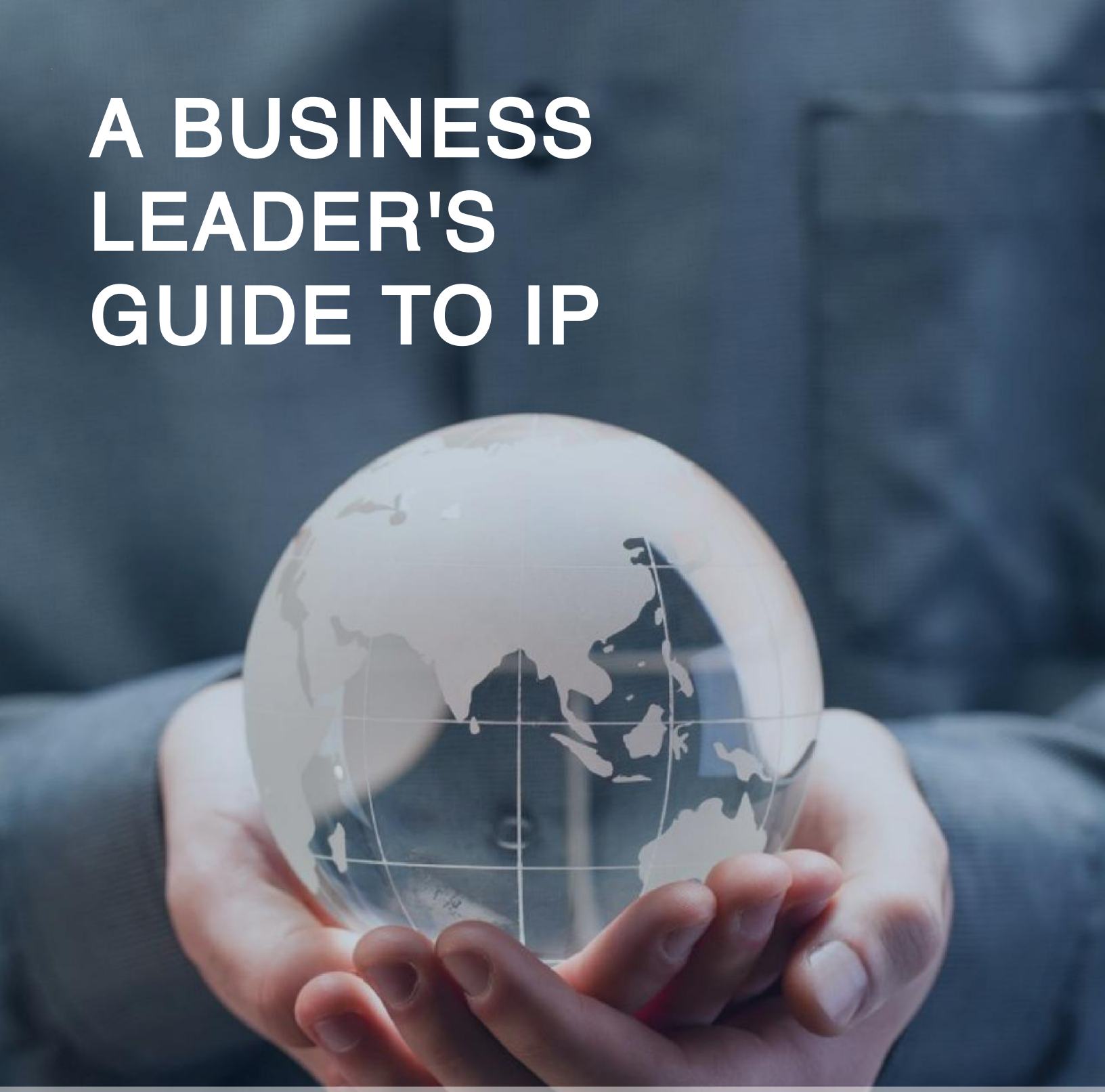
A BUSINESS LEADER'S GUIDE TO IP



Impact and opportunity you can achieve by integrating intellectual property strategies as a core element of your business.

DILWORTH IP
WE PATENT THE FUTURE®

TABLE OF CONTENTS

Learn the strategies, opportunities, and impact you can achieve by integrating IP as a core element of your overall business and innovation strategy.

Image Credit: Zaini Izzuddin on Unsplash.

ABOUT THE AUTHOR

For 25 years, Michael Dilworth has been guiding innovative companies in their pursuit of a better tomorrow through technology.

Having previously served as chief IP counsel at Chemtura Corporation and founder of Dilworth IP, Mr. Dilworth knows that innovation in today's competitive world is challenging. Protecting his clients' treasures with a well-crafted IP strategy is vital to securing their future and humanity's promise of a better tomorrow.

Mr. Dilworth is proficient in all areas of intellectual property law and intangible asset strategy. In addition to patent and trademark prosecution, transactions and due diligence, litigation, post-grant proceedings and IP licensing, Mr. Dilworth also advises clients on patent strategy, portfolio assessment and management, and executive counsel on implementing strategies that can guide high-growth technology companies on a path toward effective IP alignment.

PART 1 - UNDERSTANDING YOUR POTENTIAL RISKS

In the business world in general, but perhaps most significantly in the technology sector, intellectual property (IP) is the lifeblood of an organization. From fueling ideas for innovation and informing research and development efforts to establishing a competitive market position with industry-leading products, it's no wonder that IP accounts for an estimated 70% or higher of a company's real-world valuation. But the intangible nature of IP makes protecting it far more complex than securing physical property or valuables, and the nature of the threats to which businesses are exposed in regard to their IP is equally nuanced.

In this eBook, we'll be taking a closer look first at the specific risks that businesses—in particular technology firms—can face in the realm of IP, and second at the ways that those risks can be reduced by effective management of IP contracts.

Threats to Your IP

Because your IP comprises such a significant portion of your valued assets, threats to its integrity, usefulness, and potential pose a serious risk to current and future profitability.

While IP related threats exist in many forms and will vary in type and severity depending on the organization, the market, and the IP in question, it is safe to say that the major risks to which businesses are most commonly exposed fall into three main categories:

Threat #1: Theft

While the word "pirate" traditionally conjures up images of peg legs, parrots, and walking the plank, today's pirates have traded swashbuckling for copyright infringement, trade secret theft, and brand impersonation.

IP thieves bypass the years of research and expense involved in developing ideas, technologies, and products by copying or stealing what has already been developed or discovered by others.

The fewer legal protections you have in place, the more vulnerable you are to having your IP co-opted by another party.

Often we think of IP being potentially stolen by an unscrupulous competitor eager to take advantage of your hard work to advance their own profit margins. While this can certainly be the case, competitors aren't the only patent and copyright pirates out there. Threats to your IP can also come from within your own organization, from independent third parties, from government entities, and of course from illegal entities like hackers.

It is important to note that, while it is paramount to have legal protections in place, they do not categorically thwart attempts at IP theft by these or other parties; what they do offer is legal recourse to reclaim what is rightfully yours and to stop the unlawful usage of your IP for another's profit.

