

# Poor Visibility With a Chance of Pain The Need to Protect IP in the Cloud



Full Story Page 02



## Subscriptions:

[subscriptions@dyoung.co.uk](mailto:subscriptions@dyoung.co.uk)

Support our environmental policy and sign up for email newsletters.

Read this edition on your smart phone



Read online and view previes issues at  
[www.dyoung.com/newsletters](http://www.dyoung.com/newsletters)

## Follow us



## Events:

[www.dyoung.com/events](http://www.dyoung.com/events)

## LinkedIn:

[dycip.com/dyclinkedin](http://dycip.com/dyclinkedin)

## Twitter:

@dyoungip

## Events



## 12 December 2012 - Webinar

## Strategic IP Protection for Engineering Design - From Innovation to Production

Join us at 9am, noon or 5pm for this practical insight into the important aspects of IP when taking a product from conception to market.

## 16 January 2013 - Webinar

## European Biotech Patent Case Law

Our Biotechnology, Chemistry & Pharmaceuticals Group attorneys kick off the New Year with their latest update on significant recent European Patent Office (EPO) case law.

There is no cost to attend these webinars. To register or find out more information please see [www.dyoung.com/events](http://www.dyoung.com/events)

## Editorial



As we are now firmly in the grips of early winter and the rain appears to continually descend on our corner of London, it is an appropriate time to look at 'clouds' and their implications within the world of IP. Doug Ealey touches on the issue of IP ownership which links nicely to the following article on assignments. Ian Starr explores some of the intricacies of an instrument many of us take for granted. Elsewhere at D Young & Co, we recently enjoyed sponsoring and attending the British Engineering Excellence Awards (BEEAs) and the Institute of Engineering & Technology (IET) awards. This event again demonstrates the strong, innovative engineering base that exists in the UK. As this is the final patent newsletter of the year, on behalf of the firm I extend best wishes for Christmas and the New Year to all our readers.

## Editor:

Neil Nachshen



## Article 01

# Poor Visibility With a Chance of Pain

## The Need to Protect IP in the Cloud

Whilst 'cloud computing' is – appropriately enough – a nebulous term, it can be generally understood to mean 'the use by a customer of remote and centralized computing facilities provided by a third party host'.

The benefits of such facilities to the customer include immediate access to large computing resources with less need for in-house training and investment, and also a flexible scaling of resources in response to rapidly fluctuating demand.

In these difficult economic times it also shifts investment risks onto the host service provider, and means for the customer that computing infrastructure and its management can become an operational expense rather than a capital investment, freeing up hard-to-borrow capital for other purposes.

Unsurprisingly therefore the market for cloud solutions is growing rapidly.

However, some of the legal practices governing these services remain immature, and so in this article we outline several issues relevant to intellectual property (IP) that can consequently arise in this still developing industry.

## IP flow into the cloud

The figure (page 03, right) is a simplified diagram of typical IP flow in the cloud. In addition to their own IP (processes, data and know-how), customers using the cloud typically also licence-in third party software and services, and may facilitate the creation and/or importation of IP by their own users. Similarly the host may bring their own processes, data and know-how to the cloud, and may similarly licence in third party tools and services such as analytics software and operating systems.

Most of this IP will already have a well established ownership status. The mere act of placing a process or information in the cloud should not in itself be expected to alter this status, although commonly the host will require a limited licence from the customer, to publish or republish some customer data for the purposes of providing a relevant cloud service.

However, there are several issues to consider with the transfer of IP into the cloud.

## Issue 1 - third party licenses

The first issue is the limitations found in third party licences, whether for software or more general patented technology. These licences typically restrict how or where a technology can be used, which can conflict with the distributed and multi-jurisdictional nature of many cloud services.

Depending on how a licence is written, it may simply not extend to the cloud at all. Conversely, many licences do not specifically exclude cloud usage but may have geographical restrictions, such as use exclusively in the UK, which the customer cannot easily comply with once the technology is implemented on the host's cloud. Similarly, limits on concurrent uses of a software licence may in some circumstances be difficult for a customer to monitor or enforce in a cloud system.

