

abel
& imray
patent attorneys
trade mark attorneys

November 2011

20 Red Lion Street • London • WC1R 4PQ • UK
ai@patentable.co.uk
www.patentable.co.uk

IP Audits

What we can do and why they are useful

IP Audits

Summary

Abel & Imray's fixed price IP Audit is based on the following:

- At least one attorney would conduct an on-site visit with the client.
- The client's IP (potential and actual) rights and IP needs would be discussed and assessed.
- We would discuss the freedom of the client to do business vis-à-vis third party IP rights.
- Preliminary advice would be provided on the day including educational advice to the client.
- Further research and work would be conducted after the visit as appropriate.
- A report would be sent within **1-4 weeks** of the visit detailing:
 - Findings
 - Plan for action
 - Budgets
 - Timescales

Abel & Imray is a leading firm of Patent and Trade Mark Attorneys and advises on all

aspects of Intellectual Property (IP). IP is widely recognized as being of critical importance in the modern business world, but is often misunderstood. The legal and practical issues surrounding acquiring, maintaining, and managing IP and of managing the risk of infringing the IP rights of others is complicated. Understanding these issues is of key importance to the average SME and Abel & Imray is accustomed to advising SMEs, and private individuals, in relation to these issues using simple and clear advice.

The Detail

Intellectual Property (IP) is increasingly recognised as one of the most important aspects of modern business. The four main types of IP are Patents, Trade Marks, Designs and Copyright, although the field of IP also covers many other areas as diverse as confidentiality and competition law.

Abel & Imray aim to provide their clients with clear professional advice on all aspects of IP. As part of our standard IP Audit service, one of

our attorneys would attend a meeting with the client in question to discuss a variety of issues (see details below) and report back to the client in **1-4 weeks** depending on the complexity of the issues raised.

The report would detail our recommendations, include a budget for any action and explain the timescales involved. The attorney would be freely contactable regarding any subsequent queries or concerns the client may have.

The first step in the IP audit would be for an attorney from Abel & Imray to visit the client and hold a meeting with the relevant personnel, which in the case of an average SME would typically be the managing director. If appropriate, such as in the case of large SMEs, the attorney would also discuss IP matters with senior management, middle management and technical staff. In certain cases it might be appropriate for two attorneys to visit the client.

The IP Audit would be based on two fundamental issues:

- (i) Identifying and strengthening the IP portfolio of the client
- (ii) Assessing the effect third party IP rights might have on the client

In both cases a significant part of the audit will typically include educating the client regarding how IP affects their business.

SMEs often believe incorrectly that they have the right to do something to the exclusion of others, despite not having taken the appropriate action. A good example, is where an SME is using a trade mark without registering the mark. Often, rights acquired merely by using a trade mark are insufficient to protect against others using a confusingly similar trade.

Often SMEs perform very little assessment, if any, of the risk of infringing third party rights, often through ignorance of the potential impact the infringement of third party IP rights can have on a business. Making commercial decisions in such ignorance can prove potentially very damaging to a fledgling business and taking certain steps to manage the risk certainly costs significantly less than the financial penalties and inconvenience that

a third party's IP can present. An adequate assessment of relevant third party rights can mean the difference between success and failure of a business.

Consider the following example concerning trade marks and branding. A company adopts, by complete accident, a trade name that conflicts with an earlier right of a third party. During the early years of the business, the use of the conflicting trade name is sufficiently low key as not to come to the attention of the third party. The business then undergoes rapid expansion, only to find that the increased exposure brings the business and its use of the conflicting trade name to the attention of the third party, who then understandably seeks to enforce their trade mark rights for the first time. The fact that the business chose the conflicting trade name by accident and has been using the name for several years before being approached by the third party is of no assistance. The business is then forced to rebrand immediately, which causes inconvenience and heavy financial loss. The expansion of the business in the marketplace and its brand development is set-back years. The cost to the business is huge and certainly of the order of tens of thousands

of pounds, yet the cost of a UK trade mark availability search, which if undertaken at the outset would have revealed the existence of the third party rights, would have been a small fraction of that cost.

Also, many SMEs mistakenly believe that an IP right (for example, a patent) gives the owner the absolute right to exploit the subject of the IP (for example, to sell a product embodying the invention protected by the patent). Of course, the IP right is an exclusionary right and merely allows the owner to *prevent others* from exploiting his IP.