Threat #2: Decreased Market Share

Consider the impact of being poised to launch an innovative product that will revolutionize your industry, only to have someone beat you to the revolution—and the profits—by releasing the product first. Or the difference it will make in your market standing to go from dominating the marketplace as the only source of a unique product to treading water as one of many in a sea of copycat products.

When copyright, patent, and trade secret theft are played out to their inevitable conclusion, these are the scenarios most likely to follow. Thieves don't steal IP to keep it as a treasured possession, but to use it for their own profit, and when it comes to profits, most roads lead to the market.

Whether your market is a broad consumer base of cell phone users, a more specialized niche of clinicians dispensing durable medical equipment, or government agencies utilizing your data storage services, the bottom line is that if another organization's share of that market increases because they stole your tech, your share decreases.

Threat #3: Compromised Leverage

Your IP plays an even wider role in your profitability, opening up possibilities for licensing of technology as well as providing you with leverage to command a greater value in the sale of your business, financing, or mergers and acquisitions.

Lack of proper protection here places you at risk for a lower valuation, not to mention the loss of potential additional streams of revenue from IP licensing.

Consider as well that sale, financing, and M&A processes also expose your company to potential lenders, buyers, investors, or partners who, even in the exploratory and negotiating phases, will have greater access to your IP than would otherwise be the case. These can become occasions of vulnerability, and especially so in the absence of legal protection.

Technology firms have always been on the forefront of innovation, but today's evolving social conditions and resultant market changes have elevated innovation from beneficial for success to essential for viability. Knowing the risks associated with your most valuable asset is the first step to mitigating them, and ensuring that your IP remains a greater source of profit for you than liability.

Image Credit: Royalty-Free Image from RawPixel.

PART 2 – SOUND STRATEGIES TO MITIGATE YOUR RISKS

Intellectual property (IP) is widely recognized as a major component of a firm's valued assets, particularly within the ever-evolving and innovation-driven technology sector. However, it is precisely this value that makes IP a potential and unique source of risk.

In the previous chapter, we provided an overview of three of the most significant IP risks to which technology companies are exposed, focusing on theft, diminished market share, and compromised leverage for licensing, financing, sale, and M&A opportunities.

Here, we continue with an in-depth look at the first of these risks and a discussion of the strategies that technology leaders can develop to prevent and/or mitigate them.

The Shifting Landscape of IP Risk Assessment & Response

As technology evolves, so too do the methods thieves devise to access and appropriate IP. Where in the past the most significant source of potential IP theft was perhaps a discontented or opportunistic partner or employee with access to physical documents, today's IP is subject to increasingly sophisticated attempts at theft from a variety of internal and external sources.

The digital revolution has widened the range of potential perpetrators from those with physical access to just about anyone with the technological savvy to breach data security systems, from current and past employees to market competitors, individual cyber attackers, and even hostile foreign states.

Beyond that, however, the scope of theft has also increased exponentially. One author highlights the difference in the sheer volume of data that can be stolen in one event, contrasting the 7,000 pages of top-secret Pentagon documents leaked to The New York Times by Daniel Ellsberg in 1971 to the 2016 leak of the Panama Papers which constituted 2.6 terabytes of data including 3 million database files, 2.1 million PDFs, and 4.8 million emails. The shear speed and magnitude of IP theft's ability to cause harm has grown exponentially, which is why smart companies need to do all they can to prevent it.

Identify, Locate and Track Your IP Assets and Points of Risk

The first step toward preventing IP theft is in identifying your IP assets requiring protection. The best method for performing this action is to execute an IP audit. An intellectual property audit is a comprehensive, enterprise-wide review of a company's IP assets. IP audits can enable your business to identify, preserve, and enhance its IP.

In addition, it can empower the company to make improvements in its IP management through correcting defects identified in how IP rights are defined and catalogued as well as any issues with agreements related to ownership of IP assets; identifying risks that your solutions and innovations could infringe upon another entity's IP assets; and apply sound methods for IP asset management execution. In short, the IP audit will encompass both the IP assets themselves as well as IP agreements, policies, procedures and practices.

It's also important to understand that, even in this digital age, there is an essential and often overlooked physicality to the presence of IP assets, often creating unseen points of risk. This is something which your Chief Security Officer or Chief Information Security Officer (CSO/CISO) can address in cooperation with legal counsel and executive management.

IP details are often contained in documents that are printed, scanned, copied and faxed — not to mention emailed, shared via Slack or Teams, discussed on recorded video calls, and more. Every one of these devices today stores and records images and data pertaining to the documents and content being processed, often transmitting that information to an offsite location or server.

Cloud applications and file-sharing services represent another essential point of weakness, as do mobile devices such as company-issued laptops, iPads and mobile phones — not to mention personal devices that connect to the company's networks through popular Bring Your Own Device (BYOD) initiatives.

Map, Prioritize, Define and Label Your IP Assets

Once all IP assets have been identified and catalogued, it's essential to classify and prioritize assets across the enterprise. This begins with a cost-benefit analysis of IP risks vs. costs of protection and determining what levels of IP protection should apply to a given asset or asset class.

Mapping IP assets enables senior management to understand how different kinds of assets, applied to different areas of the business, can affect your risk profile.

For example, a new design innovation that consists of both engineering and user experience components and which is applicable to two of the company's three highest-value business domains, would be prioritized very highly and warrant maximum investment in its protection. The key here is to identify the type, nature, scope and applicable focus areas for each asset, and then use a decision matrix to assign a level of value, a level of risk and a level of protection to each.

Labeling and Protecting Trade Secrets and Non-Disclosed Innovations

It's important also to think of IP protection strategy in terms of two kinds of assets – those that are publicly disclosed in patent applications or trademark registrations, and those which are not, or not yet, available in the public domain. These latter include trade secrets, R&D strategies, new technologies still in development, and innovations that have been filed as patent applications but have not yet been published by the Patent Office (typically within the first 18 months from filing).

It is critical to make this distinction because once a patent application or trademark filing is published, that information is shared publicly. While still vulnerable to counterfeiting with its own set of problems, disclosure is a nonissue for anything already in the public domain. On the other hand, if a trade secret or other non-disclosed innovation or innovation strategy is accidentally or nefariously made public or counterfeited, you will face myriad problems – determining the scope and nature of what was taken; identifying and quantifying the damage against your market share and reputation if another party uses that innovation; and possibly losing your rights to the legal protection that innovation would otherwise warrant.

A critical first step for any of your non-disclosed and emerging innovations is appropriately labeling those which are sensitive and confidential assets as well as identifying the risk level associated with unintended disclosure of each of those assets. Labeling eliminates the risk of future claims that an actor simply didn't know that a given asset or piece of information was sensitive.

Labeling is only a first step. Protecting your trade secrets requires proactive planning. Clear protocols for how employees handle sensitive information, both physically and electronically, need to be established and enforced with vigor. Employment agreements, especially for those in positions working with or developing these key innovations, must include stringent non-disclosure and non-compete clauses in addition to clearly established ownership rights in favor of the organization. Any breach of these clauses must be demonstrably prosecuted. Agreements entered into with suppliers, manufacturers, or other external partners must include similarly appropriate clauses to maintain the secrecy and rights to the innovation at issue.

