



◀ **TRADE MARK TUSSLE**

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# THE IMPORTANCE OF SAFEGUARDING YOUR INTELLECTUAL PROPERTY

BY LAU KOK KENG & LEOW JIAMIN

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THE relationship between small and medium-sized enterprises (SMEs) and innovation is a symbiotic one. SMEs are one of the biggest contributors of innovation, and play a critical role in economic growth and progress. Innovation is what allows SMEs to ensure that they do not stagnate or lag behind their larger competitors. Thus, there is good justification for the provision of support for SMEs in Singapore to create new and innovative technology and processes, such as the Innovation and Capability Voucher by Spring Singapore; the Productivity and Innovation Credit Scheme by the Inland Revenue Authority of Singapore (IRAS); and Smart Nation by the Infocomm Development Authority (IDA), just to name a few.

This increased focus on innovation has led to the accelerated creation of intellectual property (IP). IP is all around us, constantly being created, used and improved upon by many progressive businesses, including SMEs. For example, if you own a SME business, the business name that you created which others know you by is your IP. You would want such a name to remain uniquely yours, and you would not accept any unauthorised use by others, especially your competitors. Perhaps you have – from your experience in operations – also created a way to streamline certain processes, and have used it to gain a competitive advantage or a bigger market share. Such proprietary processes are also IP, and ought to be protected from misappropriation by others.

However, the protection of such IP created by SMEs is often overlooked. Some SMEs are not even aware of the concept or existence of IP rights. Others choose to place what funds they have into business operations and distribute profits instead of using them to protect IP rights. Some of those who are aware of such rights and may have the funds to secure protection may shun away from protection at the thought of the costs that they think will be incurred in the enforcement of such rights.

The result of a lack of IP protection is more severe than what many SMEs may think. A common misconception is that obtaining IP protection is only for the purpose of suing others who use the protected IP rights. This is not entirely accurate, as IP protection is often also about avoiding being sued by others who claim that it is they who won those rights.

The lack of IP protection may lead to disputes with employees, competitors and wasted research & development investments. As an illustration, an employee who had created the method of streamlining his company's operational processes has left the employment of the company to join a competitor, and the new employer then starts to make use of the same IP which it has obtained

from this individual. The water becomes even murkier if the IP had been created by the said employee outside his working hours, but had the use of the business resources of the company that he worked for. If there had been sufficient IP protection in place, such as a registered patent or design, non-disclosure agreements, or contractual provisions in the employment contract which clearly defines ownership of such IP, much of such disputes can be avoided.

The lack of IP protection may also lead to a loss of income, such as when other businesses or competitors start to use business names, trade names or branding that are similar or identical to the one that you have created. Registering the necessary trade marks may prevent some of such losses, as registered trade marks confer a statutory monopoly in relation to the goods and services registered, and offer protection against unauthorised use, including through deterrent criminal sanctions.

One good illustration of the importance of protecting an SME's IP is the trade mark dispute between a local sole proprietor trading as Subway Niche – a local *nonya kueh*, bubble tea, and local snack shop – and the American corporation which owns and operates the sandwich franchise called Subway. The name Subway Niche was not registered as a trade mark in Singapore, but was first used in 1987 – two years before the American corporation registered Subway as a trade mark in Singapore, and nine years before the first Subway outlet opened in Singapore. In 2010, the American corporation sued Subway Niche for trade mark infringement and passing off in Singapore. It alleged that Subway Niche had used the Subway Niche mark on sandwiches after the

Subway trade marks were registered in Singapore.

If Subway Niche had been registered as a trade mark before Subway was registered in 1989, its owner would probably have avoided getting sued in the first place, and would on the contrary, have had the right to prevent the American corporation from not only securing the registration of Subway in 1989, but also doing business in Singapore under that name. This is especially since the High Court had found in its judgement in 2012 that both the Subway Niche stylised marks and Subway were visually, aurally and conceptually similar.

It also bears pointing out that contrary to what many believe, the registration of a business name with Accounting and Corporate Regulatory Authority (Acra) does not confer any trade mark protection. Therefore, the mere registration of Subway Niche as a business name would not have allowed it to avoid the trade mark and passing off dispute in 2010.

The delay in seeking IP protection may also result in the loss of a chance to protect the IP. Patent rights, which are rights granted to the owner of a new invention, serve as a good example. This is because the notion of something being “new” or “novel” is extremely time sensitive. Where there is a delay in seeking patent protection, there is the risk that someone else somewhere in the world may have come up with the same creation and sought patent protection elsewhere, which may then make the invention no longer patentable by others who sought protection later in time. This in turn may have the effect of rendering research, development and investment costs irrecoverable.

Imagine that you have invested much time

and resources to create a new and revolutionary product. You show this product to your friends and clients, and focus your time and effort to find a manufacturer to produce the product, so as to place it in the market. Patent rights are the last thing on your mind. The next thing you know, you see a very similar product being offered by a competitor in the market. You want to now seek protection of your invention, but it is now too late to do so, because the product is no longer new as your invention has already been disclosed to members of the public, and because the delay in seeking protection had allowed a competitor to, in that time span, create a similar product.

An illustration of the concrete benefits of seeking early IP protection would be the series of patent disputes between Singapore-based company Creative Technology Ltd and Apple Inc. Creative had registered patents to protect its inventions and creations over the years, and this has clearly paid off. In 2006, Creative sued Apple, claiming that Apple had infringed its patents covering a hierarchical user interface. The disputed ended in a settlement between the entities, with Apple paying S\$100 million to Creative, and Creative granting a licence to Apple to use the patent in question. In October last year, Creative's subsidiary ZiiLabs and Apple settled yet another patent dispute over 10 of ZiiLab's patents, which resulted in Apple having to obtain licences to use the patents in question.

The protection of IP also goes beyond the mere procurement of registration of rights. SMEs eager to collaborate or enter into joint ventures with third party consultants, larger entities, multinational corporations or research institutions have to also be cognisant of the IP benefits that they gain from such collaborations or ventures. Failure to sufficiently negotiate for the ownership or joint ownership of the IP generated from the collaboration or venture may result in wasted resources or getting the bad end of the bargain.

Being aware of IP protection is also key in trying to obtain a licensed right to use another person's IP. This is because what a licensee is ultimately allowed to do under the licence granted is closely tied to what is being protected. For instance, IP rights are geographical in nature, and where the licence is valid largely depends on whether the licensor has the IP rights in that particular region or country. Furthermore, the authorised use of another person's IP often leads to improvements to and enhancements of the IP itself – who then is to own the IP in such improvements and enhancements?

In conclusion, SMEs, whether in seeking protection of their own IP or the use of other's IP, should be constantly aware of what their options are, and make an effort to weigh the costs and benefits of procuring protection on one hand, and the risks of not doing so on the other hand. SMEs should also be far sighted in their business plans in order to optimally protect and exploit the innovation that is generated by them in the course of their business operations. ■

*Lau Kok Keng is a partner at Rajah & Tann Singapore who heads the firm's Intellectual Property, Sports & Gaming practice. Leow Jiamin is an associate in the Intellectual Property practice group.*

## ▼ PATENT PROBLEMS

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