

# **IP Alert: World IP Day 2021**

## **Recasting IP management for SMEs;**

### Building your IP portfolio

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By Judith Kagere.

Uganda is consistently rated among the most entrepreneurial countries in the world. SMEs are arguably the most important component of our economy. Most private business in Uganda operate small to medium size. This means, for many of them intellectual property may be an afterthought. SMEs in Uganda as a developing country can purposefully commercialise their intellectual property rights. Intellectual Property protection requires strategic legal and business expertise to carefully and calculatedly ensure protection of a product in all its facets and in all stages of the business.

This year, the theme of World IP day on 26th April, 2020 is to help SMEs build stronger more competitive businesses, taking their ideas to the market, and keeping IP alive for SMEs. What is Uganda is consistently rated among the most entrepreneurial countries in the world. SMEs are arguably the most important component of our economy. Most private business in Uganda operate small to medium size. This means, for many of them intellectual property may be an afterthought. SMEs in Uganda as a developing country can purposefully commercialise their intellectual property rights. Intellectual Property protection requires strategic legal and business expertise to carefully and calculatedly ensure protection of a product in all its facets and in all stages of the business.

important for SME owners to understand is that their inventory should not form the only asset on their portfolio. Once a business is calculatedly nurtured and IP created, exploited, monitored and enforced, then it can thrive in all spheres. The IP portfolio may be viewed through the lens of acquisition, exploitation, monitoring and enforcement. Of course, every legal strategy should be customised for the IP regime to be protected or commercialised to fit the particular goal or deal. IP should not be assessed thoughtlessly; SME owners need to contemplate carefully to face the unique issues that may arise from every piece of intangible asset acquired. Secondly, IP is jurisdictional, although the principles are a thread that runs throughout IP the laws and policies are in almost all cases pertinent to a particular region or country. Still, this does not mean that the course of action for IP management would be entirely different, it only means that the specific underlying law may affect the meaning and advisory on what to do next.

IP Acquisition consists of not only the creation of IP from the business stock but also generation of IP as an asset. With IP creation, a business has to be mindful that it generates value. Goodwill is an integral aspect of IP creation, the same as trademark registrations, renewals, assignment and watching. With goodwill, it would be difficult to say that it is not property. An owner of goodwill has an exclusive right in law attaching to it and may dispose of it at will. It is the benefit that comes with a reputation, is carefully branded to raise the value of a business and may be added as an intangible asset to be considered in the business statement of financial position. Goodwill is the attractive force emanating and the power sufficient to bring customers to a business.

In IP acquisition, it is vital that marks that are adopted by the business are proactively registered in the relevant jurisdiction that the business intends to operate in. For trademarks, Uganda is a single class jurisdiction and an intended trademark proprietor needs to have a mark registered in each class that it seeks protection. Once a mark is registered, one has exclusive right to it and is able to institute an action in court for infringement. It is well known that businesses revamp or re-brand often, business owners should not forget to register their new logos or slogans to avoid issues of calculated infringement from those who would only want to ride off the brand loyalty, good will and reputation built into a mark.

Trademarks as a regime of intellectual property are acquired at registration, but may be obtained through an assignment; which is the permanent transfer from a trademark proprietor to a subsequent owner depending on the number of marks that the parties would wish to transfer and duration they have been standing on the register. With an assignment, both parties appreciate the value of the marks that is attaching to the business and would wish to benefit from this. Assignments would also happen for a business transfer, when the going concern has been acquired by another entity, or for subsidiary/ related companies, when a mark registered to a subsidiary may wish to be transferred to the parent company given the similar shareholding. The full and exclusive rights will still accrue to the assignee, subject to what is agreed in the assignment deed and the subsequent registrations would have to occur.

For copyright, it is vital to employ copyright protection to grasp the full value of SME entrepreneurial ideas and how these can be harnessed to benefit small business owners. Intellectual property protects creations of the mind; it becomes a disincentive if these ideas are copied by someone else. Copyright does not only subsist in tangible assets but also in software.

Intellectual Property plays a central role in the IT space, however for it to be fully exploited, it should be considered wholesomely and not travel alone in a separate compartment. Tech SMEs may write both their object code and source code. For those who seek to acquire software through a purchase, it is important to ascertain who is the owner of the core, object code and source code. The key difference between the source code and object code is that the source code is a collection of computer instructions written using a human readable programming language while object code is a sequence of statements in machine language, and is the output after the programmer converts the source code. Source code is simply put, the one a human writes. It must also be ascertained that the ownership of the software does not place any restrictions on the interoperability/Integration into their own system when purchased. To put it succinctly, it must be ascertained whether the purported owner actually has the rights it intends to transfer. For a software purchaser who chooses this option, an IP warranty may be offered to them.

Royalties and purchase amounts may not be the scale offered to IP for SMEs however, they should be considered when purchasing IP from a bigger entity. Always remember that a software purchase would give ownership to other assets too such as user manuals, schematics, logos and designs. Importantly, for IP acquisition, it is important to ask why the business wants to own the software.

If a SME tech company only plans to use the system and it is not interested in selling the software at a later stage, it may get little value from the ownership. An exclusive license could provide all the necessary rights, particularly if the purchaser can sublicense the software to other customers. It is important to negotiate the purchase of software for ownership carefully, as ownership can be complicated and a lot may go wrong. The business should make obvious all issues of co- ownership, restrictions, transfers or licensing. A business needs to understand the product that is being bought, and the value it will add to its business. A complete purchase would consist of ownership that is effective upon full payment as the owner would acquire the rights, title and interest in and to all copyrights in the software and deliverables that are agreed upon. It is possible to own copyright in the underlying source code and have a patent in the process (object code) or any hardware components of the system.

