

Intellectual Property for Food Science and Technology

This third of a series of articles on intellectual property by Michael Moore focuses on the uses and exploitation of intellectual property in the food science and technology industry

Part 3: What use is intellectual property?

The previous two articles in this series (*FS&T*, Vol. 22, Issue 3, pages 41-43; and Issue 4, pages 49-51) have introduced the various forms of intellectual property (IP) and how you might go about obtaining appropriate IP protection for your business. So, now that you have been granted an IP right: what are you going to do with it?

Attaining IP can require a large financial commitment. Although some IP rights can be obtained relatively economically (particularly in the case of registered design rights and trade marks), for patents in complex technologies, the costs can run into many thousands of pounds simply to obtain a granted patent in the UK or Europe. No one would spend thousands of pounds on a new car without knowing what they intended to use it for. But, you'd be surprised how many people and companies invest in IP without *really* knowing how or whether they will recoup their investment. Of course, a professional advisor (such as a patent or trade mark attorney) should be able to highlight and discuss these issues, but in all cases the ultimate decision as to whether and how to spend money on IP rests with the prospective IP owner.

Having made the decision to invest in IP, it is important to ensure that the IP has a business context and that there is a coherent

strategy in place for exploiting it. For successful IP exploitation it is generally necessary to know how the IP is to be commercialised to provide revenue, and to monitor the activity of competitors in case the IP needs to be enforced.

The most obvious way in which companies and individuals can achieve commercial benefits from their IP (and thereby recoup their investment of time, effort and money) is profit from the sale of goods or services that are covered by that IP. For example, food and equipment identified by the trade marks of desirable brands may command higher prices than less desirable generic products. Likewise, a product or process that is under patent protection (take pharmaceuticals, for example) may command a premium price tag due to its exclusivity, compared to a non-patented product for which competition in the marketplace exists. Another significant way in which income can be derived from IP is by "licensing" or "assigning" it to another party to exploit. Indeed, for many research-based institutions, smaller companies and individuals without the capability to commercialise their IP, revenue from licensing (or assigning) IP may be the only realistic means of revenue generation. However, owning IP does not guarantee profits; it can require substantial effort to develop revenue streams even for useful IP.

Despite the obvious potential for

financial reward, it is important to appreciate that, in most cases, a granted IP right does *not* actually give its owner the *right to use* that IP. In fact, an IP right such as a patent is an *exclusionary* right, which means that it can be enforced to prevent unauthorised parties from encroaching into the protected space. Consequently, in patents for example, some technology fields can be so crowded that a granted patent could cover an invention for which several earlier patent rights are in existence, albeit each one directed to a slightly different aspect or feature. This is not a problem where all of the overlapping rights belong to the same entity, but when they have different owners, especially rival companies, the consequences can be severe. For this reason it is important to be aware of your rights, as well as those of others.

Freedom to operate

Having "freedom to operate" means that the technology, design or trade mark of interest to your business is not protected by an IP right owned by another party that is in force in the relevant territory. An "opinion" on freedom to operate may be commissioned from a professional IP attorney. Typically, it is necessary to provide a detailed description of the technology, design or trade mark which you intend to use commercially. Your attorney will then: (i) conduct a thorough search of all relevant IP rights that exist in the territory of interest; (ii) analyse those IP rights to determine their scope of protection (i.e. the excluded space); and (iii) draw up a report ("opinion") on the potential for you to infringe any of the existing rights. The UK Intellectual Property Office (UKIPO) offers a service for obtaining a freedom to operate search (at a cost in the region of £1,500 to £6,000 depending on the technology field), but this search does not include the professional advice that would be included in an opinion prepared by a professional attorney.

It should be appreciated that a freedom to operate opinion does *not* offer any legal protection from the owner(s) of IP rights identified in the opinion. However, the reassurance

that comes with knowing that there is freedom to operate makes it easier for an enterprise to take commercially important decisions, as to where to invest in innovation, marketing and other activities. A favourable freedom to operate opinion can be particularly beneficial where large costs will be incurred in entering a new market, or where fundraising might be dependent on demonstrating freedom to operate. Conversely, knowledge of potentially conflicting IP rights allows a party to modify its plans to avoid infringement, and identifies IP rights for which a licence or other form of authorisation could be sought from the owner. Sometimes people take a commercial decision *not* to invest in a freedom to operate opinion. However, all too often people don't even think about this issue until they receive a letter from a solicitor (or another party) drawing attention to the existence of an IP right that they may be infringing.