Methodology employed in identifying and strengthening the IP portfolio of the client

When dealing with identifying and strengthening the IP portfolio of the client, the Abel & Imray attorney will:

- Obtain an understanding of what the client does and how it functions.
 - Does the client use/obtain the IP of others?
 - Does the client generate its own IP?

- Discuss and assess any existing IP rights the client owns.
 - Soft IP – such as copyrights, confidential information, know-how, unregistered design rights may already exist and not be adequately recognised.
 - Hard IP – patents rights, registered trade marks, and registered designs may already have been obtained, but may not be fully understood.
- Discuss and assess the IP which may be relevant to the future development of the client’s business.
 - Discuss strategy for future growth and identify commercial direction.
 - Identify where IP protection is required and what can be protected.
 - Discuss strategy for generating and acquiring IP and enhancing the use of IP already owned.
- Discuss how the IP is currently being managed and exploited and how it might be handled in future.
- Discuss any actions the client may wish to consider taking with regard to this IP.
- Educate the client on the value of IP and the issues that may arise in relation to IP.

- Answer any queries the client may have.
- Provide preliminary advice regarding the current state of the client's IP portfolio and suggestions on how the IP portfolio may be developed and improved.

The methodology is set out pictorially in Annex 1 at the end of this document.

Methodology to be employed in assessing the effect third party IP rights might have on the client

When dealing with the effect third party IP rights might have on the client, the Abel & Imray attorney will:

- Ascertain and discuss the aspects of the client’s business that might be exposed to the risk of infringing third party IP rights.
 - Consider patents, design rights, trade mark rights, copyright and other IP that might be of relevance.
 - Ascertain how the client acquired or designed its machinery, processes

- and other potentially infringing assets.
 - Determine the length of time the client has been using these assets.
- Identify known infringement risks and advise, if appropriate, on possible solutions
- Explain how risk might be better assessed/managed.
 - Explain how to identify further risks and discuss infringement searches.
 - Discuss client’s policy concerning managing future risks.
- Ascertain the client’s attitude towards risk and advise accordingly.
 - Discuss what practices are standard within the market sector and whether these have (rightly or wrongly) influenced the client’s perception of the actual risk.
- Discuss possible courses of action.
- Prepare a report to the client.
 - Conduct preliminary/cursory searches for relevant third party IP and advise, as appropriate.

Producing an infringement opinion is a non-trivial task and would be dealt with on a case-by-case basis. An infringement opinion would

not form part of the IP Audit. Nevertheless, an initial assessment of the risk of any infringement and the client's attitude to handling that risk can be readily gauged by means of a first meeting and cursory investigations. Suggested courses of further action can then be made and adopted later if the client wishes to proceed.

The methodology is set out pictorially in Annex 2 at the end of this document.

Any methodology in an initial IP audit is strongly dependent on the type of client being assessed. We are of the opinion that no single, predetermined approach should be used, but rather that the above methodology should provide a flexible framework on which the IP audit is based. Abel & Imray prides itself on its ability to adapt to the needs of the client. Therefore, whilst the methodologies described herein may be suitable to the average client, there may be other clients with which we would wish to adopt a different methodology to suit the particular needs of that client.

Time Scales and Costs

The assessment of an IP portfolio of a typical SME can be conducted within one day (i.e. within a single on-site visit). Identifying the risks attached to infringing third party IP rights can take significantly longer depending on the facts of the case. Normally however, the subject can be usefully discussed during the on-site visit so that proposed courses of action can be discussed during the visit. Further professional time would of course have to be expended in preparing a written report concerning both the IP portfolio of the client and the issues identified concerning the risks of infringing third party rights and in providing a proposal for future action. We would also conduct cursory searches as appropriate after the first meeting to identify third party IP issues. In our experience, the work to be carried out by us after the on-site visit to enable us to provide a useful written report for an average SME should be able to be conducted within two days of professional time. To enable us to manage other work commitments we would therefore expect to issue a full written report within **1-4 weeks** after the initial meeting.

As a firm, we have a policy of providing an initial meeting to new clients, free of charge, for the purposes of providing initial and preliminary advice and to cover issues such as future costs.

The costs to us of performing an IP Audit will depend on the size and type of the client and the type of business concerned. Please therefore contact us to discuss your needs and we can then provide a fixed price for an IP Audit tailored to your particular circumstances. Given that one likely result of performing an IP Audit is a new instruction from the client to undertake professional work, we are willing to offer IP Audits at a discounted rates to most companies.

