon was using the word 'lush' in its meta-tags.
- Lush trademark filed in Class 3, for cosmetics and toiletries
- Bath and cosmetic items appeared in Amazon search results that were not by Lush.
- Lush argued it was an infringement of its trade mark and brand reputation and requested Amazon to remove it.
- High Court agreed infringement of the Lush trademark (2014)

Case Study:

Cosmetic Warriors Ltd vs Amazon.co.uk Ltd

- High Court agreed infringement of the Lush mark
- Sponsored ads were the consequence of users typing in the word 'lush'
 - 1) adverts for Lush soap on Amazon
 - 2) ads referencing equivalent or similar products to Lush
 - 3) typing 'lu' in search function led to products similar to Lush products
- Amazon using the Lush mark in the course of trade as it was using it for commercial communication

Case Study: Google Adword

Interflora vs M&S



- Marks and Spencer flower delivery service was coming up in search results for Interflora in Google Adwords
- Interflora objected to this as the advertising infringed their trade mark and that customers may think there is an economic connection between the 2 businesses
- Court found in favour of Interflora – customers could not be expected to know that M&S was not part of the Interflora franchise

Source: <http://www.dtmlegal.com/news/using-google-adwords-may-or-may-not-infringe-trademark-rights/>

Copyright

Copyright will exist in the text/content of a business website

- Copyright is an automatic right
- The HTML code is protected by copyright
- Databases and instruction manuals also attract copyright
- If someone else is designing and creating your website, you will need an agreement with them to own the design and website outright
- If material or technology is sourced from elsewhere then the correct permissions/licence will need to be sought

Extract from Copyright Act

- **Chapter II Rights of Copyright Owner**

- **The acts restricted by copyright**

- 16. The acts restricted by copyright in a work.
- 17. Infringement of copyright by copying.
- 18. Infringement by issue of copies to the public.
- 18A. Infringement by rental or lending of work to the public.
- 19. Infringement by performance, showing or playing of work in public.
- 20. Infringement by communication to the public
- 21. Infringement by making adaptation or act done in relation to adaptation.
- Secondary infringement of copyright
- 22. Secondary infringement: importing infringing copy.
- 23. Secondary infringement: possessing or dealing with infringing copy.
- 24. Secondary infringement: providing means for making infringing copies.
- 25. Secondary infringement: permitting use of premises for infringing performance.
- 26. Secondary infringement: provision of apparatus for infringing performance, &c.

EU Directive (EU) 2019/790

Copyright in the Digital Single Market Directive (To be implemented by Member States by June 7 2021)

- Article 17, Online Content-sharing service providers (OCSSP)
- Defined as a service provider where the main purpose is to store and give the public access to a large amount of copyright-protected works or other protected content uploaded by its users, which it organises and promotes for profit-making purposes
- Would apply to YouTube, Daily Motion and Vimeo
- OCSSPs performing an act of public communication or an act of making available to the public access to copyrighted content
- Shall obtain relevant authorisations from the rightholder
- Imposes a duty of care on OCSSP to prevent copyrighted information being infringed on their platforms

Copyright Notices

Using copyright © symbol

(To create symbol – hold down ALT key and type 0169 on Number pad and Enter)

- Copyright Notices inform and warn users against infringement
- Copyright Notice should state the owner/creator and date of creation
- Webpages should have copyright notices on all visible pages to notify users of copyright ownership
- Any downloadable content/files should hold a copyright notice
- If you are using photographs/images of products you may consider a watermark
- Keep accurate records of the different versions of its website and html –this can prove useful if someone else reproduces material from your website

Design Rights

Design Must be New

- Protect the external appearance of a product – the shape and configuration
- Includes graphics and textiles
- Design must be new – a design is not new if it is commonplace in the design field at the time of its creation
- Design freedom - Technical/functional designs are excluded from protection
- Locarno classification – where does your design sit?

Design Rights

A digital business may create designs that are protectable IP

- Computer icons



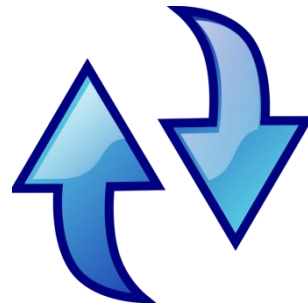
- Graphic Representation



Source: <https://www.iprhelphdesk.eu/sites/default/files/newsdocuments/Fact-Sheet-IP-Considerations-for-Business-Websites.pdf>

Copyright

Trade Marks



Recap

Design Rights

Managing IP in a Digital Business

If your Business has employees

Understanding Employer/Employee Rights to IP



- As stated in Law, the employer is the rightful owner of anything that an employee creates “in the course of (their) employment”;
- If an employee leaves the job – they have no rights to anything that was created in that course of employment;
- If an employee wishes to use anything created during their employment they may need a licence permitting them to use the material etc;
- If the employer wishes to use anything that was created outside of the course of the employees employment they would need a licence from the employee to use it.