In addition to these legal and policy provisions, consideration should also be given to the development of designated facilities designed to safeguard a company's most valuable secrets. One example is the use of SCIFs (Sensitive Compartmentalized Information Facilities) which are designated rooms/locations in which mobile devices are not allowed; walls are soundproof; digital access to wireless and wired networks is rendered impossible; and assets are cross-checked and inventoried on the way in and on the way out. Going to such lengths is not a sign of paranoia. Rather, if an IP asset in your business is worth potentially hundreds of millions of dollars, investing in its protection seems like a small price to pay when viewed in this context.

Create Multiple Layers of IP Protection through Defense-in-Depth

In the field of physical asset protection, security professionals often refer to the concept of defense-in-depth. For example, a nuclear power generating station may constitute a high-risk physical asset and its defense-in-depth strategy may include a variety of layers such as perimeter monitoring cameras; intrusion detection sensors; an armed guard station; vehicle protection barriers; and antiexplosion engineering for all critical structures on the site. In the same way, we can (and should) plan to apply multiple layers of IP protection as part of our IP theft prevention model.

At the same time, this product has to be built with components made by third-party suppliers; packaged and marketed by personnel in the company from a wide range of departments and functions; and sold by distributors in multiple countries, some of whom might have the technical capability to deconstruct the product and attempt to steal both its functionality and its designs. In this scenario, how can IP be protected with multiple layers?

We begin by identifying the points of risk and then applying appropriate strategies to each element. In our example, the core innovation may consist of components that have multiple inventions that should be covered by both utility and design patents. In addition, when packaged in the unique user experience we've prepared, there may be further design patent considerations as well as elements to be identified and protected as trade secrets, trademarks or copyrights. Collectively, these protections make up the IP core of the product itself, which is now being protected from multiple angles.

In addition to these core IP protection measures (patents, trade secrets, trademarks and copyrights), there is also much more to consider and act upon. As stated above, employees involved with the new project (even in non-technical departments) should be operating under employment agreements that protect the company's clearly defined IP assets.

Furthermore, nondisclosure agreements (NDAs), ownership agreements, brand protection requirements and other contractual protections should be applied to third-party partners, contractors, distribution and sales agents; and others involved in the supply chain or delivery channels for the new product.

Bringing it All Together

As we can see, IP risk and theft prevention starts with a well-organized strategy for IP asset protection.

Step one is to identify, locate and track your IP assets through a comprehensive organizational IP audit. Step two is to then map, prioritize and label those assets based on their sensitivity and the risk their public disclosure poses to the business. And step three is to capture the best practices from proven security philosophies such as 'defense in depth' to create and manage multiple layers of IP protection, applied at the correct level of intensity based upon the risk profile and enterprise value associated with each IP asset.

By taking this systematic approach, you position your enterprise with strength when it comes to pursuing growth through the power of innovation in a high-risk world.

Image Credit: Startup on Pixabay.

PART 3 – COMBATING THEFT OF YOUR IP ASSETS

The value of intellectual property (IP) in today's innovation-driven enterprise is hard to overstate. At the same time, the impact of losing control of or protection for your IP can be indescribably devastating, both in the marketplace and for the company.

In the previous chapter, we discussed key strategies for preventing IP theft through the application of clearly defined and tightly integrated best practices. In this chapter, we will look at key steps you can take to respond to IP theft when it happens.

The Far-Reaching Impact of IP Theft

When considering the impact IP theft can have on a company, certain factors come to mind most readily: there is the cost of investigating the theft, legal fees associated with litigation, and the expense of fortifying data security systems to plug leaks and prevent future breaches.

However, IP theft can result in a staggering array of ill-effects, some of which are not as easily quantifiable, and many of which can play out over years.

Consider the ripple effect of stolen IP, from loss of market share, standing, and customer confidence to the potential loss of contracts and the dwindling of future opportunities through brand dilution and counterfeiting, which alone can put the losses from IP theft into the hundreds of millions of dollars and also create business and even human safety risks in the marketplace.

Depending on the nature of the theft and the regulatory mandates that apply, the incident may also have to be disclosed to the public, resulting in a possible hit to the firm's reputation, and added expenses if the company is required to offer protective services to customers following the breach. Another way in which IP theft can devastate business value is through the improper disclosure and unauthorized use of trade secrets, which can create ongoing risks to the enterprise for years to come as the impacts of the disclosure ripple out over time.

Understanding the Kinds of IP Theft

IP theft involves any untoward and unauthorized removal, misuse or abuse of intellectual property that is the rightful property of your enterprise. It typically comes in three formats:

- Employees or former employees unknowingly "leaking" confidential information or deliberately misusing proprietary IP assets or know-how for their own personal gain or that of other companies.
- Theft of undisclosed innovations, trade secrets, research data, documentation or other unpublished intellectual property, typically through cyber-attacks.
- Competitors and counterfeiters infringing or otherwise misusing trade secrets, brand identity, proprietary design elements, patented inventions and more.

It is important to note that 'theft' comes in two flavors here: The first is what we traditionally think of – simply stealing a company's proprietary secrets without their knowledge and likely selling them to a competitor or exposing them to unauthorized public disclosure. The second is typically in the form of infringing IP rights in the form of granted patents, registered trademarks, or copyrighted materials.

Responding to the Crisis and Mitigating the Damage of IP Theft

The first few days and weeks following the discovery of IP theft are especially critical, and business owners seeking to demonstrate that a theft occurred so that they can pursue legal action are well-advised to enlist the assistance of a trusted IP attorney.

The following steps outline the actions to be taken immediately following the discovery or suspicion of IP theft:

Step 1. Assess both access and protection

In order to prove that IP was stolen, a business must demonstrate that the suspected thief had access to the compromised data or information (in the case of a trade secret or other proprietary information), or that the company's IP rights have been infringed. The more information compiled—such as determining the time frame during which the IP was accessed and the potential ways the alleged perpetrator may have to benefit from the theft— the better. Pay attention here to third parties including business partners and service providers.

It should be noted here that the vast majority of IP theft comes at the hands of an organization's employees who either accidentally leak data through loose security protocols or who bring the know-how or actual documentation to a competitor when they move on in their career and begin working for another firm. This is a good demonstration of the importance of multi-faceted protection strategies discussed in this eBook, including well thought out security and IT protocols to reduce the chance for proprietary IP leakage, as well as IP ownership and non-compete clauses in employment agreements.

Step 2. Gather evidence.

This step is vital to establishing the credibility and strength of any case brought against the alleged infringers. Business owners should consult with their IP legal team to arrive at a detailed list of the types of evidence that will best support their case, but photographic evidence—in the form of actual photos or screenshots (in data-oriented incidents) —is usually valuable. Organizations experiencing IP theft may also be able to supply more in-depth data by searching WHOIS.net, a domain database that may help uncover the IP address of any website publishing the stolen IP, as well as the identity of the website's owner.

This same tenacity when gathering evidence is equally applicable to non-data cases, but applied instead toward product designs, engineering drawings, prototypes, marketing documentation, competitive claims and more, some of which will be in the public domain and some of which may not be accessible until pre-trial discovery (for litigation in the United States).