It is obviously quite costly to purchase software out rightly. In addition, a software owner may decide not to support or develop the product at any point which has become common in the business arena, leaving a purchaser with a program that proves difficult to operate. This may also be an issue if the vendor conducts the sell when they are leaving the business, if it is taken over or if it removes functionality that was key to the product, and the software may no longer be fit for purpose.

Patents shall protect the technical function of the innovations and innovators in their SMEs can benefit by licensing the process to other researchers in collaborating countries, universities, researches in diverse fields and partnering entrepreneurs. Patents allow an inventor maintain monopoly for the use of an invention for a certain time and the patent owner obtains the right to protect the invention. They are granted for methods, uses, systems and processes. They are new, not obvious and solve a technical problem. Innovators are able to exclude others from making, using or selling their inventions without permission for the granted period.

It is well known that patents are not a commonly explored IP regime in Uganda. Nonetheless, acquisition of patents is vital for an SME to identify the patent it desires to licence and then analyse them for appraisal before they are purchased. Patents accrue protection all depending on the jurisdiction. In Uganda, a patent owner may register the parent with our IP Registry or opt for the ARIPO system that confers protection in the designated ARIPO states in Africa.

For IP exploitation, it majorly involves obtaining the commercial value of your IP protected products and services. This would ideally extend to licensing and selling of IP. This would be better understood as creating value through growing an IP asset for it to harness a value that orders a significant cash flow. For trademarks, this would warrant building goodwill and reputation- the power of attraction sufficient to bring customers home to the source for which it emanates. Goodwill differs a lot in different trades and even for businesses in the same trade. A well- known mark will command brand loyalty, each trade will depend on its own particular circumstances. It is not enough that a mark is registered, a business has to purposefully follow through in its brand guides, brand management and maybe online presence that the customers in that sector are familiar with and can trace the source of the goods; which all comes back to the essential functions of a trademark. For it to be fully exploited, it is advisable to routinely revalue the business.

For a copyright, IP exploitation extends to publishing, printing, making copies and public display of the works. A copyright is inherent in a piece for work, so once it becomes tangible, then the IP will subsist in the work. The best way to always avoid disputes is to put everything in writing. Once a SME is to licence out any type of copyright or become a licensed, the parties should execute a licence agreement to reduce everyone's expectations into writing ahead of time. In case of any disagreement, then the parties may always refer back to it.



Data is a vital component forming the intellectual property of a business. Management of data and security inevitably dictates intellectual property protection. There is a thin line between data management and data protection, however data management addresses controlling of data; its retention and erasure. Data management will always remain a constant. It concerns information stored or processed by computers. It is central to any negotiation for acquisition of a piece of software as long as the vendor is acquiring any form of or remote access to data.

Data privacy and protection issues should be a priority in the management of software. It should address the business's right to control its data, to access it, copy it and require that the vendor, for example in a software acquisition either retains or erases it. Here, a data management policy is advisable that addresses questions such as data retention. Data security consists of those steps taken to protect data and address data breaches.

Rightfully, IP exploitation comes down to sound business decisions. As a SME a business should be ready to know when its IP portfolio is ready to be sold off and how it may be packaged to obtain the most from a sale. IP forms part of the business's inventory, and calls for its own accounting treatment. Upon sale, the business should be aware of the value of the particular IP that is being sold and whether it may be more valuable to hold on to it.

For IP monitoring, it is important that a business is aware that it is trading with registered marks, not passing itself off as any other business to avoid issues of brand dilution and stay away from infringing on the rights of competitors.

With IP enforcement, this is not a strategy that may be pursued alone. For SMEs it may prove helpful for businesses that run online and those in entertainment. It may entail court annexed enforcement measures such as take down procedures or corrective measures. With a take- down measure, the issue of such an injunction requires the respondents to block access to the platforms that play or display infringing material. A take down notice is an IP enforcement measure that is intended by law to provide some relief to the IP owner by halting the continued publication (copy, publication, performance, creation of derivate works...) of the infringing material.

What is important here is to identify if there will be any re occurrence of the content on the platform and block access to it, while monitoring content for re- occurrence. Platform owners such as music streaming websites, start- up e commerce businesses need to assist to stop the publication of illegal content. The publisher may through no fault on their own, still have the material displayed via their channel. They may not have control of what the infringer decides to play or the substance of their material but they have control at the point of broadcast and so are involved in the infringement. The platform provider is not under liability for creating the infringing material but nonetheless, will still come under the obligation to block access to it and provide the IP owner some relief.

There should be corrective measures, considering where the cost of enforcement would fall, such as the recall and definitive removal from the market, that would work for imported infringing goods, and in given cases, destruction of the materials or machinery principally used in the creation or manufacture of these goods. When implementing this, courts should take into account interests of third parties including, in particular, end consumers, particulars of the industry and third parties acting in good faith.

You manage what you measure; keeping track of the growth of your IP portfolio should always be at the forefront. In a SMS business, it is vital that IP is never an afterthought. A businessowner has to be prudent to undertake registrations as soon as the IP is created. IP may not be easily identified but it should be kept in mind that we are constantly interacting with the subject matter that is intellectual property. Keeping a portfolio would greatly assist a SME as its ideas are taken to the market. The business stock is not the only asset that is able to make its way to the balance sheet; the good will, brand loyalty accompanying signs, innovations created and protected in patents or utility models and copyright for protected works.

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