Regulation and Competition

Intellectual Property Rights Challenged by Open Innovation

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Born from the development of social networks and collaborative practices, open innovation is in line with the more general "open" trend - open source, open content, open data, open knowledge - which is based on the culture of sharing and the principle of the freedom of use. As open is thought by many to be synonymous with freedom, open innovation is sometimes presented as an alternative method to intellectual property, which in contrast is used to confer monopolies on owners. However, open innovation projects may give rise to many intellectual property rights: patents, trademarks, designs, copyright, etc.

Opposing the two concepts of "open innovation" and "intellectual property" is a manifest error of assessment: without the existence of intellectual property rights, open would not be an issue. For example, "open source" software exists only because software is by nature protected by copyright (to date, there is no software whose author died more than 70 years ago) (TELLIER-LONIEWSKI, 2009). Open innovation and intellectual property do not constitute two separate worlds; they are inextricably intertwined.

While some open innovation projects, in particular those conducted by the public research community, rely on traditional open values, most industrial companies that initiate open innovation projects clearly intend to own the results obtained and protect them by intellectual property (TELLIER-

LONIEWSKI, 2008). In this respect, open innovation projects present specific legal risks. How to obtain the intellectual property rights of multiple contributors scattered around the world? How to make sure that their contributions do not involve any plagiarism or infringement? And above all, how to reconcile the secret requirement inherent to the protection of some inventions (know-how, patentable inventions) with largely open, collaborative systems? These questions should be addressed differently according to the nature of the innovations concerned: a patentable invention does not raise the same issues as an aesthetic shape or a trade name. Moreover the same innovation can have a multifaceted Intellectual Property profile.

For example, the Fiat Mio, an urban car prototype to which 17,000 individuals participated online, or the B'Twin "electronic bike of the future" designed by an international community under the aegis of Oxylane, show that one innovative project may not only produce heterogeneous ideas and creations (such as innovation in techniques, shapes, design and performance know-how and trade names), but also bring about a number of distinct intellectual property rights - patents, trademarks, designs, copyright - which may combine and add.

Technical innovations

Technical innovations include many types of innovations ranging from ideas (which cannot by nature be owned) to patentable inventions, know-how, methods and to other more or less elaborated key concepts (TELLIER-LONIEWSKI & SALOMON, 2012). Those different categories of innovations are subject to distinct legal regimes. In particular, only inventions meeting some specific criteria are patentable, and some innovations are excluded from the scope of patentability (e.g. software and algorithms). While those rules apply all over the world in Europe, in the USA, in Japan, ... certain countries may have a more permissive approach of patentability. For instance, patents on methods are more easily granted in the USA than in other countries. But in any case, the protection of technical innovations is always subject to a common requirement, i.e. secrecy, as the disclosure of an invention, including by its inventor, before a patent application is filed, destroys its novelty [1]. This principle applies all over the world, although it is sometimes subject to certain exceptions or adjustments. Clearly, the

[1] *TGI Paris, 3e Ch., 11 mai 2006, PIBD 2006 n°836-III-575* and *TGI Paris, 3e ch., 28 septembre 2004, PIBD n°801-III-73.*

requirement of absolute secrecy cannot be met in an open collaborative system. This is the reason why, especially when the patent option is to remained available, measures should be set up to detect this type of innovation and integrate it in a strengthened confidentiality circuit reserved to company members or a limited circle of contributors bound by a nondisclosure undertaking. For technical innovations that are not protectable by an industrial property right, such as ideas, methods, concepts and know-how, the only possible way of protection is a contract.

As a result, open innovation should be organized in a company so as to:
- protect confidentiality;
- detect any possible breach of confidentiality;
- regulate by contract the rights of the company in the results of the research.

Copyright innovations

Subject that they are original, shape and design innovations are automatically regarded as copyrighted works on a worldwide basis. Copyright in an open innovation context raises issues about assignment and compensation. The assignment of copyright is subject to complex rules, which vary according to the country concerned and in the presence of multiples contributors it may be particularly delicate to determine who owns what. The higher the number of contributors, the more difficult the situation. For example, under French law, copyright remains the ownership of the author, even in case of specific order, unless the author has assigned his or her rights through a contract subject to very strict formal and substantive rules. A company at the initiative of an open innovation project should therefore be very careful as unless it has acquired the rights of the different contributors under an undisputable contract, it will not have the right to reproduce, circulate or amend the shape innovations resulting from its project and it would be in an awkward position to defend it against infringers.

