

# International Intellectual Property Protection – A Start-Up Guide



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Intellectual Property Rights (IPR) are governed by the principle of territoriality: the exclusive right will only grant protection for the territory in which it was obtained. Start-ups seeking protection in multiple territories will thus have to file for protection multiple times. Consequently, the transaction costs for those seeking protection can be quite high. Start-ups must therefore carefully assess where they will apply for protection. This requires a balancing act, taking into account the overall cost and market advantages related to obtaining protection. Still, start-ups can make use of several registration systems that facilitate the obtaining of IPR and lower the costs involved. This brief aims to outline these simplified registration methods. Because copyright protection does not require 'formal' registration and protection is granted (almost) worldwide due to copyright conventions, this brief will outline those systems that exist for trademarks, patents and trade secrets. iLINC advises start-ups to read this brief in tandem with the iLINC brief 'Intellectual Property I – A Financing Mechanism for Start-Ups', which elaborates on several IP protection mechanisms and how they could contribute to the financial status of the start-up.

## I. Patents

### The European Patent

The European Patent System, based upon the European Patent Convention (EPC), **allows undertakings to apply for a European patent in some or all participating countries before the European Patent Office (EPO) through one central European grant procedure.**<sup>1</sup> The procedure is considered to be very thorough. Due to their careful examination, **European patents granted by the EPO are deemed to be of high quality.** This is important. First, the legal certainty with relation to the patented invention increases, i.e. the chance that the invention infringes someone else's patent decreases. Second, investors value European patents higher because they offer a stronger level of security.

The European Patent system provides **a cost-effective and efficient patent-filing route for start-ups that are considering protection in three or more European countries.**<sup>2</sup> The EPO grant procedure does not result in a unitary patent though. At the end of the procedure, the start-up will receive a bundle of national patents. Consequently, and although the application procedure is uniform, the EPO system does not govern the life of the patent after it has been obtained. This remains subject to national formalities, legal systems and courts.<sup>1</sup>

### The Unitary Patent

In 2012, EU Member States agreed on the creation of a unitary patent system. Following negotiations, a legal unitary patent package was adopted, which consists out of 2 EU regulations concerning the unitary patent and an international agreement establishing the creation of a unified patent court (the UPC agreement). The system will only come into force after the ratification by at least 13 EU Member States. As such, the unitary patent package is not yet in effect. However, this ratification may occur in the near future.

The competent office for the examination and grant of the European Patent with Unitary Effect will be the EPO. As such, the application procedure will follow the same rules that also governs the European Patent Convention. However, at the time the patent is granted, upon request of the applicant, the patent can be given unitary effect. As a result, the patent will have the same validity in the territory of the 25 Member States currently participating in the unitary patent regime (Croatia, Poland and Spain have chosen not to be part of the system). Moreover, the unitary patent will co-exist with the national and classic EPC schemes, leaving start-ups plenty of options when filing for patent protection.<sup>3</sup>

The effects of the unitary patent package go beyond the mere creation of a unitary patent. The question whether a patent is valid or whether it has been infringed is currently determined by national legislation. Member States' diverging approach to patentability, has, in the past, led to both legal disparity and 'forum-shopping'. The UPC agreement tries to remedy this divergence with the creation of a Unified Patent Court, which will have the exclusive jurisdiction for disputes relating to both the classic European patents and the European patents with unitary effect. Nevertheless, the UPC-agreement does allow for an opt-out mechanism: patent owners may thus escape the unitary jurisdiction and submit to the jurisdiction of national states.

### PCT - International Patent System

The International Patent System **enables applicants to seek patent protection on an international level.** The PCT has established one international patent application, through which the applicant can **seek simultaneous protection for his invention in around 150 countries.** The procedure has a two-step approach. The international phase, governed by the PCT office in Geneva, coordinates the filing and processing of the single application. In the national phase, the decision on whether or not a

patent will be granted, will be exclusively decided by national or regional Offices.

Consequently, **the PCT-system provides many advantages for those seeking to diminish costs.** It significantly reduces the administrative burden for filing patent applications in multiple countries. Additionally, the decision to enter the national phase can be taken 30 months after the start of the procedure, which leaves applicants ample time to explore foreign markets and determine protection strategies.

### Where to file for patent protection?

Start-ups may want to scale up and roll-out their products in foreign markets, where they can be marketed, licensed and franchised. As mentioned before however, the territorial nature of patents requires start-ups to file for protection in those countries one wishes to be active in. Yet, obtaining a patent costs money. **Start-ups will thus have to make some strategic decisions with regards the filing of patents. As a general rule, a start-up should aim to seek protection in both the country of production and all relevant export markets.**<sup>4</sup> Start-ups may even want to **consider obtaining a patent in the countries of their main competitors.** Yet, starters will have to take into account the cost of protection and the enforcement.

## II. Trade Secrets

Unlike most intellectual property protection mechanisms, **trade secrets are still very much governed by national law, without there being a regional protection method in place.** On the international level, minimal standards to protect against the unauthorized use of undisclosed information in a manner contrary to honest commercial practices do exist.<sup>5</sup> **Yet, due to the divergence among national judicial systems, the enforcement of trade secret rights remains uncertain.**

### The Trade Secret Directive

The European Commission proposed a Trade Secrets Directive in 2013. The Directive does not aim to create a new IPR. Rather substantive protection mechanisms should be provided by EU Member States to ensure a 'minimum standard' for trade secret protection. When in effect, trade secret holders should be able to remedy the unlawful use, disclosure or acquisition of their secrets before the national court<sup>6</sup>. Second, the remedies provided by and the procedures before the courts must be fair, equitable, economical, effective and dissuasive. A variety of options would be available to the trade secret holder, such as injunctions, recall of products, destruction or

delivery up and damages. Currently though, it remains unclear where the boundary lies between an employer's confidential business information and an employee's know-how or skill.<sup>7</sup>

If the Directive gets adopted, legal certainty concerning the protection of trade secrets will certainly increase. However, as the directive is still subject of on-going debate, its ultimate scope remains uncertain.

### Interaction between secrecy and patenting

How the future EU changes will impact start-ups in their decision whether they should file for patents or not remains to be seen. One study has shown that the choice between secrecy and patenting is dependent on the level of protection offered by both.<sup>8</sup> The higher the level of protection granted by the system, the more value that system will have. As a result, the increase in trade secret and patent protection could have a positive effect on the value of start-ups' IP.<sup>8</sup>

## III. Trademarks

### The European Union Trade Mark

The EU Trade Mark system **allows start-ups to obtain a unitary trade mark through one, single administrative procedure.** In case the trademark is granted, uniform trademark protection will be acquired in all 28 EU member states. Special courts in these member states will also have to apply uniform rules if an infringement occurs.<sup>1</sup> **The regulatory trademark system in the EU is strong. As such, it provides the trademark owner with much needed legal certainty.** The level of protection is reflected in the success of EU trademark applications: for many, the EU trademark is key to business and much used.<sup>1</sup>

### The Madrid System

The Madrid system is **a central administrative procedure that allows to file and manage trademarks in more than 90 countries worldwide.** This trademark procedure sets up a one stop solution whereby SMEs can protect their mark in these countries by filing one application at the international office in Geneva in one language. The Madrid system also requires only one set of fees to be paid. Start-ups must remember though that the system does not result in the grant of one unified international trademark. Instead, **it leads to a bundle of national applications that will be further examined in the countries concerned. Still, the one-stop-shop application regime is cost-efficient.**

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