

# OPTIMISING YOUR IP STRATEGY

## Modern, technology-driven organisations must focus on management of IP

As markets become more global and driven by new technologies, a well-thought-out IP strategy is becoming even more critical for businesses.

Imagine spending time, money and resources developing a new process or technology, only to find out that your competitor already holds the IP rights for that innovation. Not only would this usually prevent you from securing your own IP rights for the innovation, but if the competitor enforces its IP rights against your organisation, you may be required to pay damages and suspend sales, which could have a huge impact on your profits and reputation.

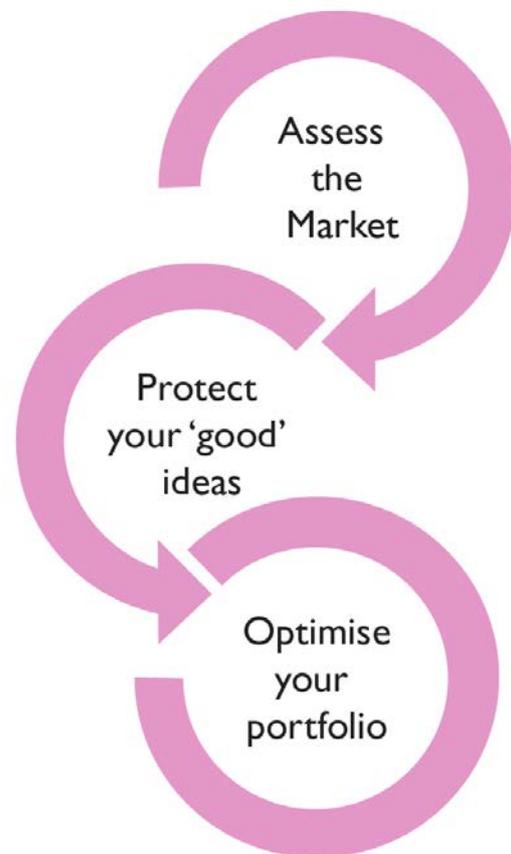
It should also be noted that directors of listed companies who don't adequately manage and protect their organisation's IP may be failing in their responsibility to shareholders. As custodians of shareholder value and responsible for building the company's value, if directors fail to adequately protect or extract value from their IP, then it could be argued that they are not fulfilling their director's duties.

Companies that are driven by innovation and change need to understand the impact and value IP rights can have. With complexity added by multi-jurisdictional operations and increasingly popular joint venture arrangements, companies need to ensure their IP portfolio and management strategies are as strong and attractive as possible.

### ASSESSING THE MARKET

One of the most important issues for organisations to consider is whether it has the right to be doing what it's doing in the market. Organisations must determine at an early stage:

- What IP rights it owns and what IP rights it otherwise has a right to use.
- The extent of such IP rights.



- How such rights can be properly used by the organisation (including any limitations or restrictions on use).

A detailed assessment of the IP assets held by the organisation is required to determine the quality of the IP rights attaching to those assets. This includes reviewing the contracts which affect the business' IP rights including licences, supplier agreements, partnering arrangements and employment contracts and determining what limitations and restrictions apply to those IP rights.

This also involves understanding what your competitors are doing - you need to assess the IP rights held by competitors and the overall IP landscape within the relevant market to identify any potential infringement issues - either infringement by your organisation of third party rights or potential infringement by third parties of your organisation's IP rights.

There is no doubt assessing the IP landscape can be a difficult and time consuming exercise but it is also incredibly important - it can save you wasting huge amounts of resources if you later discover that you do not have the rights you thought you had.

IP mapping allows you to create a visual representation of your competitor's IP as against your organisation's IP. It can show where there are gaps in the market and highlight areas of the market which are heavily protected by competitors (and not worth pursuing). An IP map is a very useful tool to enable organisations to shape their innovation strategy, identify a clear R&D roadmap for product development, and ensure its products and brands are not compromised by competing third party IP interests.

