

INTELLECTUAL PROPERTY

How do you protect your most valuable assets?

How can you monetise IP and add company value?



Icehouse Insights

A regular series introducing many of the major challenges facing SMEs today, Icehouse Insights provides a stepping-stone to kick-start the conversation, solve some common queries and win.

This edition:

Many SMEs and start-ups fail to consider intellectual property at the beginning of their journey. Yet understanding, identifying and legally protecting your intellectual property is an urgent necessity.

Not only can it protect you from competitors stealing your most valuable assets, incorporating IP into your business strategy can give your products, processes and services much short and long-term monetary value.

INTRODUCTION

Intellectual property protection gives businesses the freedom to trade, distinguishes you from your rivals and strengthens the potential for sustainable growth. SMEs that manage their IP effectively are often better placed to identify risks and grow their business.

In May 2019, the European Patent Office reported that SMEs that apply for patents, trade marks or designs have a greater probability of experiencing high growth than SMEs that do not. 'SMEs that have filed at least one IP right are 21% more likely to experience growth, and are 10% more likely to become a high-growth firm than those without IP rights applications.'

INTELLECTUAL PROPERTY TYPES

Intellectual property rights include; trademarks – to distinguish your good and services, patents – for new inventions, and copyright – for creative works like books and paintings and software.

Trade marks

Trade marks set your goods and/or services apart from your competitors, so they protect your brand. Trade marks may be words, phrases, logos, shapes, colours, sounds or even smells. Trade marks increase in value as the mark becomes established in your market and can be sold on or licensed to other parties in the future.

Patents

Most commonly granted for an invention, patents protect something new, the way it's made, or what it's made from; a kitchen utensil, a piece of machinery or a new way of creating

electrical light. Rights exist only in the country or region where the patent is granted and in NZ last for 20 years.

Copyright

Created automatically with original work, like artwork, books, websites, computer programmes, plays, films and music. Copyright recognises your rights over your work but does not prevent someone else from independently producing the same work. If granted, the licence will usually specify the ways in which the work can be used.

Geographical Indication

A Geographical Indication shows that a wine or alcoholic spirit comes from a specific location and has unique characteristics as a result. The most obvious example of this category of IP is, of course, Champagne, which must be produced in the Champagne region of France, or it can't be called Champagne.

INTELLECTUAL PROPERTY TYPES

commercial production of fruit, flowers or other products of the variety.'

Design

When you register a design in New Zealand you're protecting the visual appearance of an object – 'new or original features of shape, configuration, pattern or ornament applied to an article by any industrial process or means.' You get a high degree of protection as it requires a search first for similar or identical registered designs, and registration dates can help establish that you created the design before anyone else in the world.

Plant Variety Rights

PVRs are the rights to any new plant varieties created – provided it is 'new, distinct, uniform and stable. And not an algae or bacteria.' Protecting your specific plant variety can offer additional exclusive commercial rights to 'propagate the variety for the

Māori IP

'New Zealand's patent and trade mark laws include specific provisions for the protection of mātauranga Māori. These provisions help prevent the registration of trade marks or granting of patents that would be considered offensive by Māori or contrary to Māori values.'

Intellectual Property rights move with the times, and also include [company name registration](#), [website domain name registration](#) and [Trade Secrets](#).

Source: New Zealand Intellectual Property Office

WHY IS IP IMPORTANT?

Every business needs to be thinking about its IP potential. It can be inexpensive to get going and protects what you've already invested in and sets about forging a stronger future.