It should be noted before we move on to discuss Step 3 that these first two steps are reliant upon the solid foundation we've explored in the prior two articles. Specifically, starting with a comprehensive IP audit and then effectively cataloguing and managing your IP assets is invaluable in order to know what has been stolen as well as in gathering evidence that can be effectively used to respond.

Put another way, companies struggle regularly just to track their tangible assets such as office equipment, machinery, furniture and computers. Those at least are physical items that can be identified without much trouble. In the case of IP, the quality and thoroughness of the foundational IP audit and IP asset management processes will have an enormous impact on your ability to avoid or respond to IP theft.

Step 3. Assess the damage

Business owners should complete a comprehensive analysis of what the IP theft has cost their organization, keeping in mind that the financial impact is not always immediate or obvious. Consider that the two main types of damages awarded in most infringement actions are reasonable royalties and lost profits.

Step 4. Pursue active enforcement

Working with an IP attorney to send a cease and desist letter to any parties who have been discovered using or selling the stolen IP is crucial, as is the pursuit of appropriate legal action in court, if applicable. If the responsible parties do stop using the stolen IP, the letter has served as a method of damage control; if they do not, then the organization that has been breached may have a better standing to prove in court that the misuse is intentional.

Step 5. Understand the context

As we can see, IP theft comes in many forms and is pursued from a variety of angles and by a plethora of potential bad actors. That is exactly why a comprehensive IP management and protection strategy must be in place, including elements such as:

- Clearly defining ownership rights in contracts and employee agreements
- Monitoring competition through ongoing analytics
- Taking inventory and cataloguing your IP
- Issuing cease-and-desist letters where a reasonable basis exists to do so
- Pursuing action through the courts or various trade commissions

Understanding the nature and scope of IP theft in the modern era is vital to mitigating the risks to which organizations are exposed. Business leaders, particularly in the IP-rich technology sector, can begin to formulate a risk management strategy by knowing the ways that tech-savvy thieves can attack, what kind of short- and long-term financial impact might ensue, and what steps to take upon discovering that a breach has occurred.

Image Credit: Bongkarn Thanyakij on Megapixl.

PART 4 – SHORE UP YOUR MARKET POSITION WITH A FOCUSED IP STRATEGY

Given the pivotal role that intellectual property (IP) plays in comprising a company's valued assets and securing its market position, developing and maintaining a robust IP strategy is crucial to the long-term profitability of any organization, but particularly those within the innovation-rich and highly competitive technology sector.

For leaders of technology-driven enterprises, a focused IP strategy serves to protect not only their market share, but also their company's reputation, ensuring that the cache they've built up with consumers as top innovators in their market remains strong—and uncompromised by a proliferation of copycat products or new products launched on the foundation of unscrupulously appropriated IP.

What is IP Strategy?

At its most basic level, IP strategy is a plan, developed in alignment with your business model and goals, to protect your organization's IP and to maximize its value as a driver of sustained market position and growth, as well as a source of current and future revenue—either directly through the manufacture and sale of products protected by patents, trademarks, and documented trade secrets or indirectly through licensing this intellectual property.

An IP strategy also provides a framework for prioritization, assessing the relative value and potential for ROI of an organization's IP and weighing it against factors including the cost of acquiring and maintaining legal protection and the risks to which the company may be exposed if a given IP asset is infringed.

It is critical at this point to stress that an IP strategy can only be effective if it is aligned with your business goals. All efforts in the realm of IP strategy must therefore be rooted in a comprehensive understanding of your business model and your intended use of the IP.

Some organizations will focus almost exclusively on leveraging IP to shore up and grow their market position; others may include commercialization and monetization goals that require exploring licensing as part of their IP strategy.

Depending on the nature of the IP and the industry, still others may have goals that necessitate a more defensive IP strategy, or one that employs aggressive enforcement measures. It is vital as well to know what, if any, international markets you may plan to commercialize or manufacture your products, as the IP strategy then would have to include foreign filing and IP maintenance considerations.

Who is Involved in IP Strategy?

A focused IP strategy will involve a comprehensive team of internal contributors and expert advisors. While the roles and number of individuals contributing to the strategy's development and maintenance will vary according to factors ranging from the size of the company to the nature and intended usages of its IP, some form of the following generally applies:

- Executive Leadership – One of the foremost priorities of developing an IP strategy is to ensure that it aligns and integrates with the overall business strategy of the enterprise. The role of executive leadership is focused on broad issues, strategic prioritization, approval of recommendations from other involved stakeholders, and ensuring the overall strategy aligns with the organization's goals. It often includes contributors at the C-level including finance, operations, and strategy.

- Research & Development – The research and development team(s) are the fertile ground where new innovations are seeded and grown. Since R&D personnel often focus on specific areas of research on their own, it is essential to bring the R&D organization together around IP strategy, typically through the formation of an innovation committee. This committee works to gather data on existing and potential IP assets, make recommendations for pursuing patents or other appropriate legal protection, and suggests budgetary allotments for IP expenditures.

- Legal – It is crucial to enlist the support of a trusted core group of experts including business and IP attorneys, analysts, and tax advisors (who often work hand-in-hand with legal) to assist in the analysis of the IP landscape, the creation and maintenance of legally protected IP assets, and the pursuit of legal action in the event of infringement or appropriation.

- Product Management – The product management, marketing, and brand teams are also key stakeholders as they connect the company's innovations with the marketplace, and add layers of protection around trademarks and brand protection. The product management team can also help to identify areas of focus for R&D efforts that lead to new IP development.

While these specific groups will be more intimately involved in the formation, implementation, and ongoing review of a company's IP strategy, ultimately all employees and third-party partners privy to IP are tasked with maintaining its integrity, and organizations are well advised to establish a culture that prioritizes knowledge of and personal responsibility for the proper handling of IP and carrying out of IP protocols.

Elements of IP Strategy

A purposefully designed IP strategy will be unique to each organization and developed in alignment with its business goals and product development processes, however the following basic elements form a general foundation for most IP strategies:

- Ownership Rights: Ownership rights determine who has the legal right to use, sell, or exclude others from using an IP asset. Generally speaking, the IP's originator is considered the owner, which is why it is crucial for a firm to establish their ownership rights via agreements with employees, customers, partners, and other parties who may be involved in or privy to the development of IP that clearly define the terms of ownership.

- Cataloging and Tracking Assets and Agreements: Any comprehensive IP strategy needs to ensure that the organization has a firm grasp on the assets it owns, how far along they are in their lifecycle, the terms and conditions of the transactions through which they generate revenue. Provisions must be made to ensure that both the tools and the processes are in place for those managing IP to stay abreast of this core information.

- Asset Protection Framework: Decision-making for capturing trade secrets, filing for patents and trademarks, and maintaining IP protections through renewals as needed requires research, cross-functional coordination, and diligence.

Building the various inputs into a matrix that assesses product development strategies, monetization potential, jurisdictional coverage, and potential competitor filings, among other factors can help in ensuring your filing decisions align with your overall IP and business strategies.

- Opinion and Enforcement Frameworks: Similar to the Asset Protection Framework, a focused IP strategy will include an established set of criteria for helping to decide when freedom-to-operate or validity opinions should be obtained. Factors such as the importance of the technology and its commercial potential, current global market position, and products of known competitors are some of the important inputs to consider. A matrix of this sort can also be helpful when making enforcement decisions to protect key IP assets.

