

Thinking of developing your IP portfolio? How and why to build an IP strategy

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Introduction

Intellectual property can be a company's most valuable asset. However, because it is intangible, intellectual property can be difficult to identify and value.

All companies should be aware of their IP assets and have a specific internal IP strategy to deal with such assets. An IP strategy can help companies to identify and protect their intellectual property, manage risks and, most importantly, generate and grow revenue.

This article, part of a series on IP considerations for business owners,⁽¹⁾ discusses what an IP strategy should cover and how it should evolve as companies grow.

What should an IP strategy include?

A company's IP strategy will likely evolve and become more detailed as the business grows. It should:

- identify the company's business lines and each line's current and potential future IP assets. It may be useful to rank the assets from most valuable to least valuable;
- determine whether to protect these assets and, if so, which ones and how. Companies may wish to consider whether it is worth using an IP holding entity at their current stage of growth;
- decide how best to protect these assets and where to do so;
- set out a risk management plan and an enforcement policy for handling any potential IP disputes. Companies may wish to consider issues such as:
 - non-disclosure agreements;
 - their stance on licensing intellectual property;
 - enforcement methods and their internal tolerance to infringements; and
 - how to avoid infringing third-party intellectual property to avoid future disputes;
- set out an education plan for internal teams on the value of intellectual property and why it is important to track and protect it;
- establish how to work with consultants, contractors and other third parties to:
 - ensure that information remains confidential;
 - ensure that ownership of intellectual property is dealt with in the relevant agreements; and
 - avoid inadvertent disclosure of confidential information; and
- set out a plan to monitor the market to ensure that the company's intellectual property is not being infringed.

IP strategy for start-ups

At the start-up stage, an IP strategy might be quite simple. However, it can be important for future stages of expansion that the following issues are properly considered:

- the pros (ie, protection) and cons (ie, costs) of registering various IP rights;
- who is creating intellectual property within the company, who/which entity may have ownership rights in newly developed intellectual property, and what exactly is being developed; and
- a process for internally recording and tracking such intellectual property.

For most start-ups, the founders will be the ones creating the business's various IP assets and so documenting any "transfers" from the owners to the company can be important to establish or clarify ownership in the early phases of the life of the company. Contractors who are engaged to create IP assets such as the brand's logo, website and marketing materials should guarantee that they are the original owner of the newly created intellectual property and assign such intellectual property to the company.

For start-ups, it is particularly important to weigh up the costs and benefits of any potential plan. The most important thing to consider is the value of the intellectual property to the business, which can be assessed by considering the types of intellectual property that are relevant (eg, designs, patents, trademarks, copyrights, trade secrets or other types of confidential information).

It is also important to consider the type of company and its goals. If the company is trying to create a new product or service that will be sold either in large quantities or as a business-to-consumer product (ie, rather than as a business-to-business product), it may make sense to file for certain patents, designs and trademarks before releasing it into the market. On the other hand, if the company is trying to sell a product or service to a limited customer base, it may not yet be the time to spend money on, for example, broad trademark protection when a more limited or focused protection strategy might be more appropriate.

Timing may also play an important role when dealing with the filing of intellectual property – especially patents. Unlike designs, which typically have a six-month grace period, patents must be filed before the invention they protect is disclosed or sold. Any pre-filing disclosure or sales will invalidate a later-filed application, meaning that any person would have the right to copy the invention.

A decision as to whether an invention is protected by a patent or kept as a trade secret must also be discussed. Trade secrets avoid publication and will not voluntarily become public knowledge (unless there is an informational breach). Patents, on the other hand, become public documents 18 months after they are filed. Therefore, although trade secrets can remain secret for hundreds of years, there is always a chance that the information can be leaked or stolen from the company. When this happens, the invention can be lost forever. With a patent, however, even with the disclosure of the invention, third parties cannot (legally) copy the invention until the patent expires – usually around 20 years from filing.

IP strategy for growth companies

Once a business is off the ground and is in growth mode, it is often worthwhile reassessing the original IP strategy. The costs of certain IP protections may now be more tenable for a company that has grown and has some track record of success.

For growth companies, it may be necessary to:

- register trademarks in countries where the company already operates or is planning to expand. A gap analysis can be a helpful activity to perform in this regard;
- file existing trademarks in additional classes;
- check and update the ownership of relevant domain names; and
- update internal policies for tracking intellectual property. Intracompany licences may be needed and an analysis of the corporate structure to establish who owns what and where can give a good overview of the business's intellectual property.

IP strategy for established companies

Many companies expand without a specific IP strategy. In such cases, undertaking an IP audit of an established business can be a large project in itself. Companies that have been expanding without an IP strategy may come across various issues – for example, that:

- domain names are registered in individual staff members' names;
- the company may have under-protected in some areas, but over-protected in others;
- internal trade secrets may not have been tracked or documented appropriately;
- ex-staff may still be using the company's intellectual property;
- employment contracts may not be dealing with IP issues appropriately; or
- the company's IP licences are insufficient (or worse, not actually in existence).

It may be worthwhile carrying out a full IP audit and putting in place a detailed IP strategy that would cover all the points listed above, but in far more detail, with the aim of setting up in-depth policies and procedures dealing with all of the company's intellectual property. Appropriate tax planning and IP holding structures can be important, as can detailed intracompany licences. The sale of certain intellectual property may also be considered if it is no longer a focus for the company. The ongoing education of internal teams and the c-suite can also be an important factor for the business to keep up with the evolving legislative landscape and new technologies.

Comment

An IP strategy, as with any form of business strategy, should be a living document that should evolve with the growth of a business. As always, getting appropriate advice at different phases of growth can help set up the business for success.

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Endnotes

(1) For the first article in the series, see "[Thinking of launching an IPO? IP issues to consider](#)".