Aside from protecting your ideas and assets, Business.govt.nz explains that IP Protection can maintain your organisation's good name, keep competitors away and be a positive leverage point for potential buyers and exit planning strategies. By using IP effectively, you can also:

Enhance export opportunities for your business

'Even if you're not intending to export straight away, having overseas IP protection for your invention, design or brand, helps preserve your ability to do so in the future. IP protection is often about striking a balance between achieving maximum protection and managing IP costs. So the solutions you choose to protect your IP in

foreign markets will need to reflect your broader commercial business strategy, at home and abroad.'
(Export Finance Australia)

Monetise existing assets

'IP can be traded, licensed, and sold by an SME, thereby creating additional revenue streams... Trademarks, service marks, industrial designs, and confidential information such as recipes, business methods and processes, patents/inventions can each be licensed in consideration for periodic royalty payments to the licensing SME.' (Trademark Lawyer)

Enhance business market value

'IP can generate income for your business through licensing, sale or commercialisation of protected products or services. This can, in turn, improve your market share or raise your profits. In case of sale, merger or acquisition, having registered and protected IP assets can raise the value of your business.'
(NIBusiness.co.uk)

FTP VS FTO

Freedom to Patent (FTP) does not mean the same thing as Freedom to Operate (FTO). Confusion in this area can really hurt a business, particularly at times when it is looking for investment. As always, seek legal advice from an IP specialist for legal clarification and next steps.

Freedom to Patent

'... a patentability search is aiming to establish whether a patent can be (or should have been) granted for a concept by looking for existing disclosures (often, but not always, patent applications) which show that the concept is known or obvious; conversely, a freedom-to-operate search considers whether one or more features fall within the scope of any granted patents in the specific country/countries of interest.'

Source: Hindles

Establishing Freedom to Operate

'An FTO search will give you an idea of whether you will infringe anyone else's patent should you commercialise a product in a country where a relevant patent may be in force.'

'By conducting an FTO search early on in a technology development stage, you can also consider necessary product design changes prior to launch in order to avoid the IP rights of others.'

'You can also identify who may need to be approached for a licence if you cannot easily design around another's patent.'

Source: AJ Park

CAPTURING AND COMMERCIALISING IP

Capturing and commercialising your IP can be hard - but it's very important to do. There's no "one size fits all" approach, and the path can vary as every company is different and has different IP needs.

Once you have designed your product or service, for example, you might:

- manufacture and sell your goods or supply services
- contract manufacture and sell your goods or supply services
- license your IP and know-how
- sell your IP and know-how

Generally, companies who innovate and maintain the ability to manufacture and supply products will retain the lion's share of revenue. However, licensing or other partnering models can reduce risk. This is especially true for companies that do

not have the capacity to manufacture or distribute.

Step 1

First, you should take the time to understand your IP and how it affects your strategy. Market validation work goes hand-in-hand with this for your new initiatives.

You should examine your current IP, in both registered (patents, designs, trade marks) and unregistered forms (know-how, trade secrets, copyright).

When examining your IP, consider:

- any strengths, weaknesses and gaps
- whether the IP you have or are entitled to is focused on areas that meet the commercial goals of the business
- whether some of your IP needs to be culled or reinforced

CAPTURING AND COMMERCIALISING IP

Step 2

Next, you should introduce business processes to better capture, protect and exploit IP and know-how within the business.

You can capture and protect IP by:

- educating staff to ensure they know enough about IP
- using employee idea disclosures
- using appropriate employment and contractor agreements and non-disclosure agreements
- having appropriate security arrangements, exit procedures and training to ensure know-how and IP remains in the business
- involving IP champions or an IP manager/advisor early on, to ensure the business focuses on the right areas
- developing some "stage-gating" of new ideas, which helps to determine early if a new idea is able to be and should be patented and whether you have freedom to operate in the new space. You might find that a trade secret is a better bet
- developing a culture that rewards or incentivises staff to develop and disclose ideas
- looking to partner with others who can fill gaps and add value (many of the world's most successful innovators license in IP to add to their own products and technology)
- ensuring endorsement and participation in an IP culture from the top down

CAPTURING AND COMMERCIALISING IP

Exploiting IP

You can exploit IP by:

- regularly reviewing new ideas and concepts to trigger the correct IP decisions (protection/FTO) along the way
 - aligning your IP protection and product development timelines
 - continuously questioning whether a particular product development aligns with the business and whether it can be commercialised – don't fall into the trap of following ideas slavishly because they seem attractive. Validate your market.
 - understanding all options open to the business. For example, a new business process could be:
 - patented and only used for the business
 - the subject of other IP protection (such as a trade mark for the process, copyright in documentation and software used in the process and designs registered over the shape of certain materials or equipment used in the process or produced as a result of it)
 - licensed to third parties in other territories or in other fields of application
 - licensed to third parties in your own territory or field
 - subject to a combination of the above
- kept secret and used only within the business

Source: AJ Park and The Icehouse

THIRD-PARTY PROTECTION

Getting proper legal advice and working with specialist IP lawyers will help keep your IP watertight.