- IP Landscape, Whitespace, and Competitor Analysis: Having a mechanism in place that allows you to keep current with your market, especially with your competitors, is vital to any IP strategy. Understanding the technology landscape, both in terms of ongoing competitor activities or established assets, as well as uncovering viable "whitespace" where new, adjacent innovations can be developed, can create opportunities that strengthen your market position, open up new markets, or restrict competitor activities.

- IP Licensing and Monetization Strategy: If licensing or selling your IP is consistent with your organization's goals, it is essential to design these activities into your strategy. Again, identifying the criteria, based upon clear objectives, for a decision-making matrix can be very useful here.

- Regular Assessment: Every IP strategy should include provision for regular re-assessment to ensure that asset management remains on track in light of evolving domestic and international market conditions, organizational goals and emphasis, product development, and sales.

Among other factors, patent maintenance fees can get very costly, and having a review mechanism in place to periodically cull underutilized assets can free up resources for new IP filings more aligned with the business's current needs. Ongoing input from your firm's Innovation Committee is essential to regular assessment, as is oversight to ensure consistent and accurate implementation of assessment findings.

A strong and effective IP strategy is multifaceted, involving the efforts of internal and external contributors, experts, and advisors. For technology-driven enterprises, however, it is critical for prioritizing and protecting the IP that serves as the lifeblood of their business, for mitigating risk, and for shoring up their market position to secure a continued competitive edge as recognized leaders in their industry.

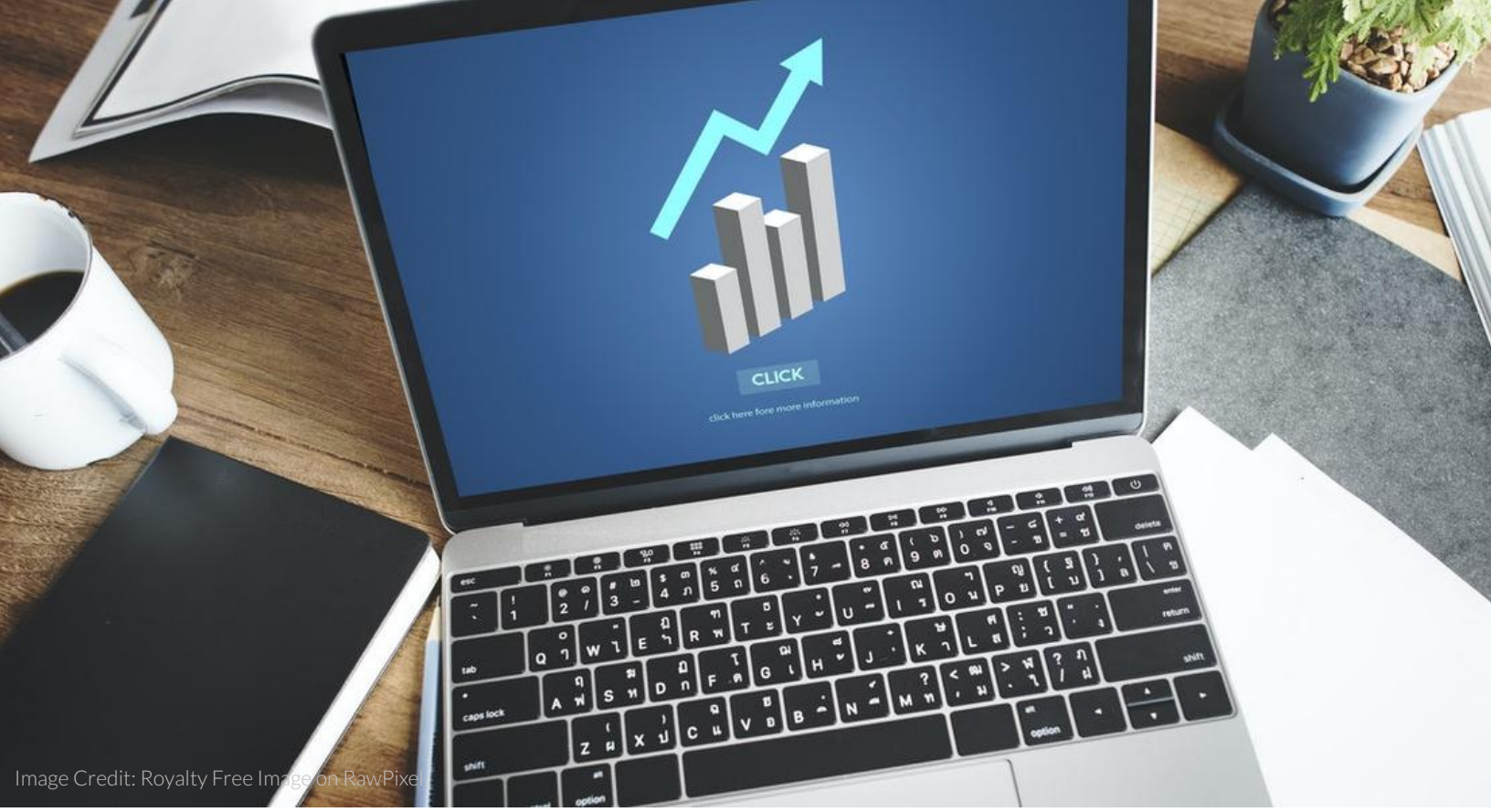


Image Credit: Royalty Free Image on RawPixel

PART 5 – PROTECTING AND GROWING YOUR MARKET SHARE

Building, protecting and expanding your company's market position is a critical cornerstone of enterprise strategy. This may be achieved through any variety of means including organic growth, targeted acquisitions, licensing and more.

At the end of the day, though, the key is to integrate the tools in your strategy toolbox together in order to achieve the strongest possible results over time. Your IP plays a truly central role in identifying the best methods for managing and expanding your market share, and understanding how best to utilize your IP assets strategically is essential.

IP strategy's purpose and process

The purpose of an effective corporate IP strategy is to achieve three core objectives. They are (a) creating a structured model for how the enterprise will grow, build market share and deter competitive encroachment; (b) identify and categorize enterprise IP assets; and (c) inform strategic decisions at the executive level with information and data that is IP-aligned and informed.

With that in mind, the development process for IP strategy focuses on integrating and road mapping the roles of corporate leadership; product and service architecture; market reach and geography; competitive landscape considerations; licensing and distribution opportunities; and risk assessment (particularly in areas such as encroachment exposure and litigation risk). By integrating these strategic elements, the company is effectively prepared to consider all IP elements associated with its products and services effectively and in alignment with business strategy goals and priorities.

The role of whitespace analysis and competitive intelligence

Whitespace analysis is the disciplined process of examining the patent landscape in a given field to identify what innovations are protected and what gaps exist in the environment due to a lack of patenting activity or the opportunity to develop new innovations in directions not yet explored. It is a process that brings together three disciplines: market research, competitive intelligence and legal expertise.