Infringement

The acts that represent an infringement of an IP right vary depending on the IP in question. A patent may be infringed by using, producing, selling, importing or keeping anything that falls under the protection of the patent. In trade marks, infringing acts include using a similar or identical mark in connection with the same or similar goods. Meanwhile, a registered design may be infringed by using, making, selling or importing a product having an infringing design. Once an IP right is no longer in force (e.g. it may have finally lapsed due to non-payment of a renewal fee; it may have reached the end of its maximum term; or it may have been found officially invalid), it is usually allowable to carry out acts that would otherwise be an infringement of that right, without the risk of infringement.

It is worth noting that, in the UK at least, ignorance as to the existence of an IP right is not a valid defence against a charge of infringement. Therefore, if you are found to infringe an IP right you may suffer the same consequences whether or not you carried out the infringing acts in full

knowledge of the relevant IP right. For this reason, it is usually better to be proactive in identifying potentially relevant IP rights so that you can take an informed decision on how to proceed.

Under UK law there are some defences and exemptions for certain acts that would otherwise constitute an infringement of an IP right. These defences are rare exceptions, however, and depend on specific circumstances; they should not be relied upon without first seeking professional guidance.

Enforcement and litigation

The owner of an IP right that is *in force* may seek to enforce its rights whenever it believes that an unauthorised person is performing an act that is an infringement of those rights. However, before taking direct action against the alleged infringement it is highly advisable to seek professional advice. In the UK, for example, there are very strict regulations on what form of "threat" (i.e. a perceived allegation of infringement) can be directed towards another person in relation to an IP right. Making an "unjustified threat" (e.g. where the person threatened is found not to be infringing, or where the IP right in question is found to be invalid), opens up the IP owner

to counter proceedings for damages. On the other hand, if you are in receipt of such a threat, or even a simple letter drawing your attention to the existence of another party's IP, it is advisable to seek immediate professional advice.

One way of enforcing an IP right is to take legal action against the alleged infringer, in order to: prevent the infringer from continuing the infringing acts; obtain financial compensation (damages/profits); and recover infringing articles. Taking legal action against one party may also serve as a deterrent to other would-be infringers.

In the UK, issues of IP infringement may be dealt with in the UKIPO, the Patents County Court (PCC), the High Court (HC; e.g. the Patents Court), the Court of Appeal (CA), and even the House of Lords (HL). The forum for first instance proceedings for infringement is selected by the party bringing the proceedings, and so may be decided on the basis of the financial capabilities of the party concerned, and/or the particular IP right or technology. Although the UKIPO is included, infringement proceedings before the UKIPO are rare and only occur when both parties agree to it. It may be useful when both parties are extremely sensitive to costs, as cost are generally far lower than before

	PCC	HC
Cost	£100,000-£300,000	£200,000-£500,000
Time frame	9-18 months	9-18 months
Competence	Infringement and revocation	Infringement and revocation
Representation	(i) Patent attorney litigator and barrister; (ii) patent attorney, solicitor and barrister	(i) Patent attorney litigator and barrister; (ii) patent attorney, solicitor and barrister
Suitability	All technologies, particularly relatively straightforward technology	All technologies, particularly complex proceedings and technology
Advantages	Relatively cheap and quick procedure	Quick procedure, highly experienced judges

Table 1. General overview of forums for first instance patent litigation in the UK.

a court. Table 1 provides a general overview of the similarities between the PCC and the HC with respect to **patent** infringement cases. The costs given are only a guide; individual proceedings can vary enormously, for example, depending on the IP right, the technology, and whether validity is also at issue. Typically, an alleged infringer will file a counter-claim that the right is invalid and so not infringed (a “revocation” action), and the costs can increase accordingly. In order to avoid these potentially huge costs, litigation should generally be seen as a last result, with alternative dispute resolution (ADR or mediation) being given serious consideration.

