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Users of the IP system

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Presentation Outline



- The IP system challenge
- Implement an effective IP business strategy and use the IP system to your benefit
 - *where to start*
 - *minimise IP risk*
 - *build the portfolio*
 - *maximise and extract value*
- Conclusion



THE IP SYSTEM CHALLENGE

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It has been stated time and again that IP protection is key to becoming a successful business, but:

- does the rising cost of litigation and changing risk-reward analysis of obtaining IP protection deter innovation?
- is IP protection still worth it?
- does the legal system favour large purses and drive bad patent behaviour?

If you choose to patent everything, you could be wasting millions of dollars

If you don't patent everything, you risk paying out millions of dollars in litigation fees, verdicts, royalties, down-stream product redesign and lost time to market.



THE IP SYSTEM CHALLENGE



The reality

- Regardless of what product your enterprise makes or what service it provides, it is likely that it is regularly using and creating a great deal of intellectual property. You should systematically consider the steps required for protecting, managing and enforcing IP, so as to get the best possible commercial results from its ownership
- If you are using intellectual property that belongs to others, then you should consider buying it or acquiring the rights to use it by taking a license in order to avoid a dispute and consequent expensive litigation

The challenge

- Patent protection is expensive and became too expensive for smaller companies
- Companies purchase patent portfolios merely as defensive mechanism and not actively using them
- A small business may be hard-pressed to assert or defend patents in court.
- Patent litigation is an arduous, expensive process.
- Threatened by a troll or a competitor with a bigger budget, a business may be left with little choice but to pay out a licensing fee.
- A fragmented patent system causes uncertainty, delays and unpredictability of enforcement is a grave concern for business society

Can we change the IP system

- **Is harmonised IP laws the answer?**
- **Are patents granted too easily?**
- **Is there an alternative to expensive and time consuming IP litigation?**



THE IP SYSTEM CHALLENGE

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In today's economy, intellectual property (IP) rights represent valuable business assets. The commercial exploitation of IP rights through international licensing, patent pooling, technology transfer and research and development agreements, branding, copyright and design strategies can trigger substantial benefits. However, IP rights are only valuable as long as they can be effectively enforced. Globalization is a double-edged sword for innovation. It can give innovative companies the opportunity to go beyond national boundaries, but at the same time jeopardise their innovation without proper protection. It can even destroy the cycle of innovation.

Is harmonization of the IP system the answer to the crisis?

- Substantive and legal harmonization might be the final goal of harmonization, but it costs too much and takes too long. Rather, as a practically plausible alternative based on cost-benefit analysis, it is worth focusing on a modest harmonization, namely administrative and substantive harmonization for “work-sharing”.
- The purpose of work-sharing is to eliminate unnecessary duplication of work among the various patent offices and enhance patent examination efficiency and quality.
 - ❑ Patent Offices can share and mutually exploit the information of searching prior arts (e.g. “Triway Project” suggested by USPTO).
 - ❑ Patent offices can share examination information including office action in the process of examination. A second office can use this information as a basis for decision making, construe other points of view, or anticipate the result of a patent decision or office action (e.g. “New Route” suggested by JPO and “SHARE” project proposed by USPTO).
 - ❑ Patent offices can cooperate with other offices by sharing final decisions. A second office can use these decision to decide quicker to grant or reject a patent application (e.g. the Patent Prosecution Highway).



THE IP SYSTEM CHALLENGE



With the multiplication of international IP transactions, the number of IP-related disputes has likewise grown. Modern challenges such as digitization and globalization contribute to an increase in IP-related conflicts. IP litigation is increasing and becoming more time consuming and costly to companies, big or small. To date IP legislation has not yet been fully harmonised on a European or international level. As IP rights are territorial, potentially lengthy and costly proceedings in several jurisdictions under different laws are sometimes initiated with the risk of conflicting outcomes.

Is there an alternative to expensive and time consuming IP litigation?

- Harmonization of procedures for invalidating patents will require substantive and legal harmonization
 - 3rd party observations
 - re-examination
 - post grant oppositions
 - specialised international courts (IP disputes have common features to the extent that they are often international, involving technical or specialised subject-matter and confidential issues).
- Alternative dispute resolution (ADR) procedures via contractual arrangement
 - Mediation
 - Arbitration (greatly facilitated by the New York Convention, which requires all 144 Member States to recognise international arbitral awards without a review on the merits)
 - Expert determination

NOTE: The WIPO Center makes available WIPO mediation, arbitration, expedited arbitration and, since 2007, expert determination rules. WIPO Centers also offers forums, guidance, experts and best practices on ADR.





AN EFFECTIVE IP BUSINESS STRATEGY

WHERE TO START

➤ Align IP strategy with business strategy

Understand, analyse and internalise current and expected future technology and product/services trends, IP landscape analysis of key players and how IP assets are contributing value to the organization.

- take stock of what IP assets you have
- map current and expected future technology and product/service landscapes
- map IP landscape of potential partners and competitors
- map the company portfolio against company objectives - it is not uncommon to find that certain IP assets are no longer central to the business direction and that at the same time there are gaps that should be filled immediately and in the near future
- analyse IP and technology landscapes of other to understand the urgency and value of new innovation
- develop defensive strategies by assessing competitors' technology to identify relevance to own portfolios, i.e. to determine licensing/acquisition potential
- develop, implement and adhere to company IP guidelines
- implement an IP business strategy which architect a balanced portfolio: offensive, defensive and profit making



Capturing of the company's IP portfolio position vis-à-vis business strategy, products and services, competitors, and industry trends is imperative.