Hence the customer needs to consider their ability to comply with existing licences when deploying third party technology in the cloud. In addition, both customers and hosts should consider notifying other parties in the cloud of any restrictions on use of software that they introduce. Clearly it is also advisable to seek indemnification from any party in the cloud supplying licenced information or technology for your use, in case they are acting *ultra vires*.

## Issue 2 - liability for content

The second issue is the extent to which the customer and the host are liable for IP in content uploaded by users. This is a broad issue and the conditions for liability vary from country to country. However the

## > Notes

1. 'Contracts for clouds: Comparison and Analysis of the Terms and Conditions of Cloud Computing Services.' S. Bradshaw et al, QMUL.

how to a third party. However, a recent survey of cloud service providers<sup>1</sup> suggests that there is considerable variability in how hosts treat customer data, with some only disclosing data in response to a court order, whilst others in essence state that they have no duty of confidentiality at all and that it is up to the user to protect their own data, for example through encryption.

Bearing in mind that several forms of IP protection have novelty and/or diligence requirements, it is therefore clearly important for a customer to ensure that a prospective host has a confidentiality policy that meets their needs.

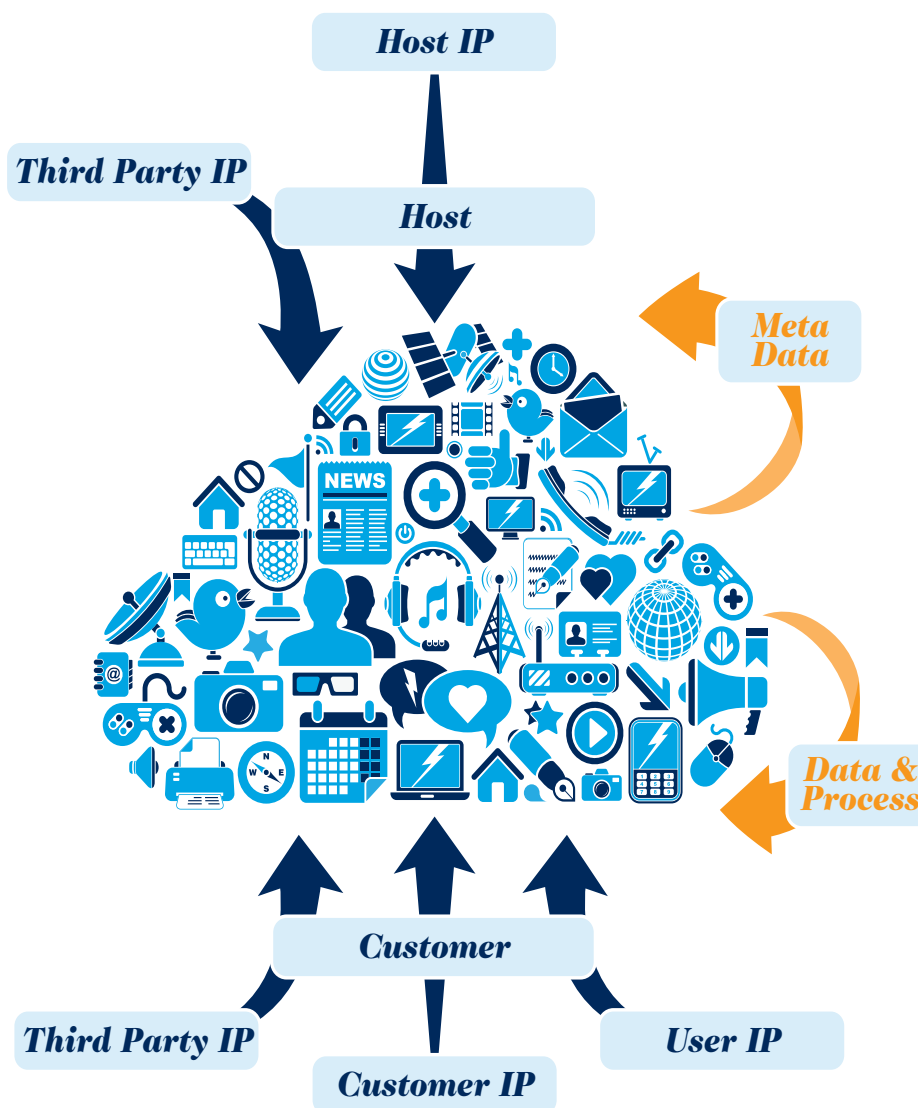
### IP flow from the cloud

Referring back to the figure (left), new information and possibly new processes may also be generated for both the host and customer as a consequence of operations in the cloud, and hence potentially valuable IP may be generated in the cloud itself that each party will want to retain control of. However, unlike IP flowing into the cloud, the ownership of this data may be more difficult to establish.

For example, whilst a host may reasonably monitor a customer's activities for billing purposes, a host should not be able to mine their customer's own data (or vice-versa) in order to sell that information or its derivatives to competitors or service comparison sites.

For such information (and indeed for information flowing into the cloud), automatic rights that may provide some protection include copyright, database rights, and trade secret rights.

Whilst all major states protect copyright in digital works, different states have different definitions of what a work is. For example, English law has a pragmatic 'sweat of the brow' test that is likely to cover any data records of value in the cloud. Meanwhile



overarching theme is whether the service provider (which may be the cloud host or customer, depending on the circumstance) knows about the content at issue. Hence 17 USC 512(c) (DCMA) for the US, and Section 97A of the Copyright Design and Patents Act 1988 for the UK, provide some protection for service providers unwittingly storing user content that infringes copyright.