If you use freelancers or contractors

A freelancers/contractors work does not automatically belong to the organisation that they are working for



- An digital business may use freelancers to provide photographs; design their website; write the software code;
- Ensure a contract for the work is agreed;
- Agree IP Rights in the code, logo design etc are assigned to the business;
- Anything that is created outside of the contract may, rightfully, belong to the freelancer/contractor;
- Anything different that you are asked to do – check and agree in advance who will own the IP/rights to use it.

- Employers own the rights to designs created by employees as part of their employment

Additional Information

Exploiting designs

Since 1st October 2014:

- An independent designer owns the rights to their designs even if commissioned unless there is a contract in place stating otherwise
- If you pay someone commission to create a design on your behalf, you do not own the rights in the design unless there is a contract in place stating otherwise

Data Protection

A business will need to incorporate the protection of personal data in its set up and design

- The new General Data Protection Regulation (GDPR) came into force in May 2018
- Applicable to organisations within EU
- Applicable to organisations outside of EU if they process data of EU subjects in relation to offering goods and services
- Only applies to personal data

This means any information relating to an identified or identifiable natural person
- Examples of personal data:
 - HR records
 - Customer lists
 - Contact details
 - Online identifiers (IP addresses, cookies)
- The Information Commissioner provides further guidelines on compliance with GDPR here:
<https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/>
- Companies can be fined for data protection breaches

Data Protection

Example:

*Some things to consider if a
Business is marketing and
contacting customers*

- **Purpose**
This is *very important* – why are you collecting personal data?
For example, do you really need a customer's date of birth?
- Personal data must be collected for *specified, explicit and legitimate purposes*
For example, if the customer signed up to receive a specific product or sample from you – this is what you can use their information for (to send them the product)
- Personal data *must not be further processed in a manner that is not compatible with the original purpose*
For example, using their data to send them information about your events when they had only given you permission to send them sample products
- Personal data *must be kept accurate and up to date*
For example, your customer's address and phone number. If it is incorrect you need to ensure it is updated.
- The *right to withdraw consent*
For example, a customer may want to unsubscribe to your business newsletter. You will need to ensure that your business processes are designed to enable them to do that.

Employer/Employee Rights



Freelancer/Contractor

Data Protection Obligations

Risks to IP

Ownership: Incorrect or unclear title to the IP

Case Study: Coward v Phaestos Ltd

IKOS Asset Management

A marriage and a company partnership

Martin Coward

Elena Ambrosiadou

IKOS was a multi-million dollar hedge fund set up in 1992. With the economic downturn their marriage broke-down as did their company partnership.

Mr Coward resigned as Chairman and Chief Investment Officer. This kick-started a dispute over the company assets (algorithm) and a High Court battle.

Infringement



Trade Mark infringement case
Jack Wills Ltd vs House of Fraser
(High Court ruling – January 2014)



Design Right Case
Magmatic Ltd vs PMS International
(Supreme Court ruling – March 2016)



Rovio Entertainment & Kimanis Food Industries

Counterfeit Goods

Economic impact

- Counterfeit's closely resemble another product
- Lost revenues to companies
- Impacts employment rates
- Damages the reputation of the 'real' company

Example of counterfeit practice

Use of 'codewords'

- Sellers of counterfeit products using brand based 'codewords'
- The 'codewords' are hidden in meta-tags
- A way of avoiding search filters designed to identify and remove fake goods from listings

Examples of Codewords – Guess the brand

DSL

Disel

Burbry

Diorissimo

Okly

GG

Prd

Examples of Codewords – brands revealed

DSL
(Diesel)

Disel
(Diesel)

Burbry
(Burberry)

Diorissimo
(Dior)

Okly
(Oakley)

GG
(Gucci)

Prd
(Prada)

Counterfeit Goods

Harmful to consumers

- No warranties
- Poor quality product
- Could be a dangerous product

Can you guess the percentage of Google searches that lead you to websites selling fake or dangerous goods?

60%

Source: <https://www.incoproip.com/reports/how-and-why-search-engines-must-take-responsibility-for-tackling-counterfeiters>

In addition, Incopro's research identified serious problems in each of the five sectors that Incopro studied.



In **pharmaceuticals**, **6 in 10** of the results returned in the first page of a Google search using the antibiotic 'Bactrim' within the search term were for locations very likely to be operating unlawfully.



In **automotive**, the seventh-placed website in the results of a search on Yandex for the term "airbag sale" was selling counterfeit products; this website generates **61.24%** of its traffic from organic search.



In the **children's products** category, **3 in 9** of the search results for a brand name baby teether featured potentially harmful products that misuse the trademark.



In the **safety equipment** sector, Incopro observed websites acting as directories for marketplaces like AliExpress together with wholesale Chinese sites selling cheap cycle helmets that are counterfeit.



In the **white goods** sector, a search for refrigerator filters using established reference terms repeatedly directed consumers towards a website selling counterfeit goods. The site listed four well-known brands in its page title, causing deliberate consumer confusion while helping it to appear in search results for these brands.

Digital Piracy

The act of downloading or distributing copyrighted material & IP without paying for it.