The key advantage that whitespace analysis brings is its ability to help companies examine one area of the marketplace by using intellectual property information and legal activity as a 'heat map' of current innovations and likely developments. In this way, the company performing the whitespace analysis can seek to identify both areas of competitive risk; areas of new opportunity; and areas in which the firm could potentially develop a 'Blue Ocean' solution that recombines existing market elements while adding new innovations.

The competitive intelligence aspect of whitespace analysis is a core step in the process. Competitive intelligence, or CI, is gathering information, analyzing it, and most importantly, acting on it to your strategic advantage. It is a decision-support system that can serve to minimize risk or act as an early warning system. Information is gathered from primary and secondary sources and utilizes both people and published information.

Examples of information which may be examined during the competitive intelligence phase include details on a competitor's branding, positioning, target market focus, messaging, core technologies, recent product launches, pricing models, customer satisfaction and retention considerations, patent and trademark filings, and product/service mix.

Collectively, these points of information — along with the legal and strategic assessments — can provide companies with an evolving portrait of gaps that can be exploited in the marketplace as well as underdeveloped areas of potential innovation to consider.

Identifying and protecting key technologies with patents

Another important factor in protecting and growing market share is taking the critical steps necessary to ensure that the company does not needlessly lose any of the market positions it has worked so hard to gain previously. When considering the role that patents can play in protecting market share, it's important to understand how different types of patents may be leveraged. The two primary patent types are design patents and utility patents.

A design patent applies to the invention of a unique ornamental design for a product that will be manufactured. An example would be the design patent for a unique design of a piece of computer hardware (for example, the iconic shape of the Apple Mac Pro's cylindrical case). The design patent applies exclusively to the ornamental design but not to the functional or structural elements or features of the product.

In contrast, a utility patent applies to the discovery, invention or improvement of a machine, a process, a material or a product. Since the patent applies to any of these aspects of 'utility', it could be applied to the process by which Apple manufactured the Mac Pro; the nature and functional structure of the Mac Pro itself; and any other unique chemicals or coating processes used to create the device. And as a matter of fact, Apple did actually apply for all of these kinds of patents (design patents as well as utility patents applied to processes, materials, functions and products) to protect its position.

This approach has the added advantage of pursuing protection for multiple layers of utility, further distancing the company from the competitive threats of other firms in its market segment. Multiple layers essentially interlock the innovations in a series of utility patents so that they 'connect the dots' and collectively protect all facets of an innovation.

In the Apple example, the finished product itself can't exist with the unique heat sink that makes its functioning possible.

The heat sink, in turn, relies on material science innovations which themselves rely upon a unique manufacturing process. This interlocking model enables the company to maximize the protective value of its patent strategy.

When to consider a freedom-to-operate analysis

The process of planning and launching new products is perhaps the most tangible forward step a company makes as it seeks to expand its market share. That's why one essential step worth considering is performing a Freedom to Operate (FTO) analysis, also sometimes known as a right to use opinion or a product clearance.

FTO analysis examines the areas in which patents held by other parties may be reasonably considered as potentially infringed by your new product. In this

sense, it combines risk assessment and design guidance by enabling the company to shape the development and direction of new products in ways that seek to minimize the risk of future litigation. It also enables a company to identify areas in which licensing may be necessary or even applicable on the path to new product entry.

Forming a solid foreign filing strategy

As you prepare to introduce new products or enter new markets, another key consideration will be the nature of your foreign filing strategy. Intellectual property laws are not identical from country to country, nor are court opinions and precedents. Also, important to examine is the wide variation in costs and timelines that shift from one country to another.

A foreign filing strategy seeks to align three elements. The first element is the company's actual global market potential and current/future footprint. The second element is the company's time-to-market considerations and product launch timelines. And the third element is the risk/benefit analysis specific to each nation in which protection is likely to be pursued.

Some factors to consider as these elements are reviewed include the firm's overall IP strategy; infringement risks and safeguards in each market; budgetary limitations; time pressures; and methods that can be employed to ensure that patent applications are effectively applicable across the range of jurisdictions being considered.

Asserting rights and protecting intellectual property

When all other steps are taken, a company focused on protecting its market share must be prepared to assert its IP rights effectively. Without consistent assertion, competitors may conclude that your IP strategy is less about actual protection than it is about the appearance thereof. To avoid being taken for a mere 'paper tiger' in the competitive marketplace, firms must positively assert their patent and trademark rights, especially since in many cases a lack of assertion can ultimately weaken future protections.

In the United States, patents and trademarks are issued by the U.S. Patent & Trademark Office (USPTO) but the responsibility to protect them is legally assigned to the patent or trademark holder. As a result, a patent or trademark must be maintained as a protected asset by the company itself, in areas such as licensing and infringement.

Licensing opportunities provide the owner with an avenue to enable third parties to utilitize the IP asset under certain financial and legal conditions .

Infringement situations arise when the patent or trademark owner believes their IP asset has been infringed by an unauthorized user. In U.S. civil courts, the burden of proof rests with the plaintiff so research, evidence gathering and an effective strategy for demonstrating infringement through expert witnesses and other sources is essential.

Sometimes, these two forms of assertion work in concert. For example, if a company is made aware that it has infringed another's patent and accepts that finding, the owner of the patent may force the infringer to enter into a patent license agreement.

This is referred to as "stick" licensing. By the same token, a strong history of licensing agreements entered into voluntarily can also provide evidence that bolsters one's case when pursuing civil action against an infringer.

As we can see, a market development strategy involves a full range of considerations for innovation enterprises and is best pursued when IP alignment is a central component in a company's growth strategy. From market entry to competitive analysis and from product design to foreign expansion, every aspect of corporate growth is impacted by this process. Taking a proactive and comprehensive view of IP as a core component in building market share can position companies to take advantage of the best and most sustainable opportunities available in a rapidly changing marketplace.

Image credit: Adeolu Eletu on Unsplash.

PART 6 - WHAT A WEAK IP POSITION COMMUNICATES TO THE MARKET

Intellectual property is one of the essential strategic cornerstones of an innovation-driven enterprise. As a result, protecting your IP needs to be a top priority. This is true not only to ensure the value of your IP assets but also to communicate a strong IP position to your target markets and competitors alike.

What does a weak IP position look like? There are a number of answers to this question, but some of the attributes can include:

- Important innovations and brands are not protected by patents or trademarks.
- Inconsistent or unduly restrictive filing for IP protection (e.g., not filing in key jurisdictions or obtaining patents that narrowly define the scope of your innovation).
- Unintentionally allowing patents and trademarks to go abandoned for non-payment of fees.
- Failing to pursue protection for design, brand, or trade secret assets.
- Not pursuing legal action when others infringe your IP.
- Routinely failing to bring innovations to market and letting your IP fall fallow.

What these incomplete actions or inactions communicate to the marketplace can be severely damaging. Competitors and customers alike may perceive that your company is in a weak financial state or is not a leader in its industry. Perhaps your organization doesn't fully understand the potential of the innovations you've developed and therefore may find your technology overtaken by a new entrant to the market (think of how researchers at XEROX invented the graphical user interface but it wasn't until Apple came along that the technology was ultimately delivered to the market).