One tricky problem is how to protect your IP if you're collaborating with third-parties – maybe you've hired an outside firm to work on your website, employ contractors and freelancers, or have employees who have left the company to work for a rival firm.

You last thing you want to see is all your valuable R&D, best ideas and processes walk out of the front door.

Disclosing confidential information is a serious issue of misconduct and may well be part of an employee contract anyway, but double-check employee contracts and apply the same stringent legal-binding rules to third-party employees and contractors.

If there is no provision for an IP clause in an employee agreement, then get one included as soon as possible. An IP clause is also useful for current employees carrying out their existing duties.

If an employee or contractor or partner has broken any contract or confidentiality agreement a letter outlining your concerns is a good first step. However, as always, immediately seek the best possible professional legal advice from the outset.

CONCLUSION

Building a long-term, sustainable competitive advantage through ongoing innovation is key for any business. Introducing an IP-led innovation culture is the logical and value-added continuation of this core concept.

IP know-how can also drive the potential for growth and company value, keep you ahead of competitors and safeguard your most important assets.

Above all, as you consider your IP options, talk to an intellectual property professional and seek the best possible advice you can to understand how to weave IP thinking and practical measures into your organisation.

FURTHER READING AND ADVICE

New Zealand Intellectual Property Office

The NZIPO grants and registers intellectual property rights in New Zealand. Its services help protect innovations so people and organisations get the full economic benefit of their intellectual property.

www.iponz.govt.nz

World Intellectual Property Organization

WIPO is the global forum for IP services, policy, information and cooperation. A self-funding agency of the United Nations with 193 member states, its mandate, governing bodies and procedures are set out in the WIPO Convention of 1967.

www.wipo.int

Blog

A useful blog on how to create a clear and concise report on your IP status in your next board meeting or pitch:

blog.theicehouse.co.nz/reporting-on-your-ip-status-a-how-to-guide

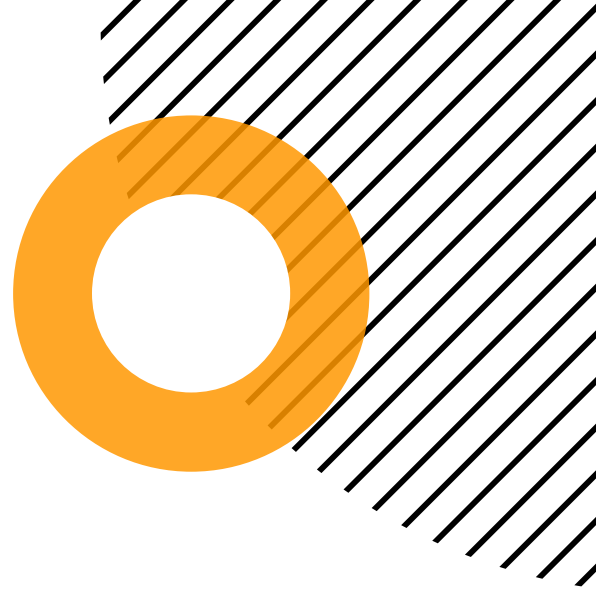
AJ Park

AJ Park has an easy-to-use online interactive quiz to help determine which is the best IP right for you:

www.ajpark.com/need-help

AJ Park is one of the largest IP firms in the Australasian region with the track record, broad technological expertise and services to cover every stage of the IP lifecycle. It helps people and organisations protect and manage their intangible assets in Australia, New Zealand, Pacific Islands and the world.

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