- Illegal downloads of music, movies, software
- Pirate websites
(criminals profit from content or infringing others IP)
- Streaming
(illegal to host unauthorised content)
- Peer-to-peer file sharing
(allowing others to copy counts as distributing to others)
- Providing links to websites that are infringing copyrighted material
(hosting and distributing illegal content)
- Torrent sites
(downloading & distributing copyrighted material)

Digital Piracy

Consequences

- If it is being offered for free it could be bait
- Could be source of malware infections leading to:
 - identity theft
 - corrupting your device
 - capturing your financial records
 - capturing your passwords
- Economic impact to the real business – loss revenues, loss of jobs

Cyber-crime

How is IP exploited?

- Producing a direct replica of a product (if IP is not protected)
- Producing a similar product using the same concept more quickly
- Incorporate elements of the IP into alternative design
- Selling to a third party
- Black-mailing the IP owner by threatening its disclosure

Source: 'The cost of cyber-crime' Detica/Cabinet Office 2011

Cyber-crime

The cost of cyber-crime

- IP and confidential data increasingly determine a business' value
- IP theft is the most damaging cyber-crime for business
- Loss of £9.2 billion a year
- Cyber-criminals steal ideas, designs, product specification, trade secrets, information on process and methodologies which erode competitive advantage.

Source: 'The cost of cyber-crime' Detica/Cabinet Office 2011

Cyber-crime:

Impact of IP loss

- Lost sales and customers
- Lower profit margins
- Reduced Return on Investment (ROI) and Research and Development (R&D)
- Loss of jobs

Source: Becrypt Ltd/Viewpoint IP

Examples of recent cyber-crimes (1)



August 2015

Hackers broke into its servers and released more than 300 gigabytes of customer and company data;

Further releases exposed source code – revealing the company's IP which meant others could create a similar site or find other vulnerabilities in the code;

Revealed customers real names, bank and credit card details, users had not been deleted when they requested it

Believed to have been done by a former contractor not an employee.

Cost \$30 million in fines

Source: <https://www.wired.com/2015/08/ashley-madison-hack-everything-you-need-to-know-your-questions-explained/>

Source: <https://www.pandasecurity.com/mediacenter/security/lessons-ashley-madison-data-breach/>

Examples of recent cyber-crimes (2)



October 2015

TalkTalk lost 101,000 customers and suffered costs of £60m due to the cyber-attack;

Reputational damage to the company especially its handling of it in the early stages;

October 2016 – it was fined £400,000 by the Information Commissioners Office for failing to prevent the attack. ICO investigation found that TalkTalk had failed to implement basic cyber-security measures.

Source: <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2016/10/talktalk-gets-record-400-000-fine-for-failing-to-prevent-october-2015-attack/>

Source: <https://www.theguardian.com/business/2016/feb/02/talktalk-cyberattack-costs-customers-leave>

Working from a café.

Can you identify the risk(s)?



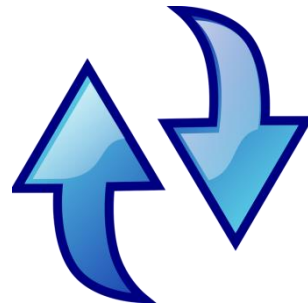
Modern Working Practices

Employees Accessing
Corporate Data &
Information in a post-
perimeter world

- Mobile Working
- Public spaces – could compromise confidentiality
- Using multiple devices
- Using managed (work phones) and unmanaged devices (personal phones used for work)
- Cloud storage
- Using networks employers don't control

Unclear ownership

Counterfeit Goods



Recap

Cybercrime

Infringement

Modern Working Practices

Digital Piracy

IP and legal issues for a digital business

Review

- Definition of IP
- Legal Framework
- Established the difference between company, domain and trade mark rights
- Reasons for filing a trade mark
- Identified copyright and design right in an E-Business
- Managing IP during collaboration
- Potential threats to the IP of an E-Business
- Data protection obligations

Useful Links

- UK Intellectual Property Office
<https://www.gov.uk/government/organisations/intellectual-property-office>
- World Intellectual Property Office
<https://www.wipo.int/portal/en/index.html>
- British Library Business & IP Centre
<http://www.bl.uk/bipc/>
- Trade Mark rights and Brexit
<https://www.mills-reeve.com/insights/publications/a-no-deal-brex-it-and-eu-trademarks-and-designs>
<https://www.gov.uk/government/publications/trade-marks-and-designs-if-theres-no-brex-it-deal/trade-marks-and-designs-if-theres-no-brex-it-deal>

Reflection and issues to discuss:

- 1) Discuss *Intellectual Property* (IP) rights and concerns, based on this lecture.
- 2) What are trademarks, what is copyright?
- 3) How does it work?
- 4) What about customer's and partner's data?

Reflection and issues to discuss:

Now let's focus on IP rights and data protection (GDPR) within different industries.

- 1) Prepare a brief short presentation (2 slides) on IP and data protection in your industry.
- 2) Identify what type of IP exists and needs to be protected in this industry and what kind of challenges with customer and partner data exist in this industry.

Issues to consider: what are some of the most valuable IP's in this industry?
What's their worth in monetary terms?

What are some notable cases of IP breach?

What are specific data protection challenges in this industry?

What are some notable cases of data protection breach?

What should a new startup business in this industry pay attention to in order to avoid IP challenges or data protection breaches in future?