

The background features a complex abstract design with overlapping geometric shapes. A teal shape is at the top left, a yellow shape is at the top right, a grey shape is in the center, and a large red shape is on the right side. The text is overlaid on these shapes.

TEN WAYS TO CREATE A SUCCESSFUL IP STRATEGY

WRAYS



When used well, intellectual property (IP) can be a powerful, wealth-generating tool for your business. Used poorly, it can be a waste of time and money, draining your resources and taking time away from more lucrative pursuits. We've set out ten practical ways to create a strategy that will maximise the value that you can derive from your IP.

1 Write and Communicate Your IP Strategy

A partially complete idea of how to protect your IP won't lead to success. Unless you've worked through the details and created a holistic strategy, it's more likely to be a hindrance. Your strategy should explain in detail how the entire IP chain will work, from the conception of the IP, its development, its evaluation, the decision of whether and how to protect, its commercialisation, documenting the IP and budgeting, to periodically reviewing your IP portfolio.

When considering your IP chain, think about:

- who will create the IP
- who will assess whether it is worth protecting
- how and when the IP will be communicated to that assessor
- the factors that should guide the assessor's decision on whether and how to protect the IP
- whether and in what circumstances the assessor's decision can be reconsidered
- how the IP will be documented and who will have access to that documentation
- when your IP portfolio should be reviewed.

Writing your strategy down will help you ensure you've considered the IP generated by all aspects of your business, and that your strategy is effective, practical, efficient and complete.

IP management is a team sport and can't be left solely to your IP department. As gifted as your IP professionals might be, they're unlikely to have direct knowledge of everything happening inside the business. Identifying IP opportunities (to protect your assets) and risks requires vigilance from everyone across your entire business.

Writing down your strategy will make it easier to communicate your strategy to your entire team so that they fully understand their role within the system.

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Business Strategy Harmony

Your IP strategy should work harmoniously with your overall business strategy. They need to be pulling in the same direction, otherwise you'll quickly find your IP becomes an anchor rather than a sail. Your focus should be on protecting the IP that will be a long-term and core part of your business strategy. Your business strategy should inform the entity (e.g., corporation or partnership) that owns your IP.

This is an enormous topic that deserves its own article, and we only have time for a few examples here. In addition to registering your business name as a trade mark, make sure you've also registered any important secondary brands for products, services or arms of your business. Registering your trade marks is particularly important if you're hoping to expand into new States or countries or create franchises. Trade secrets can easily leak out, so if you're planning to partner with other organisations or add more employees, registering a patent might be safer than attempting to keep your information confidential. If maintaining equipment is part of your business, consider protecting your spare parts. If you're hoping to sell your business (or part of it) once it reaches maturity, you might find that buyers will pay a premium if you have registered your IP rights, and expect a significant discount if you are relying on things like copyright and confidential information.

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Deciding Whether to Protect

For many businesses, IP is their most important asset. But not all IP is important. Protecting every piece of IP generated by your business is impractical, and the expense will quickly exceed the benefits. On the other hand, failing to protect a critical piece of IP can have devastating consequences. Your IP strategy should ensure that all important IP is protected, and inconsequential IP is weeded out.

Each time someone in your business creates a new piece of IP, you should ask whether it needs to be protected.

The key questions when making that decision are:

- what would we do with that protection?
- what could happen if we don't protect it?

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The IP decisions
you make today
should support,
not restrict,
your future
business needs.
Accordingly,
when
creating and
implementing
your IP strategy,
think about
where your
business might
be in the
medium-to-long-
term.

Starting with the first question, often the answer will be to stop your competitors from copying you so that you can secure a competitive advantage. If that's your goal, there are other issues to consider. Are your competitors generally respectful of IP, or do they tend to ignore these rights? If your IP is likely to be infringed, do you have the resources to enforce the IP through lawyers? If not, it may not be worth protecting the IP.

Exclusivity isn't the only way to take advantage of IP rights. Could you license or sell the IP to others? Will the IP increase the value of your business, attracting more investment or buyers? Could you use your IP protection to promote that product, or your entire business, as market-leading in innovation? Could you use the IP as a bargaining chip that allows you to gain access to somebody else's technology through a cross-licensing arrangement?

For the second question, consider the risks involved with not protecting a new IP asset. If you do end up with a copycat, how detrimental will that be to your business? If you can maintain your market share based on the strength of your existing reputation, by relying on your marketing or distribution channels, or finding another way to distinguish your business, a copycat might not be particularly problematic. Alternatively, you might find that a competing, inferior product destroys your market share and/or the entire market if dissatisfied customers confuse your and your competitor's offerings.

