

COLLAS DAY | COMMERCIAL

Managing IP in Guernsey

April 2009

Managing IP in Guernsey

When intangible assets such as intellectual property are a significant part of a business, it is important to manage them in a way which is tailored to meet the legal and commercial objectives of IP holders. While 'identification', 'protection' and 'exploitation' are the key considerations of IP holders, 'location' is arguably now just as important.

Moving intellectual property to Guernsey may contribute not only to its protection, but also to the flexibility of its exploitation and the reduction of the tax burden on any related income.

Traditionally, jurisdictions such as Guernsey have not been used extensively for the management of IP. This has typically been because of outdated legislation that has not always been conducive to the international recognition that IP holders require.

Guernsey has recently developed IP legislation that is not only internationally recognised but that also provides unique advantages for individuals and companies wishing to locate their IP in a tax benign environment with a robust legal framework to look after it.

Considerations when offshoring IP

To have value, IP must first be capable of being protected. This must be considered not only in the context of the statutory protection afforded to IP but also the process of enforcing those rights. The court process should be clear, swift and capable of providing an effective remedy. It is also important to consider whether there are multiple types of IP requiring protection.

Alongside the legal considerations, there are many practical and financial factors worthy of note. Cost will play an important part in an IP holder's decision, as will the speed of registration. Which jurisdiction will allow the quickest access to the marketplace following an application to register new IP?

A further consideration is how, and by what means, the IP will be capable of being exploited and valued. Will the IP assets be effectively ring-fenced? How will the IP be effectively valued? What structure will be utilised to hold and manage the IP?

Guernsey as an IP jurisdiction

Guernsey's IP laws, which in comparison to those in the UK are "brand new", have been designed to be flexible, modern and progressive. While they are primarily based upon the UK laws, they benefit from some of the lessons learned in that jurisdiction.

The development of Guernsey IP legislation has been able to benefit from case law and UK precedent whilst retaining flexibility not afforded in the European regime because Guernsey is not part of the EU. This allows Guernsey to provide protection where it would otherwise be unavailable, and also the ability to adjust to the ever-changing markets that certain fields of IP law tend to focus upon.

What is protected?

Guernsey offers comprehensive legislation and innovative protection for the following key IP rights:

Trademarks

Protection for trademarks is provided under the Trademarks (Bailiwick of Guernsey) Law, 2006, which came into force on 1 June 2006. Under this legislation, any sign capable of being represented graphically and which is capable of distinguishing the goods and services of one undertaking from those of other undertakings, can qualify for protection. Examples of such marks include logos, unique names and symbols. Guernsey has a trademark registry, run by the Registrar of IP, which allows for primary and secondary registrations of trademarks.

Patents

The Registered Patents and Biotechnological Inventions (Bailiwick of Guernsey) Ordinance, 2009 governs the registration and protection of patents in Guernsey. This Ordinance is, however, not yet in force, but is expected in Autumn 2009.

Guernsey does not provide for first registration of a patent. Any overseas proprietor of an overseas registered patent may be registered as the proprietor of a patent in the Guernsey register. Provided that this criteria is fulfilled, and the invention is new, contains an inventive step and is capable of industrial application, the invention may be placed on the patent register. The register is used to protect unique inventions.

There are also proposals to allow the registration of an innovation warranty, a form of petty patent.

Copyright

The Copyright (Bailiwick of Guernsey) Ordinance, 2005 is the principal legislation governing copyright. It came into force on 1 January 2006.

The author(s) of a work is the first owner of any copyright in it. Original literary, dramatic, musical or artistic works, sound recordings, films or broadcasts, and the typographical arrangement of published editions are all protected by copyright in Guernsey. Examples of copyrightable material are books, screenplays, music recordings and films.

Design rights

Guernsey has both registered and unregistered design right legislation. Unregistered designs are governed by the Unregistered Design Rights (Bailiwick of Guernsey) Ordinance, 2005, which can protect original designs such as, for example, a technical drawing or plan. Registered design rights are protected by the Registered Designs (Bailiwick of Guernsey) Ordinance, 2005, which allows for registration of overseas registered design rights by overseas registered proprietors. Both of these pieces of legislation came into force on 1 March 2006.