Genetically-modified (GM) plants are becoming increasingly common in the UK and the world at large. In 2007, a ground-breaking, first GM plant patent was litigated in the UK HC between Monsanto – the owner of European patent EP 0546090, and Cargill – the alleged infringer of the patent in the UK (*Monsanto Technology LLC v. Cargill International SA and Cargill Plc* (2007) EWHC 2257). The patent claimed DNA sequences encoding enzymes (known as EPSPSs) which, when expressed in a plant, confer resistance to the herbicide ‘RoundUp®; and also methods of producing genetically-transformed plants which are tolerant toward glyphosate herbicide. Monsanto alleged that Cargill infringed its patent in the UK by importing soybean meal produced in Argentina from GM soybean crops. Cargill counter-claimed for invalidity of the patent and denied the charges of infringement. On 10 October 2007, the judgement was handed down: the patent was found to be valid but not infringed by Cargill. Monsanto has not, however, given up this fight, and the matter has now been referred to the Court of Justice of the European Communities (ECJ).

Licences and assignments

An assignment is used to transfer the ownership of an IP right from one party to another, whereas a licence is used to authorise another party to exploit the IP without fear of infringement that right. A licence

can be “**exclusive**”, meaning that only the licensed party (and not the IP owner) can exploit the IP; “**sole**”, meaning that only the licensed party **and** the owner can exploit the IP; or “**non-exclusive**”, meaning that the IP owner is free to offer licences to any other parties. Importantly, a licence is not only suitable for registered IP rights (e.g. patents, trade marks, designs), and non-registered rights, such as “know-how”, and “trade secrets” may also be licensed.

Licensing is a very useful way of generating revenue from IP, if for technical or commercial reasons the IP owner is unable (or not well placed) to commercialise its IP. A company that is perhaps already active in that field may be very keen to acquire the benefits of that IP. Alternatively, an organisation may be in possession of valuable IP or other technology, which it cannot exploit without infringing the IP of another party. In this case, it may be extremely beneficial to obtain a licence to the other party’s IP, under suitable terms.

A licence must be carefully drafted to ensure that all parties know what is covered and under what terms, and therefore, specialist advice should usually be sought. For instance, it is essential to define exactly what IP is being licensed, including whether any know-how or trade secrets need to be transferred in order for the licensee to exploit the IP. To generate income in exchange for the IP, the owner usually requires a lump sum payment (or instalments) along with royalty payments based on the profits made by the licensee. The licensor may also include terms to restrict the use of the IP to certain technical fields or to certain territories (e.g. those that do not conflict with its own activities). In fast developing technical fields, such as food science, it is possible that the licensee will make improvements to the technology that has been licensed: a good licence agreement should make provisions to determine ownership and rights over any such improvements. Finally, a prospective licensee may seek warranties from the licensor, for example, that the licensed technology does not infringe the rights of any third party, so that it

knows that it is safe from infringement actions. The IP owner must consider carefully the extent of liability for any warranties offered.

As indicated already, an assignment of IP differs from a licence in that the ownership of the IP is physically transferred to the assignee. Therefore, once the assignment has been made, the new owner can dispose of the IP in whichever way it chooses.

An assignment may be the preferred option when the original IP owner does not have (or wish to have) a continuing interest in the IP and would simply like a payment to divest its interest. By contrast, under a licence agreement, the IP owner typically retains some responsibilities, for example, for maintaining the IP in force and for enforcing the IP against infringing parties.

Summary

The costs of obtaining and maintaining IP protection can be substantial, but if there is a business context and an appropriate strategy for exploiting that IP, then the financial and other commercial rewards can be significant. Even if you are not an owner of IP, but are simply active in a commercial context, you will benefit greatly from being aware of the power of IP and the ways in which it can be exploited by you or against you.

Further information

The UK Intellectual Property Office:
www.ukipo.gov.uk.

The Chartered Institute of Patent Attorneys: www.cipa.org.uk.

The Institute of Trade Mark Attorneys: www.itma.org.uk.

The views expressed herein are those of the author and not of Keltie and do not constitute legal advice.

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