Hence in addition to customers having clear terms and conditions for their users relating to the nature of uploaded material, at least

the host should have adequate monitoring, access and take-down mechanisms in place in order to respond to infringement notifications. Meanwhile, the customer should ensure that the host's takedown mechanisms are proportionate and limited to the offending content or user, and will not unduly affect their own operations.

### Issue 3 - Disclosure

A third issue with transferring IP to the cloud is disclosure. The customer is effectively entrusting valuable information and know-



in civil law countries like Germany, an emphasis on protection of the author requires a level of creativity to distinguish a copyrightable work from mere information. The US similarly has a creativity threshold, albeit one lower than in Germany.

The EU database right, meanwhile, “prevents extraction and/or re-utilisation of the whole or a substantial part of the contents of that database” and lasts between 10 and 15 years. The qualification for the right is similar to the English ‘sweat of the brow’ principle but sets a higher threshold, requiring “a substantial investment in either obtaining, verifying or presenting the contents”.

Hence where your data is stored in the cloud may have a significant impact on the protection available.

**Arguably the UK has some of the best protection, having the lowest bar to copyright protection whilst also benefitting from the availability of EU database rights.**

Finally, customer’s trade secrets are entitled to a minimum level of protection under Art 39(2) of the TRIPS agreement, but only provided that reasonable steps are taken by the person in control of the information to keep it secret. This reinforces the need for a customer to carefully check the confidentiality obligations of the provider in any cloud agreement.

#### If things go wrong

In addition to checking for a sensible end-of-agreement exit strategy regarding data transfer and retention, it is worth noting that in the same survey of cloud service providers<sup>1</sup>, only 2 out of 30 agreements offered to be bound by the jurisdiction of the customer’s choice. Perhaps unsurprisingly, 15 chose Californian state law, whilst 8 chose UK law – reflecting the UK’s lead in cloud services in Europe, and perhaps also the similarity of its common law approach to that found

in the US. Clearly this can also have a significant effect on the customer’s available rights and prospective litigation costs.

#### Steps to take

Most of the above issues can be resolved with a well framed IP agreement between the customer and the host – or where the host has fixed terms for cost and service reasons, they can be mitigated by appropriate agreements with third parties and the customer’s own users.

D Young & Co’s dispute resolution and legal team are ideally positioned to assist with such agreements, and can be contacted directly or through your usual D Young & Co colleague.

#### In summary

It is important to consider your IP needs before signing on the dotted line, in particular in relation to geography, third party rights and disclosure.