Plant variety rights

The Registered Plant Breeders' Rights (Bailiwick of Guernsey) Ordinance, 2007, which came into force on 28 March 2007, provides for a register to be maintained in Guernsey onto which an oversea registered proprietor of an oversea registered plant breeder's right can register their rights. These rights are then protected as property rights and can subsist in all varieties of plant breeds and species.

Database rights

The Database rights (Bailiwick of Guernsey) Ordinance 2005 is the principal legislation governing database rights in Guernsey. This ordinance came into force on 1 January 2006. A database right subsists in any database where there has been a substantial investment in the collation and contents of the database.

The term "collation" is defined within this ordinance as meaning the obtaining (for example, by creating, finding, collecting, compiling, accumulating or assembly), organising (for example, by designing or selecting), verifying or presenting thereof. By defining collation in this way, the ordinance clearly widens the type of investment that will qualify for the development of a database right and grants the sort of protection that many thought the EU directive on database protection was intended to afford. So, the protection for databases in Guernsey is potentially wider than in the EU.

A person who takes initiative to collate the contents of a database is defined as the "maker". If made by an employee, the employer will be considered to be the maker. It is the maker who has first ownership rights.

The tax advantage

Despite being close to the UK geographically, Guernsey's taxation system is different from the UK in that there is no capital gains tax, capital transfer tax or VAT. Corporate income tax is charged at a rate of 0%. The recent introduction of the new "Zero-10" tax regime in Guernsey has brought about significant changes to the island, making it far more competitive as a jurisdiction than previously possible.

While companies in Guernsey are taxed at a rate of 0%, it is the responsibility of the companies themselves to deduct tax from distributions of profits (as opposed to capital) made to its shareholders. How these profits are taxed will depend upon the shareholder's place of residence. If the shareholder is an individual resident in Guernsey, a rate of 20% (the income tax rate) is charged. If the shareholder is a company, the company standard rate of 0% applies. If the shareholder is a non-Guernsey resident, no Guernsey income tax is paid or withheld.

Guernsey and Image Rights Management

With up to date legislation, fiscal advantages and the backing of many locally based service providers, Guernsey is establishing itself as a market leader in the realm of image rights. By structuring image right royalties for, for example, sporting personalities, through a Guernsey image rights holding company, an individual or their employer could enjoy massive savings on income and capital taxes.

Guernsey is looking to establish a registrable image right which will further enhance the Island's attractiveness as a jurisdiction for image rights management.

This benefit is further underlined when used in tandem with Guernsey's unique (and increasingly popular) Incorporated Cell Company structure, whereby an entire team of athletes or sportsmen could hold their image rights in incorporated cells, which they could transfer to another Incorporated Cell Company upon, for example, their transfer to another team. This would be an incredibly efficient and cost-effective way to manage such IP rights.

Call on Collas Day

Collas Day's commercial team has experience in the management and exploitation of IP and structuring of the relevant corporate and trust structures involved. With the only Guernsey advocate with a Postgraduate qualification in IP and significant supporting commercial and corporate experience, Collas Day's IP team will be able to help you.

Collas Day's dispute resolution team has extensive experience in IP litigation matters, including advising on enforcement of IP rights, and is able to offer advice and assistance with IP related claims. Collas Day has advised on numerous trademark and patent matters and is well placed to assist in the enforcement and protection of your IP rights.

For further information please contact:

Jason Romer

t: +44 (0)1481 734296

e: jason.romer@collasday.com

Christian Hay

t: +44 (0)1481 734275

e: christian.hay@collasday.com



► **collas day** PO Box 140, Manor Place,
St Peter Port, Guernsey GY1 4EW

► t: +44 (0)1481 723191 f: +44 (0)1481 711880

e: inbox@collasday.com ► w: collasday.com

▶ **collas day** PO Box 140, Manor Place, St Peter Port, Guernsey GY1 4EW
▶ **t:** +44 (0)1481 723191 **f:** +44 (0)1481 711880 **e:** inbox@collasday.com ▶ **w:** collasday.com