



## Patent Box - Patent Strategy Considerations

The Patent Box makes the existence of a patent more attractive, whatever the breadth of the patent's claim, so long as it covers the product (or process or service). A company may wish to optimise its strategies both for filing and prosecuting patent applications and for patent and patent application abandonments bearing in mind the tax savings available through the Patent Box.

### Introduction

The general aim of conventional patent strategy is to provide sufficiently broad protection to prevent competitors from making modifications to a product or process that negate the protection afforded by the patent. For a patent to deliver Patent Box benefits to a company there is no need to achieve broad protection; all that is important is that the patent covers part or all of a product or service, even a small part of a complex product.

Patents directed to features which might be easy for competitors to design around or to omit altogether may now become valuable if they shift profits into the Patent Box. It may now be worthwhile to pursue a patent application for the sole purpose of placing a product's profits in the Patent Box without ever having the intention or expectation of enforcing the patent against a competitor.

A UK patent is relatively inexpensive and quick to obtain, with the inventive step criterion sometimes being easier to meet than at some other patent offices. So a UK patent is ideally suited to bringing profits into the Patent Box.

### Filing Strategy

Your patent strategy may mean that all of your products are/will be automatically protected by patents or other *qualifying IP rights* and that few, if any, steps need to be taken for you to take advantage of the Patent Box, other than claiming the relief. You may however benefit from a change in strategy in prosecuting applications to grant (see below).

If you are a manufacturer, you may not routinely apply for patents for all of your products, including products that are well-established. Without patent protection you cannot put profits relating to the products into the Patent Box. You might consider making changes to the products, not necessarily in a radical way, so that you can apply for a patent to cover part or all of the product and bring it into the Patent Box regime. This includes products that you already have on the market.

It may be worthwhile discussing with designers and developers whether changes could be made to existing and/or new products so that a UK patent could be applied for, for the sole purpose of being able to put profits relating to that product into the Patent Box and pay a lower rate of UK Corporation Tax.

### Drafting and Prosecuting Patent Applications

For a new product that requires patent protection to support a company's IP strategy, your patent attorney will probably draft the patent application in substantially the same way as they would have done if the Patent Box did not exist, but possibly incorporate more details about the actual product to be marketed in order to ensure that Patent Box relief is realised.

In the case of a new product for which patent protection would not be worthwhile in terms of preventing competitors from doing something because available scope of protection is very narrow, it may be worthwhile to incorporate some patentable feature in the product and seek a patent merely to take advantage of the Patent Box regime. The patentable feature may not necessarily improve the functionality of the product or its method of manufacture.

One approach may be to apply for a narrow, but quickly-obtained, patent protecting the specific features of a particular product. This would be done to secure Patent Box relief for profits relating to that product swiftly and with minimal risk of the application failing. This would not preclude the possibility of a separate broader patent being pursued, where appropriate, with the more conventional aim of excluding competitors. A possible approach might be to pursue narrow claims in a UK Patent Application (primarily for Patent Box relief) and claims with a greater scope on a broader international basis through the PCT route (to progress the company's broad IP strategy).

As the Patent Box benefit is likely to be greater for products than methods or processes, companies should draft their applications accordingly.

For similar reasons, companies pursuing Patent Box relief may wish to ensure that their patent applications include claims related to downstream products. This makes it unnecessary to consider the provisions relating to items incorporating a *qualifying* item including the anti-avoidance provision relating to incorporated items.

### Licence Agreements

Companies may wish to consider Patent Box benefits when drafting agreements relating to the right to a design, trade mark or other non-qualifying IP right. If any such agreement can be incorporated into an agreement granting a right in respect of a *qualifying IP right*, this may be beneficial as all the income from such an agreement will be classed as *relevant IP income*.

### Sale of Qualifying IP Rights

Companies may wish to ensure that they have elected in to the Patent Box for an accounting period in which ownership of a *qualifying IP right* is transferred. This is necessary in order to obtain Patent Box relief on profits derived from income relating to the sale if that income is received in a subsequent accounting

period.

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