For customers, they should choose a cloud host that best fits these needs. For hosts, as the cloud becomes increasingly commoditised, their ability to meet customer IP needs will become a more important factor differentiating them from the competition.

Author:  
**Doug Ealey**



**In the next edition of this newsletter Doug will continue the theme of intellectual property in the cloud, focussing on the issues that surround the patenting of ideas in a multi-party and multi-jurisdictional operating environment.**

## Article 02

# Celebrating Excellence in Engineering Awards for Innovation and Design

The 2012 engineering award season is in full swing with both the British Engineering Excellence Awards (BEEAs) and the Institute of Engineering & Technology (IET) Awards ceremonies recently taking place.

This year the awards attracted a bumper crop of entries from all corners of the UK’s engineering community, showing that British companies are competing on a global stage and holding their own.

As proud sponsors of both events D Young & Co was delighted to present winners Outram Research and Neul with their awards.

#### BEEA - Small Company of the Year

Miles Haines of D Young & Co proudly presented the BEEA Small Company of the Year award to Outram Research, a company specialising in the design/manufacture of high quality, high specification power monitoring equipment. We were also pleased to see valued client Parker Hannifin win the ‘Grand Prix’ for a simple, elegant solution to a pollution issues that is green, recyclable and doesn’t require consumables.

Speaking at the awards ceremony, Ed Tranter, Executive Director of New Electronic’s parent company Findlay Media said: “The UK’s engineering sector remains a world leader and entries to this year’s awards reinforce that view”.

#### IET - Emerging Technologies Award

D Young & Co’s Anthony Carlick was delighted to present Paul Egan of Neul with the IET Emerging Technology Award at a glittering black-tie ceremony on 22 November. Neul was selected for its innovative work re-defining wireless data communications with the launch of NeulINET, the world’s first dedicated TV white space ‘network in a box’.

**More information about the awards, with links to award websites, can be found at:**

[www.dyoung.com/news](http://www.dyoung.com/news)



# Data in the Cloud

## The Eight Principles of Processing Personal Information

**T**he new buzz word 'cloud' seems to have grown in significance of late and there are various advantages for businesses, not least cost savings in areas such as storage, power consumption and data retrieval.

The UK's Information Commissioner, responsible for data protection matters in the UK, has recently issued a press release reminding businesses of their data protection responsibilities as more look to cloud computing to process personal information.

In particular, the UK's Information Commissioner has emphasised that companies remain responsible for personal data, even if they pass it to cloud network providers.

The Data Protection Act (which derives from EU law, so will have similar implementation in other Member States) creates a range of obligations on those who 'process' personal data. 'Processing' for these purposes is very broad: from collecting the data, storing it, using it, giving it to someone else, to destroying the data. There are eight key principles with which one should comply when processing personal information, which specify that the data must be:

1. processed fairly and lawfully (usually requiring the individual's consent);
2. obtained for specified and lawful purposes;
3. adequate, relevant and not excessive;
4. accurate and up to date;
5. not kept any longer than necessary;
6. processed in accordance with the individual's rights (which include the right to ask for a copy of all of the data held on them);



7. securely kept; and
8. not transferred outside the European Economic Area without adequate protections *in situ*.

If you are using a cloud services provider, the main issues are around security and ensuring that you have contractual protections in the event of a breach by the service provider. The Information Commissioner's press release is accompanied by a guide (see useful information, above) which includes various tips. In particular, businesses are urged to:

- seek assurances on how your data will be kept safe;
- have a written contract in place with the cloud provider; and
- remember that transferring data internationally (including the use of cloud storage based overseas) carries a number of obligations.

If you are providing a cloud service, the main issue will be understanding your obligations as a data processor, but seeking limits on the extent of your liability under the main service agreement.

**You will also want assurances that the client providing the data for use in the cloud has acquired the necessary consents from the individuals concerned.**

Penalties for data protection breaches can be very public and of considerable amounts. Recently a monetary penalty of £250,000 was issued against to Scottish Borders Council after it failed to manage a company it had employed to digitise pension records. The council did not have a contract with the contractor and had failed to make necessary security checks.

