

Presentation for SME Centre @ SICCI

**Appropriate IP Protection
At Home and Abroad**

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The Main Objective of an IP Strategy

- The main objective of IP management strategies is appropriation.
- Also, sound IP management can help achieve a range of objectives
 - securing investment,
 - identifying and attracting potential partners or buyers,
 - deriving value from collaborations, and
 - managing litigation risks.
- Even with limited resources, companies need to develop strategies that are resource-effective to protect and manage their IP.

Considerations in an IP Strategy

- Business context, market environment, degree of research intensity, and type of innovation are prime considerations in the formulation of an IP management strategy.
- This also includes the extent to which secrecy and other complementary strategies will be relied upon.
- For instance, where knowledge is tacit, secrecy may be the method of choice – as opposed to patenting, which requires disclosure.

Four Key Objectives for IP Protection

- Businesses develop and execute IP management strategies in pursuit of four key objectives.
 - First and foremost, all firms need to ‘appropriate’ or capture the value of their ideas and their investments in developing and bringing them to market.
 - Second, firms must protect their interests when engaging in collaborations with other companies and institutions. They must ensure that IP that results from joint projects is fairly distributed and managed among the participants.
 - Third, firms need to ensure freedom to operate (FTO) and to avoid infringement of third-party IP rights, notably patents, so as to minimise the risk of unnecessary licensing costs and litigation.
 - Fourth, firms can use IPRs to signal their value to investors, potential partners, competitors, and customers.

External Factors

- A range of external factors, including competitive conditions, industry sector, and market location and legislation, influence IP management strategy.
- At the same time, the strategy largely depends on the firm's capabilities.
- It is best to manage IP assets in the most resource-effective way possible.
- In addition, rather than focusing only on immediate concerns such as short-term commercial advantage, a company must understand the correlation between IP management and commercial success in order to formulate a sound strategy early on.

Problems and Challenges

- Failure to develop an effective IP management strategy, including a sound appropriation strategy, can create problems down the road, foreclosing partnership opportunities, preventing a company from securing investment and exposing a company to litigation risks.
- IP management may represent a particular challenge for smaller companies that are active in several markets, as global activities require a more sophisticated approach that can be harder to develop.

Securing Competitive Position

- To secure the company's competitive position and manage IP-related risks, a company's leadership needs to know whether the company's inventions are properly protected in each strategic jurisdiction – for instance, whether a patent claim has been appropriately drafted so as to protect the most valuable features of an invention – and whether it has FTO in relation to its most important products or processes.
- Training programs to inform managers about the importance of IP management while coaching them on the practical aspects are useful in this regard.

Complementary IP Strategies

- Complementary, or alternative, IP strategies include a number of approaches:
 - secrecy;
 - capitalising on first mover advantages and innovating faster than competitors;
 - building complexity into products and processes, making them difficult to imitate;
 - defensive publishing;
 - focusing on achieving a large market share in niche markets;
 - building strong brand recognition; and
 - creating strong commercial channels and relationships with customers.

For Example – Design Complexity

- For instance, the more complex a technology solution, the less likely it is that a competitor will succeed in replicating it.
- Patents and design complexity may sometimes be considered interchangeable in the sense that both methods make imitation less likely.

For Instance – Defensive Publications, Prior User Rights

- Some innovative SMEs may choose to emphasise a defensive strategy to protect their niche and ensure FTO, relying, for instance, on the strategy of defensive publication. Through the disclosure of an enabling description of the invention, defensive publication destroys novelty and hence prevents competitors from patenting it.
- Similarly, a firm may rely on a defence of prior user rights in some countries, through proper recordkeeping, to limit the applicability of patents procured by a competitor.

For Instance – Secrecy and Trade Secrets

- A strategy emphasising secrecy is reliant upon trade secrets which can be used to protect any valuable confidential information.
- Certain strategies, such as product complexity and reliance on lead time advantages, can be considered a form of trade secret protection.
- Trade secrets are often less expensive to use than IPRs that require registration or other formalities, however they require investment in efforts to keep the confidential information secret, for instance by executing non-disclosure agreements with employees and vendors, and investing in the security of systems and facilities.
- At the same time, it must be noted that trade secrets are not exclusive rights and do not protect against independent discovery. If independently derived by a competitor, the subject matter of a trade secret can lose its economic value.

More on Trade Secrets

- From Coca-Cola to Google, trade secrets have long been the "secret sauce" in today's most innovative companies. Although IP is best known for copyrights, trademarks, and patents, it is estimated that 70 per cent of the value of companies' intellectual assets stems from its trade secrets.
- By providing additional security, trade secret protection makes it less risky to share knowledge with partners, thus facilitating open, collaborative innovation.
- Yet their aree challenges that companies face in managing trade secrets in the real economy, particularly an increase in trade secret misappropriation.

Trade Secrets and Collaborative Innovation

- “Many of the complex technical problems today require a collaborative approaches toward innovation. Often a broad array of confidential business and technical information may need to be shared. Companies need to foster a culture which links the value of technology and IP, such as trade secrets, to the economic objectives of a business plan. They then need a strategy to manage the development of the IP. These actions go a long way to providing the discipline necessary to achieve business plan objectives while reducing risk when sharing knowledge with partners in an open, collaborative manner” International Chamber of Commerce

Importance of a Strong Patent Portfolio

- In addition to the key purpose of appropriating the benefits of their investments in R&D, a strong patent portfolio can help a company attract the right partners, enabling them to obtain the funds and expertise, especially manufacturing and marketing capabilities, that it needs to bring a product to market.
- As a matter of fact, established firms conduct due diligence prior to partnering, in order to ensure that solutions developed jointly could be commercialised without unexpected IP-related complications, such as inadequate IP protection or absence of FTO.
- Patents also enable collaborating entities to identify what each brings to the table, and to manage the results of their collaboration.

A Patents “Signaling” Function

- Moreover, companies may utilise patents for standardization, for international market extension, or for increasing the new firm’s reputation and technological image such as by new market entrants relying on a strong IP position to communicate to competitors as well as to potential partners that they possess a valuable technology solution.
- Together with the relative legal certainty provided by patents, it is this signaling function that explains the particular value of patents for international companies.

Cost v. Benefit

- The overriding issue in determining how to execute an IP strategy within budget is to always understand
 - the cost vs. benefit of each IP-related decision;
 - the portfolio impact of each IP-related decision;
 - the “overall cost”, not just the “present cost”
- Always keep an eye on the budget
- Keep Budgeting and Portfolio Building “fluid” remembering that it is only as important as how it supports the company’s products, strategies and mission

Conclusion – An Integrated IP Strategy

- Thus, it is important to develop an IP Strategy that incorporates the various advantages of different intellectual property to provide the best advantages for the company.
- Further, an IP Strategy must necessarily be integrated with a company's product portfolio and product development, as well as the company's market short-term and long-term goals.
- And, there is no one-size-fits-all IP Strategy. An IP Strategy must be individualized for the company based on maturity, products, technology, location, human resources and other factors.

Thanks!