During the early stages of project or product development, you need to ensure you have 'Freedom to Operate' - that is, ensuring there are no third party rights which may prohibit or compromise the commercial value of the project or product.

Early identification of the your organisation's own prior art (or knowledge) and third party prior art relating to new products or competitor products is important - it can lead to the narrowing or invalidating of competitor's patents and strengthen your organisation's own IP portfolio. It is best to have a documented history of key components relating to the organisation's new projects or products.

If a Freedom to Operate issue does arise, the organisation will need to consider a costs/ benefit analysis of either:

- Invalidating the third party IP rights.
- Obtaining a licence (or cross-licence) from the third party.
- Avoiding use of the IP and any infringement issues.

Early identification of third party IP rights will also provide opportunities to:

- Design around any potential issues.
- Seek partnering opportunities to gain access to third party IP.
- Reveal strategic weaknesses in your competitor's IP portfolio which can be filled by new IP rights owned by your organisation.

A Freedom to Operate analysis and IP landscape review should be regularly undertaken. There are various systems available to assist with monitoring the market to identify third party IP interests that may affect your organisation. Regular monitoring helps to ensure competing IP interests are properly identified in the market as early as possible.

## PROTECTING YOUR 'GOOD' IDEAS

Identifying what are 'good' ideas (and potentially valuable IP) is critical. Of course, not all innovations or new knowledge developed will be IP that is valuable to the organisation. An assessment of what is valuable IP requires an assessment of whether capturing the IP rights would assist in achieving the strategic objectives of the business.

In order to capture valuable IP, having adequate knowledge management systems in place is critical. To facilitate the capture of IP, personnel should be required to:

- Keep accurate and up-to-date records regarding creation and handling of IP.
- Comply with their obligations of confidentiality at all times.
- Assess new material and innovations for its strategic and commercial importance at an early stage.
- Feed this information into a central database (rather than individual personal databases).

The central database will provide all personnel with a forum to log any idea, innovation or new knowledge that may be of value to the business. The system also provides a valuable mechanism to

track and (where applicable) reward any significant developments which may lead to the capture of valuable IP. By adopting a bonus scheme or providing an incentive for the capture of valuable IP, an organisation can actively promote innovative thinking and enhance the development of IP within the business.

Once valuable IP has been identified and steps have been taken to ensure third party infringement is avoided, the organisation needs to determine the best means of protecting the valuable IP with regard to the objectives of the business and the cost/benefits of protection.

To create a stronger market position regarding IP protection, organisations can incorporate a range of protective mechanisms to create different layers of protection in the market. This may include use of patents to protect different aspects of innovation, trademarks to protect the brand, design rights to protect product appearance, copyright to protect valuable works and confidentiality to protect trade secrets and know-how.

### Overseas protection

When considering the protection of new ideas, entry into overseas markets will always be an attractive goal for organisations as they grow beyond their original borders. It is important for companies to secure IP rights (following a balanced assessment of costs and benefits) as early as possible in all jurisdictions which it plans to operate and exploit the IP. Without proper protection, foreign companies may be able to exploit, or register IP created by another organisation and possibly hinder or prevent that organisation from exploiting the IP in that country.

### Defensive publications

Organisations should also consider use of defensive publications. This is where you strategically publish an invention to create prior art which will destroy the novelty of a potential future patent. This can be a very useful technique to ensure competitors are not able to obtain patent protection for inventions that you've found (and may need to use in future) but don't need to protect.

## OPTIMISING YOUR PORTFOLIO

Once the initial development phase is over, and the IP has been properly captured and protected, it's important for the organisation to have clear policies and procedures to maintain and manage its valuable IP.