**Author:**  
**Dispute Resolution & Legal Group**



# Assignments

## A Brief Legal Overview and Pitfalls to Beware!

**M**any patents will see a change in ownership at some stage in their lives. Assignments are commonplace and occur for a variety of reasons; for example, in the context of a business sale where a buyer purchases all of the assets (including intellectual property assets) of a business from the vendor. Another is in the context of intra-group reorganisations.

Assignments can also occur as part of settlement of a dispute. This article outlines some of the pitfalls of which you should be aware when assigning patents; many of which can be averted by careful drafting of the assignment agreement. Unless the assignment is intra-group, there will usually be some distance between what the assignee wants (typically, a variety of representations, warranties and indemnities in respect of the assigned rights) and what the assignor is prepared to give. This is a commercial decision and hence no two negotiated patent assignments will be identical.

### Pitfalls!

#### Consideration

Under English law, to be a valid contract there must be consideration which is either money or money's worth. This is often overlooked but a key point required for the assignment agreement to be legally binding. Whilst the acceptance of mutual obligations may suffice, it is simplest to have a sum of money (even if only for £1). An alternative is to execute the assignment as a deed, though there are specific formalities which must be followed for the agreement to be a deed. Of course, if the parties agree to nominal consideration (eg, £1), it is important that this small amount is actually paid to the assignor.

#### Signing

An assignment of a UK patent (or application) must be in writing and signed by the assignor. It used to be the case that an assignment of a UK patent (or application) would need to be signed by both parties, however the law was changed in 2005. In reality, both parties will usually sign the assignment agreement. Where one or both of the parties is an individual in their personal capacity or a foreign entity, special 'testimonial' provisions are required; for example the signature to the assignment may need to be witnessed.

#### The assignment

English law distinguishes two types of assignment: legal and equitable. To assign the legal interest in something means that you have assigned simply the title to that property and not the right to exercise the rights inherent in it. This is the equitable (beneficial) interest and if this is not also assigned with the legal title, this can result in a split in ownership. Unless the parties specifically agree otherwise, legal and beneficial ownership should always be assigned together. It is possible to have co-assignees (ie, co-owners) but the terms of the co-ownership will need to be carefully considered.

It is possible to assign the right to bring proceedings for past infringements in the UK, but not in some other jurisdictions. Where non-UK rights are involved, local advice may be required as to whether such an assignment would be enforceable as against a prior infringer. This potential uncertainty makes a robust further assurance clause even more desirable (see below), to ensure the assignor's co-operation after completion of the assignment.

The assignee will also typically argue for (and

the assignor will typically resist) a transfer with 'full title guarantee', as this implies as a matter of law certain covenants: that the assignor is entitled to sell the property; that the assignor will do all it reasonably can, at its own expense, to vest title to the property in the assignee; and that the property is free from various third party rights.

In terms of European patents (EP), it is important to remember that ownership of an EP application is determined under by the inventor/applicant's local law, rather than under European patent law. This means that a formal, written assignment agreement should be executed to ensure that the applicant is entitled to ownership of the patent application, for example in cases where the work undertaken was done by a consultant or where local law dictates that the owner is the inventor(s). An assignment should include assignment of the right to claim priority, as well as the right to the invention and any patent applications. This need to obtain an effective assignment of the application (and right to claim priority) is particularly important where a priority application has been made in the name of the inventor. If such an assignment is not executed before applications which claim priority from earlier cases (for example, PCT applications) are filed, the right to ownership and/or the right to claim priority may be lost.

#### Don't forget tax

Currently, there is no stamp duty payable on the assignment of intellectual property in the UK. However, particularly for assignments which include foreign intellectual property rights, there can be considerable tax implications in transferring ownership of intellectual property rights in some countries and it is always prudent to check that the transfer will not result in excessive tax liabilities for you.

