

# Risky business

Bereskin & Parr's **Adam Bobker** and **Isi Caulder** offer up a toolkit for building a bulletproof IP strategy



**Technology and intellectual property (IP) are front and centre in today's marketplace.** Where would the Covid world be without vaccines and the internet? And where would drug companies and online businesses be without IP?

The global impact of Covid has presented innovative companies with a stark reminder that risk is ever present and of the critical need for risk mitigation strategies, including strategies relating to IP. Strategies such as building and maintaining a robust IP portfolio and managing the risks associated with IP infringements.

Given the clear benefits and value associated with the ownership of IP, enterprises should take stock of their commercial IP rights to ensure that IP-related risks are understood, and proactively take steps to institute and promote best practices throughout the organisation to mitigate IP risk.

## Take stock and protect enterprise IP

Successful innovative companies are mindful of the different types of IP rights and understand how they can be used to protect and leverage product development efforts to achieve key business goals.

### Patents

Innovative companies often aggressively patent their technology in jurisdictions that represent existing and future markets, as well as those where key competitors are located, manufacturing and doing business. Doing so can demonstrate value of proprietary technology to investors and ward off competitors. Since every patent essentially begins as a trade secret, a policy for use of non-disclosure agreements should be in place for any disclosures with third parties to minimise the risk of public disclosure of potentially valuable innovation.

Many companies face the ongoing challenge of determining which aspects of their technology may be patentable. One useful approach is to institute a process within engineering or R&D processes which triggers periodic review of innovations under development, consideration of technical problems that are being solved and cataloging the technical solutions.

### Trade secrets

Trade secrets can offer protection for various aspects of innovation such as software source code, algorithms, data training sets, formulae,

compilations of information, commercial methods, techniques, and programs etc. Reasonable steps such as logistical and digital mechanisms (eg, firewalls, encryption and authentication methods, etc) must be taken to establish and maintain secrecy. In turn, the covered information may be protected for an unlimited period for as long as the secret lasts and has commercial value.

However, trade secrets do not provide protection against reverse engineering and independent discovery. Also, inventions that are held as trade secrets may not prevent patenting by a third party (limited exceptions to infringement are available for prior secret use).

Ultimately, the choice of using trade secret protection for a particular innovation will depend, on one hand, on the likelihood of patentability or protection by some other IP means, and the possibility of establishing and maintaining secrecy on the other.

### Trademarks

When doing business internationally, management of brands and trademark portfolios can be daunting. A successful global brand will generally have hundreds of different trademarks registered in multiple jurisdictions. The protection that trademarks provide needs to be enhanced through relationships with outside partners to monitor and protect brands. A brand owner has an obligation to police infringements, or risk losing trademark protection.

### Designs and copyrights

Industrial designs, also known as design patents, protect novel and non-functional, aesthetic aspects of products. Industrial designs can protect the appearance of products as well as graphical user interfaces. Design applications should be filed while the design is still confidential. Design protection can be a strategic complement to other IP protections for technology where products have a unique look and feel.

Copyright protects original works of authorship and arises automatically when an original work is created. Registration is also available and improves enforcement remedies.

While data itself is not copyrightable, copyright can cover original compilations of data in a database and especially when data has been specifically arranged into structured datasets. This protection is afforded under the concept of a compilation copyright that protects the collection and assembling of data or other materials.

**Identify and assess IP risks**

IP related risks exist in the form of failing to build and maintain an IP portfolio, including necessary registrations, as well as the potential for infringement of third-party IP rights. IP risks can also arise through common commercial activities including IP-related contractual arrangements with third parties, use of open-source software and public disclosure of the technology underlying new products. It is important to navigate third party IP rights to the appropriate degree and take proactive steps to identify and assess associated risks.

