

IP for SME inventors

Gianfranco Dragotti at Dragotti Associati gives an Italian perspective on how an SME should build and distribute its own invention.

Before dealing with the above very specific question, some words are necessary about the nature of most Italian companies.

According to information from the Italian Association of Industries (Confindustria), more than 95 per cent of Italian industries belong to the small and medium-sized companies (SME) category: this fact means that most of the criteria internationally accepted and adopted for the strategy in the intellectual property (IP) field are not applicable as such because some specific factors must be taken into consideration.

First, it is quite unusual for the company to have an internal legal or IP department.¹ Consequently, the policy and strategy for dealing with IP matters and with the exploitation of IP instruments for the protection of innovation and research results are dealt with either by the owners or management or by the technical staff primarily dealing with the company's research and development (R&D) activities. In turn, these people rely in most cases on the advice of external IP consultants, primarily from law firms specializing in IP matters.

The question of costs (regardless of the present economic downturn) is not only important, but becomes the determining factor unless the decision maker believes that IP is an important asset of the company; in other words, in most cases the costs related to applying for, obtaining and maintaining IP rights are viewed as a necessary evil, and not as a promising investment for future income.

These two facts often prevent the exploitation of a rational and long-term policy.

A third non-negligible factor, strictly connected to the first, is that these companies rarely contemplate the possibility for exploiting their IP rights through a policy of

granting licences or selling patent rights, despite the fact that these options should always be considered.

These factors strongly affect the IP policy of most Italian companies; however, let us go through the several steps which should be taken by an Italian company which has come up with an innovation.

In order to put the owner or management in the best position for deciding upon and taking the necessary measures to get IP protection, they need information from several sources, both internal and external:

- a) The R&D department together with the production department should provide a thorough description of the advantages to be gained from the innovation and whether they affect products *per se* or manufacturing processes.
- b) The marketing department should provide a rough estimate of the foreseeable market and of the countries involved, together with the likely impact of the innovation.
- c) The IP or legal department (if any) or the external IP consultant should evaluate the protection that might be requested and its enforceability against likely competitors, as well as a rough estimate of the costs for the initial filing of relevant applications.

Optimistic reports coming from the three investigations described above should be treated with caution.

For instance, it is usual for inventors to so fall in love with their inventions that they can no longer objectively appreciate the limits of exploitation and the real advantages that might be obtained from an industrial point of view. For this reason the opinion of the production department should be sought.

The marketing department's input is of the outmost importance because it permits not only the proper evaluation of likely markets but also the identification of competitors that might be interested in the invention and consequently their countries of origin and those of commercial interest.

The opinion and advice of the IP consultant are obviously important in order to evaluate whether any IP rights obtained will prevent competitors from infringement and open the way to a licensing policy.

Of course, in some cases information from other sources will be necessary. For instance, in the case of pharmaceuticals, information about regulatory matters in the countries of interest will be of the utmost importance with regard to exploitation.

On the basis of the above information, the owner or management must decide whether the minimum conditions exist to apply for IP rights. This decision must also indicate the specific IP rights to be sought and the related policy.

If the innovation relates to design matters (frequently the case in Italy), it might be sensible to take advantage of the European Commission (EC) law relating to registered and unregistered designs. It might also be a good idea to organize public presentation of the design(s) (for instance, taking advantage of the opportunities provided by an exhibition) and then testing the reaction of the markets: if it is positive or at least promising then it is worth filing an application for a Community Design Registration covering all EC countries.

However, the national laws in countries outside the EC should also be considered, if such countries are of interest; in this case, either a national application or an international design application (to be filed with the World Intellectual Property Organization (WIPO)) is the way forward. Particular attention should be paid to countries where infringing products are likely to originate, and to the possibilities afforded by the national legislation to stop such infringement.

Today, products infringing design ownership are mostly produced in China, so protection in that country should be recommended; also, Chinese courts seem more open to acknowledging the IP rights of foreigners and enforcing them against domestic infringers.

If the innovation relates to production then obtaining a patent is the correct way to proceed, bearing in mind some preliminary cautions. It is undeniably the case that the patentability of any innovation depends on fulfilling the essential requisites of novelty and invention in comparison with the state of the art.

Apart from a few exceptions (such as the chemical and pharmaceutical industries in which researchers are normally acquainted with the most relevant prior art), inventors normally know only the prior art that has been or is available on the market and possibly seen at exhibitions.

For these reasons, until 2008 the recommended approach was first to file a European or Patent Cooperation Treaty (PCT) application, in order to get a search report and an opinion on patentability; on the basis of this search report it was possible to evaluate the probabilities of getting patent protection and the possibilities of prosecution in the countries of interest. In this way the initial expenses were kept as low as possible but valuable information was obtained.

Since July 2008, as separately explained, by filing an Italian application² the same result can be obtained at a much lower cost and consequently decisions regarding the scope and extent of the protection sought can be taken more affordably.

Meanwhile, research on the innovation can continue, possibly studying conversion from laboratory scale to a semi-industrial or pilot one. It is of the outmost importance that the technical information given in the initial patent application is carefully compared with the latest technical information in order to avoid the eventual patent being defective or different from the real product.