#### Update the register

Registered rights need to be updated at the patent offices. You will need to decide who pays for this: in the case of one patent, it is a simple process, however in the case of a whole portfolio, the costs can be considerable. Remember, if you ever need to take any action on a patent you own,

Many pitfalls can be avoided by careful drafting of the assignment agreement.



you need to ensure you are the registered owner of that right at the applicable office. In the UK, assignments can be registered but there is no statutory requirement to do so. In the case of international assignments, local offices may require recordal of the assignment. In any event, it is desirable for an assignee to ensure that the transaction is recorded. Section 68 of the UK Patents Act provides that an assignee who does not register the assignment within six months runs the risk of not being able to claim costs or expenses in infringement proceedings for an infringement that occurred before registration of the assignment, although recent case-law has reduced this risk somewhat.

#### Further assurance

The assignee will typically take charge of recordals to the Patents Offices; however they will often need the assignor's help in doing so. A 'further assurance' clause is a key element of the assignment from an assignee's point of view both for this purpose and for assisting in the defence and enforcement of patents or applications for registration. On the other hand, the assignor will typically seek to qualify its further assurance covenant by limiting it to what the assignee may reasonably require, and that anything done should be at the assignee's expense. An assignor should also require that recordals are done promptly to minimise their future correspondence from patent offices.

#### International transactions

In transactions which involve the transfer of patents in various countries, the parties can execute a global assignment which covers all the patents being transferred, or there can be separate assignments for each country. The former, global assignment, is usually preferred however this will frequently need to be supplemented by further confirmatory assignments in forms prescribed by the relevant international patent registries. As noted above, the preparation and execution of such assignments can be time-consuming and costly, hence the need to decide in advance who bears the cost of such recordals, and the assignee should insist on a further assurance provision.

Author:  
**Ian Starr**



[www.dyoung.com/newsletters](http://www.dyoung.com/newsletters)

## Article 05

# UK IPO's Fast Forward Competition Fostering UK Innovation

Relevant projects are those that foster innovative practice in IP management



**T**he United Kingdom Intellectual Property Office (UK IPO) has recently opened its annual 'Fast Forward' competition to entrants for the 2013 awards.

This interesting contest is now in its third year, and is open to universities and other higher education institutes and public sector research establishments.

The aim of the competition is to encourage these bodies to collaborate with businesses and local communities in maximising the benefits of innovation to help United Kingdom society, including growing the economy. Relevant projects are those that foster innovative practice in the management of intellectual property and knowledge exchange, and seek to develop best practice in this area. The competition intends to support activities of this kind that would not normally attract funding from within an institution and would not be viable without external funding, with a view to sustainably establishing the activities.

The 2013 prize fund will be £750,000, to be divided between about twelve successful entrants who can each expect to receive between £10,000 and £100,000. The previous two competitions have divided a total of £1.25 million between 23 lucky winners.

A high-profile winner from the 2012 competition was the 'Bloodhound' project, based at the University of the West of England in Bristol. The Bloodhound is a supersonic car that seeks to break the world land speed record. For the competition, the project shared aspects of the design, building, testing and running of the car with teachers, lecturers and students to give unprecedented access to the project's data, and also worked with SMEs in the technology sector to encourage them to adopt similar sharing practices. This kind of open and collaborative approach to intellectual property underpins the aims of the competition.

**The closing date for entries to the competition is 14 December 2012.**

If you or someone you know are interested in entering, the application form can be downloaded from the UK IPO's website.

Author:  
**Cathrine McGowan**



#### Useful links:

<http://dycip.com/ukipofastforward>

<http://www.bloodhoundssc.com>



# D YOUNG & CO INTELLECTUAL PROPERTY

## And finally...

### “One of the Best and the Biggest” Chambers and Legal 500 Results

Legal 500 and Chambers have recently announced that D Young & Co has been ranked by their researchers as a top tier UK patent and trade mark firm.

We are extremely grateful to our clients and colleagues who took time to respond to the researchers with such positive feedback.

Chambers writes “D Young & Co offers clients a full IP law service, hosting solicitors as well as patent and trade mark attorneys, and it is the first firm to acquire legal disciplinary status (LDP). As one of the best and the biggest such firms in Europe, D Young & Co performs enforcement and litigation as well as registration, prosecution and portfolio management services. The firm’s expertise in electronics and software, biotechnology,



chemistry and pharmaceuticals is particularly well regarded”.

