

Intellectual property: protecting your inventions, preparing for investment

The very essence of entrepreneurial success is solving real world challenges with innovative products and services. But what about protecting that success? The management of intellectual property (IP) is a fundamental cornerstone of good business practice, and without it, your invention – and your business – could be worthless. By Joanna Bawa

▶ **Dragon's Den. The presentation is complete and the questions have been expertly handled. The young inventor has the ear of the Dragons and a growing confidence that the deal is all but done. The only uncertainty is which Dragon will make the best offer. Then one of them asks: have you patented this?**



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It's the point at which many investment opportunities crumble, because patents, the patent application process and the implications of securing a patent or not, and in which countries, are of enormous significance to investors. An incomplete or inappropriate patent brings serious risks which can render the most brilliant invention virtually worthless, and an entrepreneur who fails to understand this will quickly frighten off any potential investor.

A patent is an exclusive right granted by a government to an inventor for a limited period of time in exchange for public disclosure of an invention. The granting of a patent provides the right to exclude others from making, using, selling, offering for sale, or importing the patented invention for the term of the patent, which is usually 20 years from the filing date, subject to the payment of maintenance fees.

Patent law is a complex and meticulous area, practised by specialist patent attorneys who have a background in some area of science or engineering – such as pharmaceuticals, life sciences, electronics, telecommunications or software – as well as detailed knowledge of intellectual property law. While the core aspects of the attorney's role concern the drafting, filing and prosecuting (progressing) of patent applications from idea through to grant, the growing importance of intellectual property to the investment community has expanded this role for some into a much wider commercial service in recent years.

Patent attorney: a wider commercial role

Some leading Patent Attorneys are increasingly acting as business advisers, ensuring that inventors are acting in a way which protects their invention and plans for its role as a patented technology within a broader business strategy.

"Increasingly, we're finding that our clients have a high awareness of the need to protect their ideas, but a low understanding of what's actually involved," says Peter Finnie, a European Patent Attorney and Partner with specialist IP practice, Gill Jennings & Every LLP (GJE), which works very closely with entrepreneurs and investors. At the same time, he adds, the firm is seeing an upswing in enquiries from inventors seeking to protect emerging technologies and products. Finnie attributes this to the general economic

climate, and the 'Dragon's Den effect': "A tough trading environment can favour the small inventor over the large corporation when it comes to innovation, since smaller outfits tend to have greater agility – at least to begin with," he explains. "At the same time, ours is a knowledge economy, and high levels of media interest in entrepreneurial activity have encouraged more people to begin the process of turning their ideas into marketable products. The result is a huge growth in the importance of intellectual property as a central business asset."

Intellectual property and the business plan – an integrated approach

It is the emergence of intellectual property (IP) as a business-critical asset which makes the services of a patent attorney so important. "The priority for many entrepreneurs is raising capital to fund the development of their idea – but without a clear understanding of the patent status of a prospective investment, few venture capitalists can justify the risk," says Robert Perry, Partner and European Patent Attorney with GJE. In some fields, such as pharmaceuticals, R&D projects can run for ten years or more.

During this time many things can change, and unless the role of IP across that entire period has been considered, problems can arise. "A patent attorney can be seen as a long-term partner for the client because the management of IP is an active and complex process," Perry continues. "It is essential that patent applications take account of a business' overall strategy, and that they remain monitored and closely connected to the development of products and services over the years."

Failure to monitor IP assets can raise serious risks for an organisation. Competing technology may conflict with the IP; or the business development strategy might move away from core IP, failing to exploit its full value. A company may file for a patent in one country when the main market and key competitors are in another; or the importance of IP to future success may be overstated, leading to a significant devaluation of the company as a result of the IP due diligence process.

For GJE, this means the service it offers begins at the very earliest stage of entrepreneurial innovation. "Patents must be considered within the framework of an explicit IP strategy which will support the company's business plan and state how and why IP is relevant in this respect – and this needs to be monitored and updated as events occur," says Peter Finnie. "This implies a long-term relationship between client and attorney comprising commercial as well as technical and legal advice. Filing patents is a skilled business, but clients should always demand more."