A successful business with IP assets is also inevitably going to become embroiled in IP disputes and, occasionally, IP litigation. With a piece of land, equipment or inventory, the company knows what it owns. The scope of rights afforded by intangible IP assets, on the other hand, are subject to adjudication based on subtle (for outside counsel) IP specific legal issues, such as claims construction (for patents), likelihood of confusion (for trademarks) and fair dealing (for copyright).

Further, if there is an infringement, the determination and calculation of available monetary remedies often turns on the court's assessment of what would have happened in the "but for" world in which the infringement did not take place. By its nature, this is a hypothetical exercise that leaves significant room for informed debate at trial between economists and valuers.

Where does this leave an in-house counsel who is being asked to advise the business on the risks associated with an IP dispute? For all but the most routine matters, it often makes sense to make an initial assessment of the upside and downside risks to the business before entering the dispute. What are the business goals? What would a "win" look like? The merits of a case, how long it will take to resolve, and how much it will cost can be hard to assess with a high degree of certainty at the beginning of a dispute process.

However, to decide upon the business objectives for entering into a dispute (if there is a choice), the business will likely want some assurance that its case has merit and that the time and expense associated with litigation are justified from a business perspective.

As the litigation progresses, it is important to keep an open mind about disconfirming evidence and update the theory and assessment of the case, if necessary. Once the parties are engaged in a dispute there can be a tendency to view evidence that the other side brings forward with scepticism. The theory and assessment of the case should, to the extent possible, be consistent with all of the facts that a court is likely to find, both good and bad.

**Best practices to mitigate IP risk**

It is critical for innovative companies to put in place a proactive and comprehensive strategy for IP protection and risk evaluation. Such a strategy should include not only measures to secure patent, trade secret, copyright and design protection, where available, but also measures to monitor third party IP rights and assess associated risks.

**Foster an IP friendly culture**

An IP friendly culture exists when all employees know that the company values innovation and is interested in hearing about new ideas for new products and services. Companies should regularly review their internal innovation capture channels, patent education, inventor incentives, and institute an innovation mining programme to demonstrate to the entire organisation that IP is important and valued.

**File strategic patent and design applications early**

Watch for innovative features as products are developed and conduct prior art patent searches to assess patentability. Promptly file strategic patent and design applications in the R&D cycle for promising features.

**Maintain trade secrets**

Along with the "reasonable steps" discussed to protect trade secrets, safeguards can include restricting employee access to a company's confidential and trade secret information, putting in place non-disclosure agreements with secrecy obligations when sharing trade secrets with business partners, and guarding against reverse engineering.

**Watch for confusing trademark applications by competitors**

Institute a watch service to ensure competitor's confusing trademark applications can be opposed on time. This can help in the policing effort for important brands. If a competitor obtains a registration for a confusing trademark it is much more difficult to address later.

**Conduct targeted freedom to operate (FTO) checks as needed**

Maintain awareness of competitive IP through regular patent watches to monitor third party IP rights and to assess associated risks.

**Deliberate IP planning and tracking**

The success of a strategic IP plan can be measured and improved by reviewing quantifiable results. For example, the technical and geographic coverage of patent families should be reviewed on a regular basis. In addition, market success and revenues associated with the licensing of patent families to third parties can be measured. Finally, a record of actual and potential conflicts associated with competitor IP as well as a record of ongoing and resolved IP disputes can be kept.

**Avoid litigation surprises**

Keep the business apprised of the current high-level assessment of litigation cases on a periodic basis. The business impact of an adverse ruling can be mitigated against by having a contingency plan in place, for example, a design around or alternative product, and a reserve for any damages.

**Educate your outside counsel**

Educating and having a close working relationship with your external counsel can help to improve outcomes. There is no substitute for onsite meetings at the relevant business location to allow external counsel to learn about the business and its products.

**Communication is key**

External counsel may be experienced and expert, but they may not be able to anticipate every priority for the business. Informal presentations from the external counsel on important matters allow the internal and external teams to develop a rapport and work together better to advance the interests of the company.

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