Legal 500 remarks that our “excellent” patent team is appreciated for its “detailed preparation and minute attention to detail”. For our contentious IP work the directory comments that D Young & Co “surpasses expectations”.



## Patent Group

### Partners

Nigel Robinson  
Ian Harris  
Charles Harding  
James Turner  
Catherine Mallalieu  
David Horner  
Neil Nachshen  
Miles Haines  
Jonathan DeVile  
David Alcock  
Aylsa Williams  
Zoe Clyde-Watson  
Kirk Gallagher

Simon Davies  
Louise Holliday  
David Meldrum  
Jonathan Jackson  
Anthony Albutt  
Julia Mills  
Kit Wong  
Robert Dempster  
Darren Lewis  
Simon O'Brien  
Garreth Duncan  
Nicholas Malden  
Connor McConchie

### Associates

Paul Price  
Cathrine McGowan  
Susan Keston  
Stephanie Wroe  
Doug Ealey  
Anthony Carlick  
Zoë Birtle  
Tessa Seymour  
Robbie Berryman  
David Keston  
Tessa Seymour  
Nicola Elliott  
Benjamin Husband

Bénédicte Moulin

### Assistants

Matthew Johnson  
Charlotte Musgrave  
Alan Boyd

## Contact details

**D Young & Co LLP**  
120 Holborn, London, EC1N 2DY  
T +44 (0)20 7269 8550  
F +44 (0)20 7269 8555

[www.dyoung.com](http://www.dyoung.com)  
[mail@dyoung.co.uk](mailto:mail@dyoung.co.uk)

**D Young & Co LLP**  
Briton House, Briton Street  
Southampton, SO14 3EB  
T +44 (0)23 8071 9500  
F +44 (0)23 8071 9800

This newsletter is intended as general information only and is not legal or other professional advice. This newsletter does not take into account individual circumstances and may not reflect recent changes in the law. For advice in relation to any specific situation, please contact your usual D Young & Co advisor.

D Young & Co LLP is a limited liability partnership and is registered in England and Wales with registered number OC352154. A list of members of the LLP is displayed at our registered office. Our registered office is at 120 Holborn, London, EC1N 2DY. D Young & Co LLP is regulated by the Intellectual Property Regulation Board.

Copyright 2012 D Young & Co LLP. All rights reserved. 'D Young & Co', 'D Young & Co Intellectual Property' and the D Young & Co logo are registered trade marks of D Young & Co LLP.

## Contributors

### Partner

**Neil Nachshen**  
[njn@dyoung.co.uk](mailto:njn@dyoung.co.uk)  
[www.dyoung.com/neilnachshen](http://www.dyoung.com/neilnachshen)



### Partner

**Ian Starr**  
[ics@dyoung.co.uk](mailto:ics@dyoung.co.uk)  
[www.dyoung.com/ianstarr](http://www.dyoung.com/ianstarr)



### Associate

**Cathrine McGowan**  
[cmg@dyoung.co.uk](mailto:cmg@dyoung.co.uk)  
[www.dyoung.com/cathrinemcgowan](http://www.dyoung.com/cathrinemcgowan)



### Associate

**Doug Ealey**  
[dre@dyoung.co.uk](mailto:dre@dyoung.co.uk)  
[www.dyoung.com/dougealey](http://www.dyoung.com/dougealey)



## About our Dispute Resolution & Legal Group

We handle litigation, non-contentious and general advisory work relating to patents, trade marks, designs, copyright, trade secrets, malicious falsehood/unfair commercial practices as well as a full range of IP contractual matters. Much of what we do is non-contentious, advisory work such as drafting and reviewing IP agreements, that assist our clients on IP issues on a daily bases to protect and enforce their IP rights. Our expertise is as much about keeping clients out of court as it is actually litigating, although we are experienced in representing clients not only in litigation but also in alternative dispute mechanisms such as mediation and arbitration. Legal 500 writes that “D Young & Co ‘surpasses expectations’ on contentious IP work”.

Find out more at [www.dyoung.com/litigation](http://www.dyoung.com/litigation)