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Deciding How to Protect IP

There are many forms of IP protection available. Often, multiple forms of IP can be used to protect a single product or service offering, but they will vary in their effectiveness. The most effective form of IP depends on the circumstances. For every piece of new IP, weigh up effectiveness and the time and cost involved with each form of protection.

Again, a discussion of this topic could fill a textbook, so we've only included some brief examples from the most common IP rights.

Patents are usually the most robust way to protect an innovation, but that's not always the case. You may sometimes be better off keeping an invention secret. Patents are time-limited, publicly available and include detailed information about how to make and use your invention. Competitors can use the information published in the patent to create a competing product once the patent rights expire, or perhaps even before if they can find a way around your rights. Further, where players are

quickly innovating, patented technology might become obsolete before the rights are even granted. The relatively high expense of patent protection should be weighed against its anticipated benefits.

Compared to patents, the registered designs system is usually more straightforward and cheaper. Registered designs only protect the way a product looks, rather than the way it functions (like a patent). However, depending on the product that might be enough to effectively prevent competitors copying altogether, or at least consign them to creating less aesthetic, less desirable alternatives.

Registering a trade mark is a relatively inexpensive way to protect your brand. It won't stop others from copying your products and services (unless your products or services themselves are trade marks), but if your reputation is strong enough, preventing others copying your brand might be enough to keep your customers' loyalty.

Copyright protection is free and automatically arises whenever a new work is created. This makes it a very convenient form of IP. However, it only protects the way the idea is expressed and doesn't stop independent creation. As a result, the scope of protection is often narrower than other forms of IP.

Relying on legal protections for confidential information is notionally free, though there can be costs to keeping the information secret. Those costs can include setting up physical and technological barriers to protect the sensitive information, creating administrative inefficiencies within the business as information sharing is restricted, and legal costs associated with drafting and negotiating non-disclosure agreements. Like copyright, confidential information does not prevent independent creation, and you can lose your protection altogether if the information enters the public domain.

It can be easier and cheaper to stop a competitor from infringing your IP rights (either through a negotiated settlement or court proceedings) if those rights are registered. Where you are relying on confidential information, you must show precisely what information was confidential, and that your competitor had access to it and improperly used it. For copyright, you must show that you own copyright in the relevant work, and that your competitor copied a substantial part of that work. Where you are relying on unregistered trade mark rights under the Australian Consumer Law, you must show that you have an established reputation in the trade mark. In each case, doing so often involves complex and controversial legal and factual issues, making it a difficult and expensive exercise. For similar reasons, the existence and scope

of unregistered IP rights are less certain than registered rights, making the sale of a business or those IP rights a more complicated process.

5 Take a Long-Term View

There is often a limited window of opportunity for protecting IP; it may be impossible to reverse a decision not to protect a piece of IP. The IP decisions you make today should support, not restrict, your future business needs. Accordingly, when creating and implementing your IP strategy, think about where your business might be in the medium- to long-term. As not all change is predictable, it is helpful to create an IP strategy that will minimise risk and allow you some flexibility to adapt to changing circumstances.

There are numerous examples of the importance of taking a long-term view when making decisions on IP. Even if you currently manufacture and sell only in Australia, plans to expand sales or outsource manufacturing to other countries may be hampered if you only registered that IP in Australia. Similarly, if you only register a trade mark in relation to your current goods and services, things will become complicated if someone else starts using that trade mark in relation to goods or services that you'd like to begin offering in the future. You might have no competition in a particular market and little need for IP protection, but find that your success breeds imitators. If your operation is relatively small, you might completely trust your employees to maintain your trade secrets. But what happens as you expand and hire more staff, or if somebody leaves for a competitor? Keeping those secrets might become more difficult, and a patent strategy might have been more useful.

6 Keep a Record

Keep track of your IP rights by maintaining detailed records. Documenting your IP will prevent registered rights from accidentally lapsing, assist with budgeting, help you prove the existence and scope of unregistered rights, facilitate IP audits, assist with regular reviews of your IP portfolio and also allow you to properly assess the effectiveness of your IP strategy.

Maintaining a record of your registered rights will help you keep track of their status as they move from the application stage to acceptance and registration. There are myriad benefits to having this information to hand, from deciding whether to abandon troublesome applications, or even abandoning an entire venture if you weren't able to

protect it in key markets, to budgeting for fees that will be incurred during the application process. Registered rights must be regularly renewed, and records will guard against these payments being missed and those rights lapsing.

The value of unregistered rights like copyright and confidential information is only as good as your record-keeping. Detailed records are required to prove their existence and scope, which is important if you're looking to enforce your rights against a third party, or hoping that someone might purchase or invest in your business. The same goes if you're relying on the Australian Consumer Law to protect your unregistered trade marks, where you need to document all the ways that you've used the trade mark to demonstrate reputation.