The principal elements of an effective corporate IP strategy should include:

- A statement on how IP management supports the overall mission of the organisation and actively communicating the strategy to staff.
- The responsibilities of the IP management function.
- The strategy to be adopted towards IP negotiations with suppliers/ third parties;
- How to develop new IP opportunities in line with the business strategy and IP landscape; and
- Various corporate policies and procedures which may include:
  - *Personnel Policy* – for engagement and termination of personnel (in the context of handling IP) and incentives to promote innovative thinking and creation of IP rights;
  - *Documentation Policy* – for creating and filing documents to ensure that IP is properly captured and establishing a culture of documenting ideas;
  - *Confidentiality Policy* – to ensure secret business information is kept confidential by non-disclosure agreements and non-compete clauses in employment agreements;
  - *Protection Policy* – for early stage review of new products and ideas to determine potential value and the best form of protection;
  - *Infringement Policy* – to ensure the organisation is not infringing third party IP rights, and that speedy action is taken against infringement by others;
  - *Research Policy* – to ensure research projects are developed, resourced and managed effectively with regard to IP issues;
  - *Branding Policy* – to manage brand awareness and guidelines for use of brand internally and externally;
  - *Education and Awareness Policy* – educating staff and management on the importance of the protection and management of the organisation's IP; and
  - *Commercialisation Policy* – how the organisation can properly leverage off its IP base (both internally and externally) to ensure IP is used in the most effective manner.

It is becoming more popular than ever to develop new technology in conjunction with partners,

suppliers or other third parties who bring existing (or background) IP and expect to obtain use of the results or benefit from the commercial exploitation of the IP. In these cases, it is critical that IP issues are considered at the initial contract negotiation stage of all new projects. The agreement needs to expressly and clearly confirm ownership of background IP and provide details regarding ownership of the new (or resulting) IP, including the specific rights (and any limitations) regarding use and exploitation of that IP for each party.

Companies could also find themselves on the defensive as non-practicing entities (NPEs or patent trolls) continue to grow in number and enforce patents on a large-scale. NPEs generally are not trading or operational companies and exist solely to enforce patents by way of licensing or litigation. Generally, the patents that are held by NPEs contain broad claims and are being enforced in a manner clearly not contemplated by the original patent. Licenses are offered to unsuspecting companies for a sum that is significantly less than the cost of disputing the matter in court and, after analysis, many companies choose to settle the dispute. Companies need to be aware of patent trolls and have a policy and procedure in place for dealing with these companies.

While the issue of managing IP is universal, it's important that organisations consider their own individual situation and circumstances to determine an IP strategy that suits them – one solution won't suit all. To optimise an IP strategy to suit your particular organisation, the IP strategy must be moulded to ensure it integrates seamlessly with the operational and management function of the organisation and, importantly, each member of the organisation takes ownership of the strategy. Often by implementing an education and awareness program for staff and adopting a bonus scheme or other incentives for the capture and identification of valuable IP, organisations can promote innovative thinking and significantly enhance the cycle of IP management within the business.

## CONCLUSION

While traditionally companies may have focussed on their tangible assets as an indication of their value, many are now recognising the real value of IP and the need to properly protect and manage these valuable assets.

Having a robust IP portfolio and management strategy is an essential part of any company that develops and innovates, not only because of the financial returns that it can help generate (through the sale or licensing of IP), but also because it

contributes to other company objectives such as being a more attractive partner or supplier, and reducing the likelihood of IP infringement claims or patent troll attacks.

An effective IP strategy must work along-side the overall plan of the organisation and be integrated with other management activities. When properly implemented, an IP strategy enables decisions to be made regarding protection, use and enforcement of IP - in terms of how they assist with achieving the objectives and adding value to the business.

As the global market becomes more competitive and increasingly driven by innovation, an effective IP management strategy is becoming essential for all organisations and the time to act is now!

## HOW DLA PIPER CAN ASSIST YOU

At DLA Piper, our team of IP specialists advise at all stages of the IP life cycle, from registration to commercialisation, brand protection and enforcement.

If you have any queries on how to optimise your IP strategy or you would like advice regarding your particular circumstances, please contact a member of our specialist IP team.

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