IP in the Dragon's Den

Behind the excitement of every newly announced invention lies a lot of hard work and research into the patent which will protect it and enable its inventor to develop it. Few entrepreneurs can progress far along the commercial road without the expertise of a Patent Attorney, and appropriately managed intellectual property is a vital consideration for investors.

Inventor, Michael Pritchard, worked with Peter Finnie of Gill Jennings & Every when he came up with the idea of the 'ANYWAY Spray', a tube which allows liquids (such as household cleaning fluids) to be sprayed at a consistent pressure no matter what angle the container is held at. The innovation replaces the standard plastic tube with a hydrophilic membrane tube with millions of holes. This device attracts water then applies a pressure differential when the pump or trigger is activated. The liquid is forced up and out of the tube, regardless of the angle at which the container is held.

Pritchard displayed the invention on Dragon's Den and secured investment of £125,000 from two of the team. Crucially, the investment was purely to secure each dragon a 10% equity stake in Pritchard's IP holding company, where it will be used to license the intellectual property behind the new system to manufacturers of spray products around the world.

Pritchard is a long-term client of Gill Jennings & Every, whose Attorneys have contributed significantly to his existing patent and trademark portfolio over many years. "The IP was absolutely central to this deal, and is a great example of the value investors place on this aspect of innovation," explains Peter Finnie.

"It's also a reflection of the value to be gained from working closely with Patent Attorneys, whose advice provides essential preparation for a successful bid for funding and long-term business growth." Pritchard adds: "I knew from my previous inventions just how important it is to have the right Patent Attorney on board to create real value in the product. Anyone can write a patent application and with a little luck it might even stick. But if you want it 'bomb proof' it's important to go to someone like Peter Finnie who will dig right to the heart of the idea and build protective walls around it to create long-term value."



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How to develop an IP Strategy

For organisations of sufficient size, Gill Jennings & Every recommends that at least one individual – and preferably a team, or steering committee – is tasked with responsibility for determining an IP Policy at corporate level and the development and implementation of an IP Strategy. IP strategy should be formed in the context of the commercial aims of the company as a whole (including the exit strategy), and should include the following processes:

1. An initial IP Audit
 - Identification of existing intellectual property rights (IPR) within the company with a view to creating a central IPR Register.
 - Review the commercial value of existing IPR.
 - Review of any existing patent filing and prosecution issues.
 - Assessment as to whether further registered protection for existing IPR not yet in the public domain is desirable and /or available.
2. Development of an explicit IP Strategy
 - Build an understanding of how IPR can support the company and each of the business groups.
 - Establish clearly defined procedures for formally identifying innovation at an early stage so it can be reviewed at an appropriate level, a decision reached on whether to seek registered protection, and the central IPR Register updated accordingly.
 - Develop a formal patent, design and registered trademark filing strategy.
 - Establish internal procedures for dealing with general patent and trademark prosecution matters.
 - Develop an IP awareness programme for key staff.
 - Consider employee reward scheme (as an incentive to innovate, report and assist in the process).
 - Produce support documentation (invention disclosure documents, inventor acknowledgements, assignments, patent status reports, bibliographic summaries etc).
 - Identify IP risks and opportunities:
 - Exploitation of IP to build value (maintain exclusivity, license, sell),
 - Improve awareness of IPR held by third parties that might present an infringement risk,
 - Deal with general third party IP issues, including contracts with suppliers and joint developers,
 - Review contracts of employment,
 - Agree and monitor an IP budget for the company.

GJE has built an international reputation for managing IP risks through innovative solutions that add real value. They advise on the development of IP strategies as an integral part of business planning, fund raising and investment. For an informal discussion about an integrated approach to your business and IP strategy please contact Peter, Robert or any member of the GJE team.

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