

## **MANAGING INTELLECTUAL PROPERTY ASSETS**

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James and Wells Intellectual Property is a full service intellectual property firm, specialising in matters relating to intellectual property (IP). A significant part of the practice involves working with Chartered Accountants – either the provision of services to their clients or assisting them to enhance and expand the service they provide to their clients.

### **Introduction**

Any company not having a proper understanding of intellectual property and how to manage it will most likely make expensive errors or miss lucrative opportunities.

It is not sufficient to address intellectual property issues in an ad hoc manner. Smart companies will treat intellectual property as a strategic issue requiring proactive management for performance optimisation.

The process of intellectual property management involves the following steps: identification and capture of IP rights, protecting IP rights, and exploiting those rights. Business advisors need to appreciate these management processes to ensure their clients get the most from their intellectual property.

### **Identification and capture of rights**

The most fundamental issue in the management process is being able to identify what intellectual property rights are being created in an organisation, and how those rights potentially add value.

For example, ideas for new products, new processes and manufacturing methods all start out as confidential information. However, some of these concepts may be capable of patent protection, if they are novel (not previously used, known or publicly disclosed) and inventive. Patents protect the underlying idea, not necessarily just one manifestation or expression of that idea.

Text, drawings, software, flow charts, databases and the like may be protected by copyright, if they are original. Copyright protects a particular expression of an idea, not the idea itself. In the context of a product, it protects the way the product looks. Product shape can also be protected by a registered design, which is a registered form of copyright, or by a three-dimensional trade mark registration in some cases.

Trade names, company names, domain names, trade marks and product get-up are all related to the goodwill of the organisation. They are indications of origin that generate

repeat business. These intellectual property rights can be protected by trade mark registrations and domain name registrations.

Other forms of intellectual property that one should be aware of include circuit layout designs and plant variety rights.

Having a thorough knowledge of the intellectual property “tools of the trade” and the methods available for formally protecting them is essential to the management process.

Hand in hand with being able to identify intellectual property is the ability to advise an organisation on how to best capture the IP it generates. This involves ensuring that the IP belongs to the organisation and is protected in the most appropriate fashion having regard to the commercial strategy of the organisation.

All employment agreements should be reviewed to ensure there are robust clauses stating that IP created by employees in the course of their employment will belong to the organisation. Further, agreements should be checked to ensure stringent confidentiality obligations are imposed, as deterrent to valuable information being leaked from the organisation. Finally, restraint of trade provisions should be considered, to ensure they are broad enough to safeguard the organisation, but not so broad as to be completely unenforceable.

The organisation should implement strict confidentiality protocols, to ensure that valuable information that is potentially patentable subject matter or capable of design protection is not publicly disclosed. Public disclosures will destroy the novelty of an invention or design, rendering them incapable of patent or design protection. These confidentiality protocols include:

- (a) ensuring all employees and consultants are bound by confidentiality obligations;
- (b) issuing written confidentiality policies to employees, for example, shredding drafts rather than placing in general rubbish tins and stamping confidential documents;
- (c) maintaining oversight policies to avoid inadvertent disclosure in publications, seminars, speaking engagements and trade shows;
- (d) ensuring physical security precautions are in place, for example, self-locking doors and security card access to areas in the premises where sensitive information is stored;
- (e) requiring all visitors to sign-in and agree to confidentiality as part of that process;
- (f) encrypting or password-protecting files that contain sensitive information and locking away hard copies of that information; and
- (g) prohibiting employees from removing sensitive information from the premises without signing it out in a log book.

Where an organisation uses a third party to assist with the development of a new product, process or software program, the organisation should utilise a formal written agreement that specifically addresses the issue of ownership of intellectual property. While the copyright in certain copyright works, such as artistic works and software, will by virtue of a section in the Copyright Act 1994, automatically be owned by the party agreeing to pay for the creation of the work, those rules do not apply to other types of works, such as literary works (eg a software manual).

The foregoing recommendations should be implemented so that an organisation is aware of and captures all of the IP it generates, which places the organisation in the best possible position to decide which IP requires formal protection.

### **Protecting Intellectual Property**

Unless the organisation you are advising has a limitless budget for IP protection, then it will not be possible to obtain registered protection for every piece of intellectual property it generates in every market the organisation is potentially interested in. In any event, registered protection may not always be the best option having regard to the nature of the innovation, the market for it and the organisation's commercial strategy. For example, certain innovations can be retained as a trade secret indefinitely, whereas under the patent system, the innovation is freely available for use by the general public once the 20 year life of the patent expires.

The organisation needs to develop a set of criteria for determining what intellectual property will be selected for registered protection in the form of patents, designs and trade marks. The criteria will be integrated into the commercial strategy of the organisation, and have regard to the intended methods of exploiting the IP.

Once the decision to obtain registered protection is made, a filing strategy must be developed. The strategy will cover off at least the following elements:

- exactly what will be the subject of protection;
- countries in which registration will be sought; and
- the timing of any filings.

In determining what will be protected, the organisation or its advisor must have regard to the commercial strategy of the organisation, to ensure the filing furthers the commercial objectives of the organisation. What aspects of the invention are sources of competitive advantage? What must at a minimum be covered in any patent application? Will a trade mark registration cover the words of the mark only or an entire logo?

Deciding which countries to file in can also be difficult. The more countries you decide to cover, the more costly the process will be. An example of a country selection strategy we recommend is as follows:

- protect the home market, to ensure make the product can actually be made in New Zealand;
- protect the major economic markets for the product or process, to increase the chances of the invention delivering the desired level of return; and

- protect the markets in which major competitors have manufacturing bases. For example, while Sweden is not a major market for rock crushing machinery, it is a major player in the manufacture of such machinery. Having a rock crushing patent in Sweden may make it difficult for Swedish manufacturers to compete.

The timing of filings must also be managed carefully, or cashflow may become a problem. The patent system has a number of facilities that can be used to delay the largest costs for up to 31 months. Likewise, trade mark rights in some countries are obtained simply by using the mark, while in others you must be the first to file for a trade mark registration. These considerations must be balanced against the organisation's budget and projected cashflows.

### **Exploiting rights**

Initial decisions as to how IP rights will generate value for the organisation should have taken place in at least one of the prior steps in the IP management process. However, once the IP rights have been granted or obtained, the organisation needs to optimise the value it derives from those rights.

Some rights will be used "in-house", for example, when the organisation decides that it will make and sell a product itself. Other rights may be licensed out to a third party who will make and/or market the new product. In most cases a combination of in-house commercialisation and a licensing program will maximise the organisations return of the IP.

Some rights may simply be held as a strategic asset. For example, the IP may not be truly valuable until some enabling technology is developed. If a competitor is likely to be infringing a patent that your organisation does not use itself, you might retain that patent as a bargaining chip in the event you need a licence in relation to some other IP owned by that competitor.

If the IP is not creating value for the organisation, then it may need to be culled from the portfolio altogether. Decisions about whether to try to sell it, to simply abandon it or to donate it need to be made.

### **Conclusion**

Intellectual property is an extremely important and valuable business asset. To ensure the asset generates an appropriate return on investment, an intellectual property management programme should be implemented.

The programme should include criteria to determine if and when intellectual property should be the subject of registered protection. The criteria must relate back to the commercial strategies of the organisation, to ensure intellectual property protection decisions support the strategic objectives of the organisation.