Attention should also be paid to the method of remuneration of the authors, which is not left at the company's discretion. In brief, the proportional remuneration is generally the rule and the lump sum the exception, even if more often than not contributors are offered fixed compensations. Again, a strict approach should be adopted, sometimes coupled with imagination, to apply a compensation process compliant with law (and which may not be exclusively of a financial nature).

Design innovations

Design innovations may be protected both by copyright law and designs law. Such innovations often correspond to a product shape or packaging or to a drawing and may be based on a patentable invention (SALOMON & CANTREAU, 2012). The protection of design innovations is organized at various levels. First, at the international level, in particular by the Paris Convention for the Protection of Industrial Property (1883) and the Hague Agreement. Secondly, at the European level, by the Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs. And lastly, at national level, by various local legislations. Those creations, where submitted on a collaborative platform, must be closely reviewed by the initiator, because if they can definitely bring an increase in value to the economic operator, they must above all fulfill the validity requirements for the protection regime claimed and not entail uncontrolled legal risks.

The first thing to be checked when presenting a design innovation on a platform is its validity. As a rule, a protection will be granted at the Community level to a design innovation only if it is (1) new and (2) has a specific or individual nature:

- The design proposed must be new, i.e. it must not have already been disclosed in an identical or quasi-identical form on the date of the application for registration or priority claim. Such disclosure may occur in different forms, in particular during a public demonstration, in advertising brochures, on the Internet… It may come from third parties or even the creators themselves. It is not limited in time or to a specific territory [2]. Like for technological innovations, the initiator must be particularly vigilant about the novelty of the design innovations submitted in open innovation because the disclosure may in some cases destroy novelty and hinder its protection under design law [3].
- The specific or individual nature of a creation is more subjective and may be defined as the visual impression produced on an informed operator.

As previously stated for copyright innovations, no protection can be granted to the initiator without first entering with the design contributors into a contract for the assignment of their rights to avoid any subsequent claims, particularly if the creation is commercially successful.

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2 *Cour Cass., 31 janvier 2012, n° de pourvoi 11-14024*, www.legifrance.gouv.fr.

3 *Cour Cass., 27 mai 1997, n° de pourvoi 95-13827*, www.legifrance.gouv.fr

Lastly, as the designs proposed by open innovation contributors may come from multiple sources, it is strongly recommended to anticipate the possible risk of infringement, for which the initiator would ultimately be held liable, by carrying out a prior rights search.

Trademark innovations

Finally, the last key topic relates to the trademark innovations that may be available on collaborative platforms (SALOMON & CANTREAU, 2011). Trademarks are mainly protected at the international level by the Paris Convention for the Protection of Industrial Property (1883), the Madrid Trademark Agreement and the Madrid Protocol, at the Community level by the Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark ("CTMR") as well as at the national level by the local applicable legislations.

Just like for more traditional ways of creation, a trademark innovation proposed in open innovation must constitute a valid right; otherwise there will be serious risks for the platform initiator, who would have to face legal consequences. The major risk lies in the fact that trademark innovation would not be distinctive or infringe the prior rights of third parties (TELLIER-LONIEWSKI & SALOMON, 2012).

A distinctive sign is a sign that is not generic, descriptive or customary for the goods and services to which it applies. A sign that would not meet these distinctiveness requirements would have a weak protection and its registration could be denied when reviewed by the authorities concerned or even subsequently declared invalid by the competent courts [4]. Courts can also pronounce the invalidity of a sign infringing the rights of third parties, ban the use of such sign and award damages against its owner [5].

It is therefore up to the platform initiator to check the availability of the trademark innovation before applying for any registration and/or using the trademark or slogan identifying its products or services in any way.

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[4] ECJ 15 March 2012, C-90/11 and C-91/11, www.curia.europa.eu and *CA Paris 20 janvier 2012, Pôle 5 Chambre 2, n° 11/16070*, www.inpi.fr.

[5] *Cour Cass., 19 décembre 2006, n° de pourvoi 04-14420*, www.legifrance.gouv.fr.

Conclusion

Open innovation and intellectual property are not two irreconcilable worlds but their coexistence requires that companies take strict measures, including but not limited to:

- determine internal processes and take appropriate steps in particular to identify the legal status of innovations (patent, copyright, design, trademark, …) and manage crucial aspects such as confidentiality, traceability, risk detection, monitoring and audit;
- set sufficiently fair and incentive compensation for contributors in compliance with legal constraints;
- conclude contracts with contributors, online or offline, as the case may be;
- assign dedicated internal resources with clear roles and responsibilities;
- raise the awareness of the various parties concerned on related legal issues.

Only if these conditions are met will businesses be able to benefit from the fantastic opportunities offered by open innovation while protecting and enhancing their intellectual assets.

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