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INTELLECTUAL PROPERTY

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in intellectual property.

UNITED KINGDOM

Marks & Clerk

Respondents

KIRSTEN GILBERT
Partner
Marks & Clerk
+44 (0)20 7420 0000
kgilbert@marks-clerk.com

Kirsten Gilbert is a partner and head of brand exploitation, protection and TM litigation UK at Marks & Clerk. She is a solicitor and advises in a broad range of sectors including food & drink, financial services, pharmaceuticals, fashion and creative industries. She has been named an 'IP Trade Mark Star' by Managing Intellectual Property and has also been recommended by Legal 500 and World Trademark Review.

MICHAEL BARRETT
Partner
Marks & Clerk
+44 (0)20 7420 0000
mbarrett@marks-clerk.com

Michael Barrett has over 10 years' experience as a chartered (UK) trademark attorney and more than 20 years' experience as a solicitor. He advises brand owners on all aspects of trademark protection and registration, including portfolio management, clearance searching, trademark prosecution, opposition, cancellation, revocation, licensing, assignment, infringement and the law of unregistered trademarks and passing-off.

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Q. What steps are companies taking to manage their intellectual property (IP) portfolio effectively and to protect its value?

A. Payment card services businesses, banks and FinTech companies are increasingly placing value on obtaining proper trademark coverage for cryptocurrency services. Last December, HSBC filed fresh applications before the US Patent and Trademark Office (USPTO) to protect a wide range of metaverse products and digital currency services. This came on the heels of Visa's two trademark applications filed before the USPTO last October for managing digital, virtual and cryptocurrency transactions, cryptocurrency wallets, non-fungible tokens (NFTs) and virtual goods, a necessary protection given its reported partnership with more than 65 crypto firms and the payment offerings reputedly entailed by those partnerships at over 80 million merchants. Many partnerships that FinTech companies are agreeing require both parties to consider issues of co-branding quite carefully.

Q. What advice would you offer to companies in the UK on IP protection?

A. For a FinTech start-up seeking success as a disruptor, finding a brand that captures the concept of digital innovation is pivotal. Lessons can be learned from recent decisions of the UK Intellectual Property Office (IPO). A decision this summer found similarities between the mark 'Metaverse Bank' and 'Metabank'. The meaning of 'meta' on its own would not necessarily be understood by the majority of financial services consumers, or so the hearing officer thought. The terms meta and metaverse were also considered conceptually different. However, the visual and phonetic similarities between meta and metaverse would have been sufficient in the imperfect recollection of the consumer to outweigh the conceptual considerations and qualify the marks as confusingly similar. Clearly, a term as weak as 'Metabank' which suggests digital innovation will not be an ideal disruptor brand given the risks of being both borderline descriptive and given the potentially crowded field of meta or metaverse formative marks already on the register.

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Q. In the context of FinTech, how can financial institutions protect their IP while participating in collaborative efforts with other organisations?

A. FinTech businesses are disrupting traditional financial services providers in the marketplace with new products and services. An important business development tool for FinTech businesses is collaborating with other financial services firms to drive innovation and broaden their reach into new customer bases. To protect their intellectual property (IP) in such a collaboration is crucial, so that they do not damage their core business while looking to expand into new areas. Background IP will usually remain the property of the original owners. The agreement should expressly set out what will happen to any IP created because of the collaboration. There are several ways foreground IP can be dealt with, ranging from it all being owned by one party to the collaboration, being split down certain technology or product lines, or all being jointly owned. The agreement should set out the necessary licences to any foreground IP not jointly owned and who is responsible for the maintenance of any registered IP in

terms of renewal fees and so on. Another important step in protecting IP is for the parties to agree confidentiality terms over any confidential information they are disclosing during the collaboration.

Q. In the age of FinTech and digital innovation, how can financial institutions balance the need for innovation with protecting their IP?

A. We are seeing digital innovation drivers in the FinTech space widening the range of services offered to customers by means of mobile phone technologies that are designed to suit lifestyle needs. Protecting AI, blockchain and software innovations is key to businesses offering their customers the opportunity to transact financial business digitally and while on the move. Those companies that have struck successful partnerships with third party FinTech innovators need to consider even more closely how to license their brands under tightly controlled conditions to protect their trademark rights while maximising brand exposure. When partnerships are struck with less established counterparties, the controls over brand use become even more vital. Ownership of the registered trademark provides the asset holder with powerful rights to enforce against misuse of the brand by a branding partner.

Q. Are you seeing any recurring themes in IP-related disputes in the UK? What steps should companies take as soon as an IP dispute surfaces?

A. We are seeing a lot more IP disputes being played out in the public eye with commentary on social media. All companies considering enforcing IP rights should pause to consider how the matter will play out on social media. If the parties in question are well known to the public, then the social media noise may be picked up by mainstream media channels and the story can then take on a life of its own. The original party can lose control of the messaging around the enforcement action and keeping track of the truth is almost impossible. An IP owner looking to enforce its IP against an infringer, must be prepared for its cease and desist letter to end up on social media. A large entity proposing to assert its rights against a small entity, such as a start-up or a disrupter brand, needs to consider how

the story will play out. A 'David versus Goliath' narrative is always popular and most people do not back the Goliath in the story.

Q. In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

A. IP due diligence should be considered an essential part of any M&A transaction. IP assets can add considerable value to any business. Not only are there tools which companies can use to protect their considerable investment in research & development (R&D) and marketing spend, there may also be important assets which can be exploited to generate revenue. To do any of these things the IP rights have to be the correct rights, protecting the correct things, and they must be valid. IP assets can also be used to secure finance, so it is important to check that there are no security interests filed on IP assets of which the purchaser is not aware. IP specialists can assess the value of the IP to ensure it is protecting the parts of the business that are of interest to the purchaser, and advise on any potential issues around the validity of these rights. IP due diligence is an essential part of any M&A transaction. IP assets can greatly contribute to the value of a business. Conducting an IP due diligence exercise is the only way to ascertain if a business's IP assets are suitable for safeguarding its IP and for exploitation purposes.

Q. With a number of businesses struggling in the current financial climate, what IP considerations should businesses make amid challenging financial conditions?

A. It is easy in times of financial uncertainty to look for ways to cut budgets, and IP budgets are always up for consideration. IP renewals can be a significant business cost with patents needing to be renewed each year and trademarks every 10 years. Enforcement of IP against infringers can also put pressure on stretched resources. However, it could prove an incredibly costly mistake to allow valuable IP rights to lapse due to short term budget cuts when they are protecting the heart of a business. Allowing protection to lapse allows a company's competitors to take advantage of its R&D and marketing spend. ❑

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MARKS & CLERK set up its first office in the UK in 1887. Today, it is a leading global intellectual property firm, working in partnership with businesses of all shapes and sizes all over the world. Providing them with people whose legal, technical and commercial expertise exactly meets their needs. Shaping their services around them. Protecting, enforcing and maximising the value of their intellectual property to support them in achieving their business ambitions.

KIRSTEN GILBERT Partner
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kgilbert@marks-clerk.com

MICHAEL BARRETT Partner
+44 (0)20 7420 0000
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