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Defensive Strategies

IP is a two-edged sword; just as important as protecting your IP is avoiding infringing others' rights. When creating a IP strategy, consider the steps to be taken to minimise the risk of an accidental infringement.

Ensure that your employees understand the importance of respecting others' IP rights. Employees should be warned against using any information that is not publicly available. Before using any other information or copyrighted works from outside the business, employees should take steps to ensure that they are either free to use it, or the necessary licences are obtained.

Ideally, a business will conduct a freedom to operate (FTO) search every time it's thinking about creating a new product, service offering or brand. However, best practice can be expensive, and it's not always worthwhile. Before choosing whether to undertake an FTO search, consider how important the new venture will be to the business, and the resources you expect to invest in it. It may be that, even the worst-case scenario of either rebranding or withdrawing the product from the market altogether won't be overly disruptive. The potential losses associated with infringing somebody else's IP should also be weighed up against the perceived risk of a third party having IP in the space. In doing so, remember that, for important new ventures, the consequence of infringing IP can be very high (including shutting down the project altogether, paying monetary compensation and irreparably damaging your reputation amongst customers and the industry), so it is often worth conducting an FTO search even if you think the IP risk is very small.

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Defensive Opportunities

A strategy that always avoids using others' IP rights is not necessarily the best. Where a third party has already solved a problem that you're facing, it may be cheaper to license that technology or purchase the underlying rights rather than reinvent the wheel. Your IP strategy should be able to take advantage of these opportunities.

Keep two things in mind before using somebody else's IP. First, you'll be in a much stronger negotiating position if you negotiate with an IP rights holder before you begin using it. This is because you have the ability to walk away from the deal. Once you've infringed, the rights holder has most of the power, as they have the ability to take legal action against you if you're unable to agree to terms. This imbalance in power can reflect the cost of the licence.

Second, there are advantages and disadvantages to negotiating a time-limited or perpetual licence. If you take a perpetual licence but end up not needing the technology forever, you might have paid too much for the licence. On the other hand, a time-limited licence comes with the risk of the rights holder refusing to renew the licence, or demanding unreasonable fees in the future. If your licence is limited in time, make a plan to minimise disruption if the licence is withdrawn in the future.

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Budgeting

Registering IP rights can be expensive, and different fees are incurred over time. Before applying to register any rights, ask your attorneys about the fees that will be incurred and when they will arise, and set your budgets accordingly. Some fees are predictable, and some aren't, so build in an emergency fund as well. You may also find that fully registering all your rights in every country is unaffordable, in which case you'll need to think strategically to get the best protection for your money.

The fees associated with registering IP vary significantly depending on the rights and countries involved. First, there is an upfront fee of drafting various documents describing the rights and filing the application. Depending on the rights and countries involved, the filing fees can be substantial and arise at different times. Second, a smooth examination process is nice, but rare. You'll likely incur fees as your attorneys try to persuade the relevant IP office(s) that your rights should be granted. Your attorneys might also need to stave off a third-party challenge to the rights. There are often more fees once

the rights have been granted. Finally, you'll need to pay regular renewal fees to keep the rights registered. In total, all these costs can vary from a thousand dollars to hundreds of thousands of dollars (or even more).

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Review, Reconsider and Refine

As your business grows and changes, your IP needs will also change. IP laws are also constantly changing, which can change the value of different rights within the various IP regimes. Regularly reviewing your IP strategy and assets will ensure that your IP rights continue to service your business in the best way possible.

You may need to change your overall strategy over time. You might become successful earlier than you anticipated, and have more capital to reinvest into your business by protecting your IP portfolio. The technology that you develop might become easier or harder to reverse engineer, changing the calculation on whether to patent your rights as opposed to relying on confidential information.

You might find that you're gaining less value from your registered portfolio than you expected.

You might also find that products or processes that were central to your business become superseded over time, or what you thought would be a small venture becomes your most lucrative income stream. As there is a cost to maintaining registered IP rights, if you're no longer gaining value from them, consider selling or licensing the rights to someone else, or even allowing them to lapse. It is usually relatively easy to expand your existing trade mark rights over time to cover more countries or more goods and services (unless someone else has begun using your mark). Existing patents and designs rights, on the other hand, are more difficult to expand, though the creation of new and improved technologies can open the door to new filings.

Conclusion

Creating a successful IP strategy is the first step to ensuring that your business maximises its IP opportunities and minimises its risks. If you would like any assistance with preparing your IP strategy, or have any other questions about IP in general, please do not hesitate to get in contact with us.



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