

INTELLECTUAL PROPERTY

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CHALLENGES OF LARGE IP PORTFOLIOS

By Sumi Nadarajah

Intellectual property (IP) indisputably adds value to business. This is the reason that any business worth its salt invests heavily in IP protection. Companies need to think carefully about how they protect, manage and leverage the various IP assets across their business. Harnessing the power of IP assets is essential to commercial success.

The acquisition and management of IP assets requires a great deal of time and resource. Organisations which have large IP portfolios constantly face a number of challenges in securing, managing and enforcing their rights. Here are some of the challenges faced and tips on how to deal with them.



PATENT



PATENT LAWS IN CERTAIN COUNTRIES ALLOW THE FILING OF PROVISIONAL APPLICATIONS INSTEAD OF REGULAR APPLICATIONS – THIS CAN BUY THE APPLICANT TIME TO DETERMINE THE COMMERCIAL VALUE AS WELL AS ASSIST IN DEFERRING SIGNIFICANT EXPENSES WHILE PRESERVING RIGHTS.



What to protect

Companies with large IP portfolios generally own, use or have acquired patents, trademarks, designs and trade secrets. These essential assets need to be protected as they drive revenue. However, the challenge faced by these companies usually boils down to three factors, namely: (i) what IP to protect, (ii) where to protect, and (iii) how much does it cost. In deciding on what IP to protect and where, the decision should be driven by factors such as market demand, competitor activity, technological evolution, etc. Not every single invention needs to be patented, nor every single product name requires trade mark registration.

For trademarks, the focus should be on registrations for house brands at the top level and followed by the key brands which generate the highest revenue. These should be protected in the main markets of interest to the business, followed by in major jurisdictions particularly where trademark rights are based on the “first to file” and countries at high risk for infringers and squatters. Trademark protection is significantly less costly than patent filings however it is necessary to be efficient and strategic with trademark assets.

A patent portfolio is usually one of the most valuable assets of any company. However, this also entails a

significant spend. Some organisations make clever use of IP procedural mechanisms strategically to preserve their rights. For instance, patent laws in certain countries allow the filing of provisional applications instead of regular applications – this can buy the applicant time to determine the commercial value as well as assist in deferring significant expenses while preserving rights. Similarly, pre-filing disclosure grace periods can also be used to defer patent-filing costs, as can deferring patent examinations.

Organisations can also use international filing protocols to promote efficiency and defer costs. Trademark filings in the European Union Intellectual Property Office which covers all 27 Member States of the EU can save significant costs as compared to multiple direct national filings. Madrid Protocol filings through the World Intellectual Property Organization can be a useful cost-management tool as compared to multiple direct national trade mark filings. Similarly, the Patent Cooperation Treaty (PCT) created a centralised system for filing and conducting a search regarding a single international patent application. Although rights are not granted unless and until patents are granted in individual countries, the time involved in the PCT process allows for deferral of significant expenses in international filings.

Practical challenges

Companies owning a large IP portfolio often face practical challenges in terms of efficient management of their IP. The IP needs to be carefully managed through either an appointed internal manager (usually within the in-house legal team) or by appointing a firm of attorneys specialising in IP. Oftentimes, companies do not recognise the need for a dedicated IP personnel and this job falls under the remit of the Marketing Manager who may not always be completely aware of the significance of IP. Here are some reasons why expertise is required when dealing with the practicalities of IP portfolio management:

Timelines: The significance of timelines cannot be exaggerated in the IP lifecycle. Each IP application has numerous deadlines during its lifecycle. The process and deadlines vary from country to country. It becomes challenging to keep track of deadlines even through automated tools as the timeline for each country varies. The danger in missing deadlines is that it can signify the loss of rights for the IP owner which will have a significant impact on the value of their business.