If, however, the search report is negative and the possibilities of getting a valuable protection null or at least very poor, the possibility of converting the initial patent application into one affording protection as a utility model in countries in which such a possibility exists should be considered, in order to get protection for the product as it stands for a reduced number of years.

The prosecution of patent applications (regional or national) mainly takes place through the cooperation of the IP consultant and the company's technical people dealing with the invention and the related product. However, the marketing department should also be consulted, in order to get periodic information about market developments and competitors' products, because sometimes pending applications can be prosecuted so as to cover competitors' products also.

Of course, management should be periodically informed of the steps being taken and of their possible consequences.

The granting of patents leads to the next phase of management of IP rights. First, measures must be taken to monitor any infringement by competitors; for this, the best channel is the commercial organization of the company.

However, in order to exploit this channel in a rational and successful way it is important to inform the monitors of the scope and extent of the IP rights: otherwise a lot of wrong information may be received, involving a great deal of time and work in checking its reliability and whether a real infringement situation exists.

Second, taking into account the real industrial capability of the company, the possibility should be explored of granting licences (or even assigning the IP rights) for countries which cannot be adequately covered by the company's own exploitation of the innovation. Again, the best channel seems to be the commercial and marketing organization of the company, in order to establish initial contacts, but care should be taken to submit properly drawn licensing deeds in order to avoid future problems.

Last, provided that each innovation has, so to speak, a biological life (apart from few exceptions), control should be exerted over the ratio between the costs involved in maintaining the IP rights and their remaining usefulness. Sometimes this aspect is completely neglected and unnecessary expenses are incurred.

As a final consideration, management should be aware that each innovation opens the door to further improvements. This possibility should be carefully considered by the R&D department, with possible improvements being 'kept in the drawer' while the main innovation is still useful and providing an economic advantage for the company.

Notes

- 1 As a matter of fact, in the Italian Bar of patent and trade mark attorneys only about 10 per cent are employed as in-house counsel for industry, with the remaining 90 per cent consisting of professionals working in private practice.
- 2 There is no provision limiting this possibility to Italian applicants, provided that it is a first application or an application not claiming any foreign priority.

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ITALIAN SEARCHES

Gianfranco Dragotti explains why all Italian patent applications are now sent to the EPO.

Italy has been, and is still considered, a 'registration' country as regards intellectual property (IP) protection, which means a country where any application for an IP title is not subjected, before it is granted, to some sort of examination on its merits, as is carried out in many industrialized countries, as well as by international authorities such as the European Patent Office (EPO).

As a matter of fact the Italian Patent and Trademark Office (PTO) does check that the application formally respects the law (for instance, does not relate to unpatentable inventions) and the question of validity is dealt with if and when the IP right is challenged before an Italian court.

For this reason, some years ago Italian applicants changed their strategy for the protection of their research and innovation results by filing as a first application a European or a Patent Cooperation Treaty (PCT) application,¹ in order to get the search report (accompanied by an opinion on patentability). Thus they get reasonable information not only about the possibility of obtaining satisfactory protection, but primarily about the probability of preventing competitors from copying these results through the enforcement of the Italian patent, which may be applied for and granted either as the Italian phase of a European patent or as a national application filed claiming priority as the first European or PCT application.

This basic strategy also involves the combined use of the Italian patent and/or of the Italian part of the European patent after grant for enforcement of the right before an Italian court, and also asking for preliminary measures, such as seizure or an injunction to stop the infringement.

One of the most important outcomes of the initiative launched in 2005 to improve the use of IP rights in Italy was an agreement signed with the EPO that all Italian patent applications filed after 1 July 2008 are sent to EPO. The EPO undertakes to send back a search report together with a written opinion within nine months of the filing date of the Italian application.

The applicant must file with the Italian application an English translation of the claims or, alternatively, pay a fee of €200 as a reimbursement to the Italian patent office for taking care of such translation.

The search fee is paid by the Italian state, thus relieving the applicant, and particularly the single inventor, the university searcher or the small or medium-sized enterprise (SME), from a very high cost which often discourages them from recourse to such a strategy.

The consequences of this new course are twofold:

1. In the case of a favourable search report and opinion the applicant may file a European application claiming the priority of the Italian application without having to pay the search fee (or having it fully reimbursed unless the claims are substantially changed).
2. The search report and the patentability opinion are entered in the file of the Italian application whereby any enforcement of the patent later granted or of the application² is accompanied by elements permitting the court to get a *prima facie* opinion of the real entity of the rights being claimed.

According to unofficial information from the Italian PTO, the search report is also the basis for possible objections raised by the Italian PTO before grant, thus compelling the applicant to amend or limit the scope of the claims and consequently afford better certainty to third parties.

Notes

- 1 For Italian applicants the search report for PCT applications is established by the EPO acting as international searching authority (ISA).
- 2 In Italy a lawsuit for infringement can be started on the basis of a patent application before grant, provided that the Italian patent is granted before the final decision of the court is issued.

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