AN EFFECTIVE IP BUSINESS STRATEGY

MINIMISE IP RISK

It is imperative to identify IP risk and to ensure that the business really understands its IP related risks, and then mitigates proactively. Shifting from reactive patent risk management to proactive patent risk management is a key strategy driver made available by evidence-based IP insights and patent analytics that quickly (and cost-effectively) provide insights into the merits and potential response(s) to the alleged patent infringement. It is advisable to mitigate IP risk through a formal risk register which is integrated with the company's risk register.

- ❑ Assess and understand the relevant IP landscape
- ❑ Understand the litigation practice of competitors.
- ❑ Monitor, assess and prepare (preferably via an integrated risk register)
 - ❑ probability of the risk (likelihood of realising)
 - ❑ impact of the risk (operational, financial and reputational)
- ❑ Mitigate
 - via agreements & contracts (obtaining indemnities and ultimately shifting IP risk)
 - by leveraging technical cooperation with others
 - active participation in industry groups and patent purchase cooperatives
 - by avoiding 3rd party IP
 - by designing around 3rd party IP
 - by invalidating 3rd party IP – make use of available cost effective procedures such as observations, re-examination and post grant oppositions (NOTE: early identification of the IP risk is imperative)
 - by obtaining user rights – partnering, cross-license, license, acquisition
 - when appropriate – use risk insurance products

The ultimate goal of an effective IP risk mitigation strategy is to avoid litigation. When litigation is unavoidable, proper diligence must be completed prior to initiating or responding to litigation. As a defendant or as a potential assertor, utilise the best information possible to plan the response.





AN EFFECTIVE IP BUSINESS STRATEGY

BUILD THE PORTFOLIO

- ❑ analyse strengths and weaknesses
- ❑ decide which technologies to develop, whether leadership in these technologies is important or affordable, and when to license-in needed technology or acquire IP to reduce cost of R&D or enter into a venture collaboration
- ❑ choose the most appropriate IP vehicle
- ❑ correct timing in obtaining patent protection is essential.
- ❑ combining the traditional and alternative intellectual property vehicle in order to fill in the gaps of a particular tool in terms of innovation protection, costs and value creation
- ❑ Implement procedures for security of confidential client data and trade secret maintenance by confidentiality programs and proper personnel contract management need to be addressed and don't forget the value of exit interviews.
- ❑ provide for a budget forecast for patent costs according to an analysis of new product development needs since the cost of international patenting is high.

Individual patents are like bricks and a portfolio is like a collection of bricks. Avoid bricks heaped in a pile on the ground, assemble it into a strong and attractive building.



AN EFFECTIVE IP BUSINESS STRATEGY

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MAXIMISE AND EXTRACT VALUE

➤ Prevent foreclosing

- Protect key technologies/products/services with the most suitable IP vehicle. While patenting has traditionally dominated IP strategy, it is an expensive proposition that may not be the best solution in many instances:
 - weigh the risks and the benefits of registered and unregistered IP rights
 - use protective measures such as trade secrets, know-how and confidentiality, rapid production and development to great advantage
 - make use of defensive publishing to create prior art

➤ Prevent excessive license fees

- Accept that ownership over key technologies may become scattered among multiple entities and prepare for acquisition of IP rights – it may be more cost effective than developing your own
- Create cross-licensing/negotiating value by obtaining patent protection for turn key inventions and possible design around – competitor intelligence is imperative

➤ Manage the portfolio

- manage IP shelf life - license/sell/donate/lapse dead wood in the portfolio
- patent/publish confidential information/trade secrets at risk
- align technology and product life cycles with IP portfolios – prune, replenish and maintain accordingly



Business at its core is to
increase value and reduce costs



AN EFFECTIVE IP BUSINESS STRATEGY

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MAXIMISE AND EXTRACT VALUE

➤ Conduct regular portfolio reviews to re-assess value

- IP life and term
- IP family groupings
- international coverage
- competitive landscape

➤ Embed IP tools and process

- process and policy reviews related to innovation and invention capture
- patent strategy and decision management processes
- confidential information handling and trade secrets reasonable measures
- decision tools including benchmarking, score cards, and executive dashboards
- portfolio and business alignment assessment and improvement
- competitive assessment
- IP reporting
- engagement with executives, investors, and board members
- IP go, no-go decision support

➤ Educate and sensitise

- Implement regular IP training programs in the firm so that all layers of management know how and when to communicate on related IP issues.

Ongoing IP portfolio management, assessment, reporting and information flow is critical to sustained value creation and competitive positioning.



Conclusion



- *IP is ultimately a technology transfer instrument. Without IP, collaboration in technology development becomes prohibitively difficult.*
- *The expensive price of competing in the high-stakes IP game can be curbed through smart IP management: There is no difference between being a good intellectual capital officer and being a good businessman.*
- *It is important to improve the efficiency and effectiveness of the company IP functions to enable more effective and timely decision making helping to reduce budgetary pressures.*
- *An effective IP strategy includes identifying technology and product/service specific plans to realise value, while minimizing risk and any disruption to core business initiatives and ultimately will result in the freedom to operate your business.*
- *The IP market is rapidly changing, requiring your IP strategy to be continually monitored and updated to assure optimum results.*
- *Increase overall awareness by both executives and scientists to utilise IP as a strategic tool. Such training is directed towards expeditious adoption of the chosen IP strategy.*



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