Co-ordination: At each stage of IP lifecycle (i.e. from filing to payment of post-grant annuities), the portfolio manager has to interact with clients, attorneys and patent offices. Concerns with respect to receiving timely instructions from clients and prompt responses from foreign attorneys may arise. Interacting with different foreign patent offices can become challenging owing to language and time barriers.

Translations: Most countries accept applications in English however some countries insist on receiving the documents and all communication in their local languages.. Accuracy of the translation is extremely important and needs attention to detail in order to ensure that scope of the IP is not altered by translation limitations.

Docketing: The importance of well-maintained docketing should never be underestimated. Docketing is like housekeeping, painful but necessary. If the docketing is not done in a timely manner, with accuracy or is otherwise flawed, it may result in the loss of your IP asset. Hence, a systematic and well defined docketing process is of utmost importance.

Budgeting: This could involve culling IP assets no longer important to the company and can be done through abandonment to avoid ongoing maintenance costs or sale to a third party better positioned to capitalise on the IP. It is also important to prioritise projects and make strategic decisions on how best to manage your IP portfolio. Recruiting appropriate internal personnel as well as appointing a firm of attorneys experienced in IP portfolio management can greatly assist in the management of legal budgeting.

Enforcement challenges

Once they have secured their IP rights in the jurisdictions of importance, it is important for organisations to have an effective enforcement strategy to keep competitors in check by guarding their key business assets against infringement. Protecting IP assets not only protects market share, but also provides strong leverage for bargaining. In addition, potential investors feel confident when robust IP enforcement strategies are in place and being implemented, positioned to help grow their capital investment. Strategic enforcement of IP assets also can result in royalty revenue.

IP portfolio managers are often faced with the question of which IP to enforce and what level of infringement requires enforcement. The factors that they will have to consider about the infringing party are whether the infringing company is small or large? Does it sell in more than one country in which you have IP rights? Are they selling to the same customer base as your company? How many patents/

trademarks are being infringed? How big is the market for the product? Do you need the competitor off the market? Do you need to maintain a business relationship with the competitor? And the list goes on.

The common steps taken in IP enforcement typically includes cease and desist letters, litigation, and settlement agreements. In most cases, the cease and desist letters effectively stop the infringement. However, in more serious cases, litigation may result if the parties both wish to defend their positions. Litigation can be expensive and causes business disruption to all parties. These factors sometimes prompt more serious settlement discussions resulting in a settlement agreement between the parties.

The enforcement of IP rights is best considered with input from legal experts. IP litigation can be extremely costly in the different jurisdictions and prohibitive in some instances. In practice, this is an area of the law where settlement has often found to be more commercially beneficial to the disputing parties than adversarial action.

Conclusion

All organisations which choose to protect their investment in IP face the challenge of portfolio optimisation. This is true irrespective of sector, geography or portfolio size. It is not unusual for organisations to experience overstocking of IP in some areas and understocking in others (i.e. too many or too few patents or trademark registrations). This imbalance means that your IP is failing to deliver full value for the money spent.

The challenge is for the organisation to keep its IP strategy focused squarely on key commercial levers and to avoid being distracted by niche products or services that serve small markets with lesser revenue potential and that may absorb IP budget better allocated elsewhere. A good portfolio manager needs expertise, an attention to detail, knowledge of changes in law and a smooth working process. The trick is to be pragmatic, strategic, and efficient in managing the portfolio.



Originally from Malaysia, Sumi qualified as a Barrister and subsequently a Solicitor in the UK, before moving to Ireland, where she has spent the last 15 years working in FRKelly's Dublin offices. Sumi counsels foreign and domestic clients in the selection, clearance, prosecution, monitoring and enforcement of Irish, UK and EU Trade Marks. She also manages and coordinates the global IP portfolios of a number of leading Irish companies and represents the trademark interests of a broad range of SMEs and private individuals, specialising in the food and beverage, FMCG and packaging sectors.

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For more information please contact:
s.nadarajah@frkelly.com
+353 1 231 4822