TRILEGAL

How to prepare for and manage risk and compliance issues arising from IP infringement

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Innovation is critical for maintaining the long-term strategic advantage of a business and for building a brand. To derive the maximum benefit from such innovations, organisations should manage their intellectual property (IP) effectively. For example, this may include actions such as timely patenting of inventions and monitoring the market for infringing use of protected inventions.

In recent years, there has been a significant surge in global patent filings. According to the United Nation's World Intellectual Property Organisation (WIPO), 277,500 international patents were filed in 2021, a rise of nearly 1 per cent over the previous year. The number of patents granted in India alone has tripled in the last five years. This increase is indicative of the growing importance of acquiring IP rights in India. If IP is not adequately protected, it runs the risk of being used by competitors without consequence, and diluting the business of the original IP owner. Consequently, in this climate, protection of IP is as important as ensuring that third parties do not infringe on your IP rights. For example, in 2021, Ericsson and Samsung signed a multi-year global patent licensing agreement pertaining to cellular technology in a bid to settle all patent-related legal disputes between them.

IP lawsuits filed by a competitor, or in the case of patents, even by non-practising entities (NPE), can result in major financial losses, loss of business advantage/leverage provided by the IP assets, and even a loss of reputation.

Effective IP management: Some legal considerations

Businesses should consider the following to ensure that they are not falling prey to poor IP management practices:

1. **Is your IP strategy geared towards reducing risk of IP infringement?** – Companies should take a proactive approach towards assessing the risk exposure due to particular business activity, and put in place mechanisms for mitigation of such risks. For instance, before launching a new technology, companies should conduct a freedom-to-operate analysis, and evaluate the risk of infringing the IP rights of a third party. It is also a good idea to have an IP due diligence checklist in this regard. Simple prior art searches clubbed with professional guidance in R&D and subsequent stages, can clear the way to develop an infringement-free product. Proactive risk assessment and mitigation is a critical aspect of professional IP management.

2. **What steps are you taking to protect your IP assets?** – In addition to an application for statutory rights (such as patents, trademarks, designs etc.), organisations should also put in place contractual safeguards for ensuring the protection of IP assets, especially in contracts with employees, vendors, and manufacturers. Contracting parties should recognise the ownership and title of the IP assets of the other party. Further, in case of employees, employment agreements should legally bind employees to maintain the confidentiality of trade secrets learned during employment, even after exiting the company.

3. **Does your IP outlook align with future business goals? -** It is vital to align your IP portfolio with your long-term business strategy to maximise its value. IP assets that no longer serve a purpose often become a liability (incurring unnecessary maintenance costs), and need re-assessment. Exercises such as patent portfolio pruning can help in ensuring a portfolio of relevant IP assets. A robust IP management system is needed to sustain an organisation's IP

asset portfolio, optimise costs, and to generate new revenue streams. Such a system requires the organisation to periodically revisit its portfolio to ensure that it still aligns with its vision and development goals. It also involves looking for white spaces in the IP landscape and finding ways to plug those and position the organisation appropriately.

4. **How swiftly can you act to soften the blow if faced with infringement litigation?** - IP litigation can be costly – it can also have drastic consequences such as restraints on the use of an IP asset or even monetary compensation/damages. Organisations should ensure that they have a plan in place for such situations. Also, organisations should ensure that their IP portfolios are in a state of litigation readiness, by maintaining up-to-date details of the IP assets, and ancillary documents pertaining to their use. IP is a niche business segment that requires specialised practitioners. An IP management specialist can help the business prepare relevant documentation for obtaining rights in an IP asset, and engage relevant professionals for advice on maintenance, licensing and enforcement of the IP asset.

Conclusion: Step up your IP Game

With increasing competition, businesses are consistently scouting for innovations in their respective domains. Undoubtedly, the research and development, as well as IP filing processes to protect IP, including inventions, brands, designs, etc., are cost- and time-intensive. This makes it even more imperative to understand the potential risks associated with IP and conduct proactive due diligence to optimally leverage IP assets.