In addition, neglecting to protect your innovations or your brands, or failing to enforce your patents or trademarks, will likely encourage infringers and counterfeiters to take advantage of your weak IP

position – and the threat of counterfeiting is very real. Global trade in counterfeit and pirated goods has risen steadily in the last few years. In fact, this holds true even as overall trade volumes have stagnated. As of 2019, counterfeits stand at 3.3% of global trade, according to the Organization for Economic Co-operation and Development (OECD).

Another unique challenge you'll face with a weak IP position is the risk that other parties will overtake the space you've carved out, claiming rights that should belong to you as their own. If you pay scant attention to protecting the IP you've already developed, keep in mind that your competitors may be able to not only copy what you've developed but potentially may also be able to protect it themselves, leaving you with little or no rights of your own.

Imagine finding yourself in the position of defending your company against a competitor suing you for infringing a patent on an innovation you actually developed first. Upside down as that may seem, it's entirely possible in countries that, like the United States, follow a "first-to-file" rule for patents. Simply put, that means, whoever files the application first, retains the rights — regardless of who developed it first.

Finally, a weak IP strategy communicates low value to your most important audience — your customers and prospects. Companies that have mastered the development and protection of both technological innovations and the brand protections that align with them, are overwhelmingly the leaders in most technology-driven markets. This is because the market associates the value of the brand and the utility of the technology together – think Apple and the iPhone.

Patenting a design but failing to trademark the brand you use to identify it in the market, can lead to a weak market position as other companies come right up to the edge of your brand position and crowd the landscape. This, in turn, dilutes your brand in the eyes of your customers and often leads to reduced market share, meaning fewer dollars available to reinvest in future innovation discovery and development.

A cautionary tale in this category is Kodak, which was once a brand legend but ultimately allowed both the company's innovations and its brand strategies to fall fallow. In the end, Kodak sold the majority of its patents at "fire sale" prices to a collection of shrewd buyers including Apple, Google, and Facebook (companies that all invest intensively in brand development and protection).

Here's a helpful way to think about patents. A patent protects ownership rights over your technology similar to how a land deed protects your ownership rights to a plot of land. Simply discovering the land does not give one the right to build there. It may well be that someone else had discovered it first and possesses the deed to that piece of land. That owner will prevent you or others from developing that land, perhaps even taking possession of the building you've built upon the land they own. Damages paid to patent owners as a result of a successful infringement claim work much the same way.

To further the comparison, the owner of a plot of land may well decide to buy up neighboring plots in order to prevent others from crowding his property with obtrusive structures which likely devalue it. If that owner does nothing to secure the perimeter of his property, he may soon find squatters settling on the edges, greatly diminishing the value of that property and muddying his ownership rights to it. Similarly, a robust patent strategy should work to capture broad coverage of one's technology and be asserted over attempted copycats and counterfeiters that profit from your innovations and create confusion of your brand in the marketplace.

Each of these realities demonstrates the intrinsic value inherent in a strong IP protection strategy, and why it's important to identify, mark, and vigorously protect your IP territory over time. Doing so protects the value of your investments, maximizes your operating flexibility, and ensures that you have the greatest possible opportunity to leverage IP successfully for the growth of your enterprise.

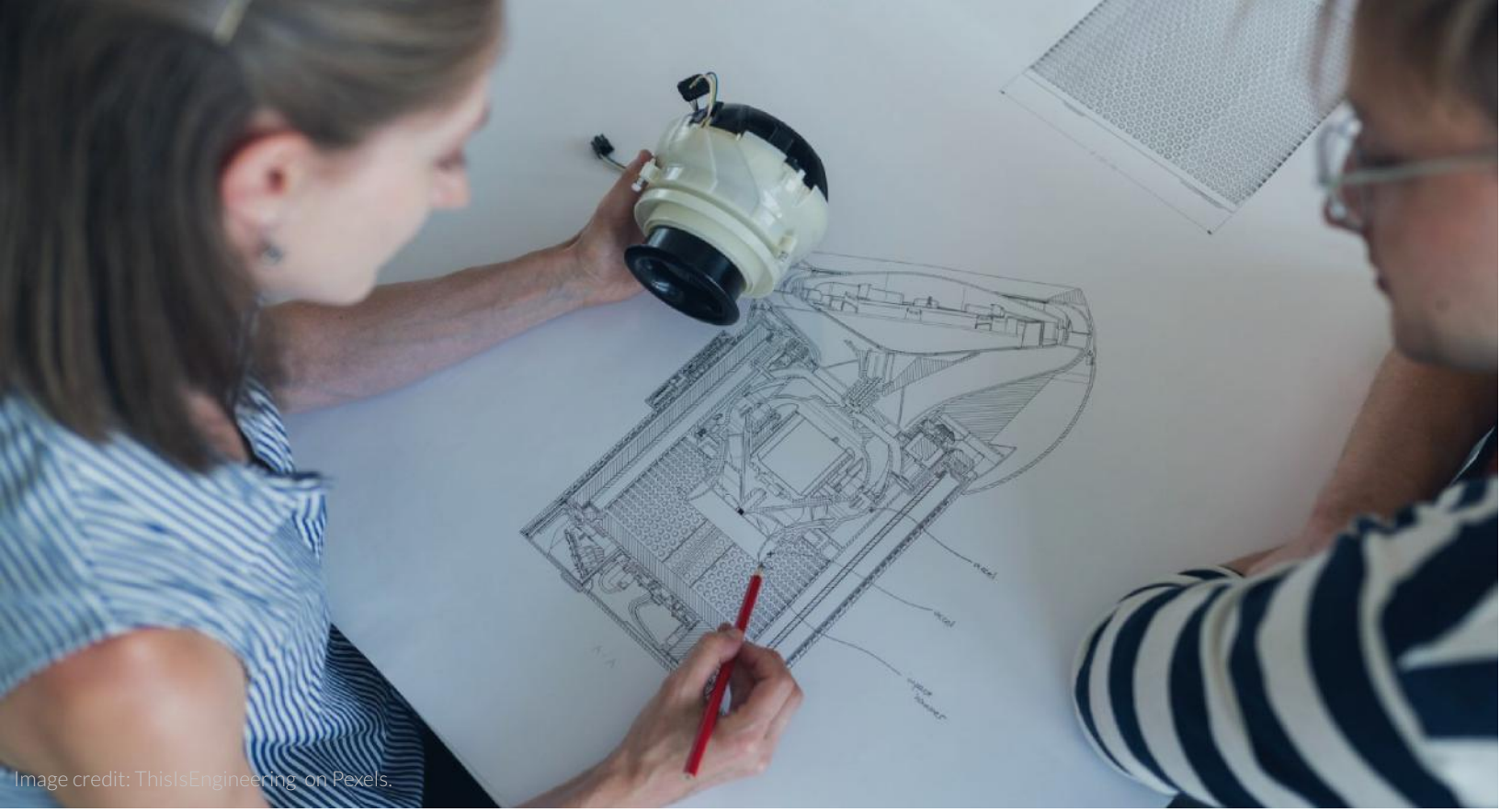


Image credit: ThisIsEngineering on Pexels.

PART 7 - LEVERAGING YOUR IP ASSETS TO DRIVE GROWTH AND RETURNS

When enterprises evaluate their assets and opportunities for driving growth, they tend to think in terms of tangible assets, established products and well-defined messages to market. These are all most certainly important pathways to growth, but they also leave the company at most risk for seeing meager returns or finding growth efforts stunted by competitive pressures, since these all represent incremental means toward progress.