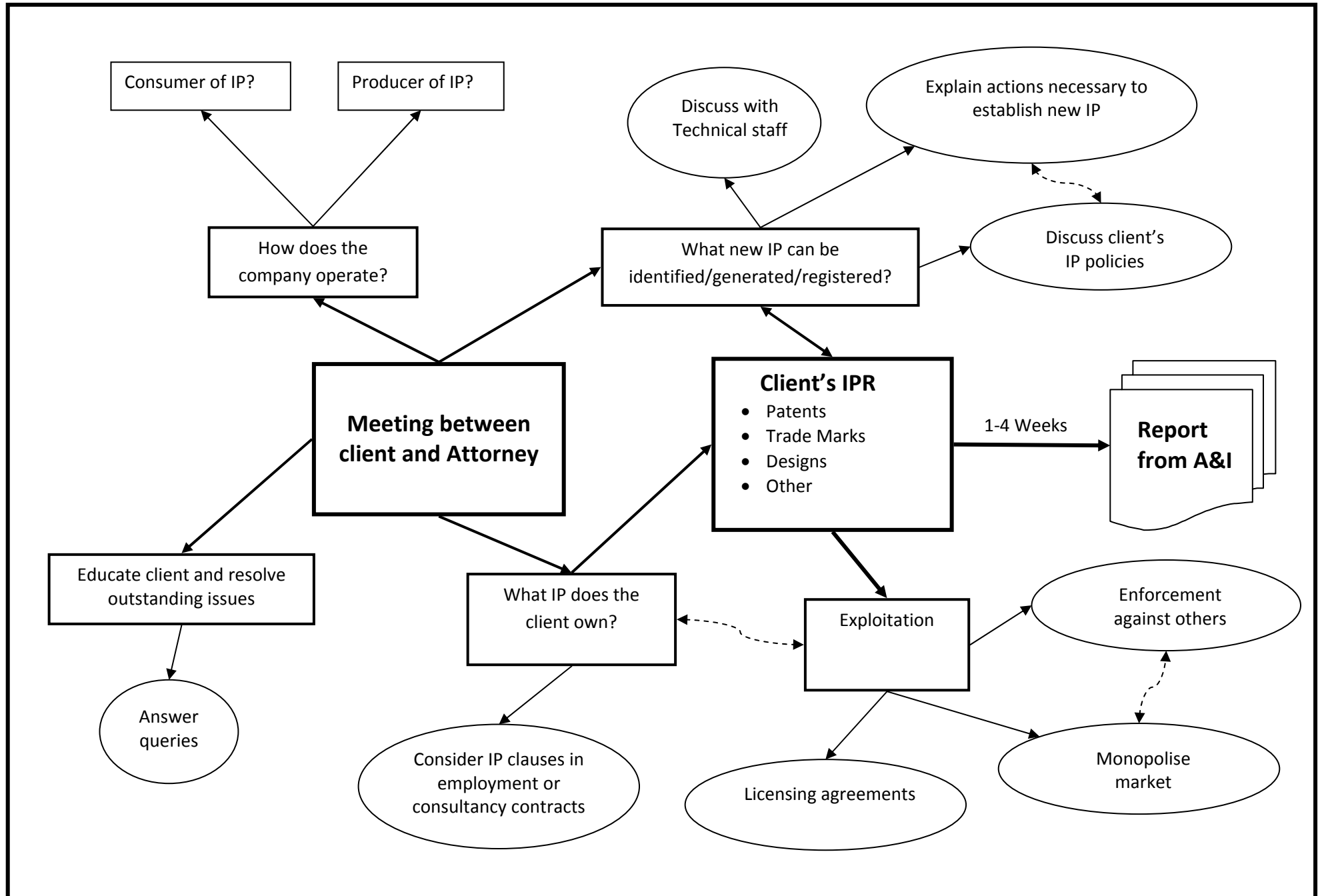
For more information on how Abel & Imray's patent and trade mark attorneys can help you, please contact us:

email: ai@patentable.co.uk

web: www.patentable.co.uk/3/contact/

phone: 020 7242 9984

Annex 1 - Identifying and strengthening the IP portfolio of the client



Annex 2 - Assessing the effect third party IP rights might have