In fact, W. Chan Kim and Renee Mauborgne of INSEAD describe these in their best-selling business book, Blue Ocean Strategy, as highly dangerous and ultimately ineffective 'red ocean' strategies, i.e. those most likely to find the enterprise struggling to make headway. This is due to the presence of a sea filled with competitive threats, downward price pressures and the fickleness of an already-established customer mindset. In contrast, companies have another option, which the same authors refer to as pursuing 'blue ocean' strategies in which new innovations and the delivery of solutions to emerging or previously undefined customer segments leads the company to calmer waters and greater margin protection.

Two of the key ingredients in such a strategy are the development of product and service innovations, and the creation of strong brands that position these innovations effectively, so they can establish a new position in the marketplace. With that in mind, consider that both product/service innovation and brand development/deployment are primarily outputs not of tangible assets or existing offerings, but are in fact intangible assets that collectively derive from the firm's intellectual property (IP) portfolio.

Furthermore, companies who implement blue ocean strategies typically achieve 20-30% greater returns than their competitive peers. The point is clear: companies who embrace IP as a cornerstone for growth are far more likely to achieve the growth and returns they seek.

With that in mind, let's look at three powerful ways in which we can drive growth by harnessing the power of IP in the enterprise.

Driving growth through brand development and protection

Many of us tend to think of branding as something that benefits from regular change, due in no small part to the fact that brand identities (logos, fonts, color palettes) regularly adapt to meet evolving tastes. What this obscures, however, is that when properly managed, brands build extraordinary value over time. Put another way, a strong brand is an appreciating asset, and should be treated as such.

Sure, companies like Apple, Citibank and Hilton have revised their logos and brand systems over the years, but they have done so in a context committed to building and strengthening the core brand itself in order to achieve what smart enterprises refer to as brand equity. Brand equity recognizes the value a company gains from its name recognition when compared to a generic equivalent. It possesses three core components: customer perception (knowledge), negative or positive effect (preferences), and the resulting value (financial consideration).

As you build brand equity, competitors will notice this and perceive it as a threat they may try to mitigate through any number of counterefforts, many of which ultimately constitute forms of brand abuse. These include outright counterfeiting; the use of rogue websites, manipulative directory and ecommerce listings, and social media impersonation or misinformation; copyright piracy; trademark squatting; and patent theft.

In response to this proliferation of threats, companies need to consider two key points. The first is that a strong brand is harder to hit. For example, if you pursue design patents on a product design and trademark the brand identity that accompanies that product, you not only strengthen your legal rights but you also make it harder for unscrupulous parties to successfully abuse your brand. Perhaps the logo looks correct but the shape or packaging of a counterfeit product may mismatch with what customers know and expect. In addition, as you invest in strengthening your brand you can also educate consumers to know and look for official versions of your products (for example, you may have seen the "Officially Licensed Merchandise" hologram stickers on many forms of athletic wear featuring team names.

Along with brand development comes brand protection, which takes both preventative and defensive forms.

Key steps in brand protection include pursuing strong registration of intellectual property; ensuring strong contracts and nondisclosure agreements with partners at all points across the supply chain; establishing a strong and powerful online presence (such as an official online store, branded social media accounts, and strong customer education resources.

Driving growth through incremental innovation and defensive publishing

While we opened this discussion by emphasizing the power of blue ocean strategy and similar efforts to develop completely new market 'oceans', we also need to recognize that once we've invested in these new oceans, we must protect ourselves from encroaching competition as long as we can. In fact, it's an established fact that the greatest risk in pursuing blue ocean strategies is in failing to recognize that all oceans in the marketplace eventually turn red. Bill Gates, the founder and former chairman of Microsoft, described intellectual property as an invaluable asset "with the shelf-life of a banana": if you don't use it, you will lose it.

Incremental innovation is a strategy that helps protect your company's hard-won gains in one of two ways. One is to create a patent minefield around your new marketspace, by pursuing patent protection for additional innovations that would be required in order for other companies to build incremental advantages off of your hard work. When this is achieved in reverse (i.e. when a competitor pursues this strategy against you), it's known as a picket fence strategy. Either way, the point here is that incremental innovation strategy ensures that your core innovations are not at risk due to a loss of a clear pathway to market acceptance by losing the opportunity to secure related IP that can connect your innovation to marketability.

When a company possesses the patent to a core enabling technology, it can strengthen its position by employing defensive publishing. Defensive publishing addresses the challenge faced by companies who are not necessarily able to pursue patents for every incremental innovation necessary to create a protective minefield around their core technology. In this situation, defensive publication increases the scope of the original patent by disallowing competitive patents.

The way this is achieved is by ensuring that the original patent is fundamental to the incremental improvement. As a result, the existing patent protection is extended over the new elements. By using disclosures of this nature, a company "poisons the ground" around its original patent, which provides a highly cost-effective approach to technology protection.

Driving growth through IP licensing

IP licensing can provide you with additional revenue and a strengthened market position, but to be achieved successfully it must rest on a foundation of extremely well-defined IP rights, lest the company expose itself to new financial and business risks.

The first necessary ingredient for a successful IP licensing model is the clearly defined and secured rights to the IP in question through a patent, copyright, trademark or trade secret. The second necessary ingredient is a valuation for the IP asset that generates interest by one or more other parties in securing the license. Once these are established, the innovating company needs to work diligently to engage with relevant and potentially interested parties to create a strong market for the licensing opportunity. In essence, you're still selling something; the only difference is that instead of selling a product or service to the end-user, you're selling the right to create such products or services to another company under defined conditions.

Those conditions constitute the key elements in the IP licensing agreement. A strong licensing agreement generally includes five essential components. These include (a) scope of exclusivity or non-exclusivity, (b) purpose and authorized application(s) for the license, (c) geography and market scope of the authorization being provided, (d) length of the license term and indication of whether a term may be extended, if applicable; and (e) royalty compensation terms. Royalties typically include a combination of a specific amount per sale of the licensed product or service, or a percentage of the selling price. In most cases, these royalties are paid monthly or quarterly. In some cases, the agreement may also include an upfront payment along with the royalty component.

You can also combine tactics to achieve maximum market impact for your licensing strategy. Competitors often have a tendency to walk right up to the line of infringement and can easily cross that line in a crowded technology space.

Monitoring your competitors' patent activities and product launches is critical in identifying these potential infringers. However, such activity can create very lucrative opportunities to offer licenses as a means to avoid costly infringement litigation and generate ongoing revenue while protecting your innovations and brands.

As we can see, IP assets provide forward-focused companies with many pathways by which growth and returns can be achieved. The key is to build and execute an IP strategy that is strong, comprehensive, proactive, and sharpened to address the realities of a competitive marketplace. The benefits to the well-prepared and IP-aligned enterprise, however, can be enormous.

We strive to keep you informed and assist you if any questions arise. Please use the Contact Us button to forward any questions directly to our team.

CONTACT US

DILWORTH IP
WE PATENT THE FUTURE®

Image Credit: Bill Oxford on Unsplash.