



**HOW WILL CREATING  
THE RIGHT IP STRATEGY  
MAXIMISE THE VALUE  
OF YOUR INNOVATION?**

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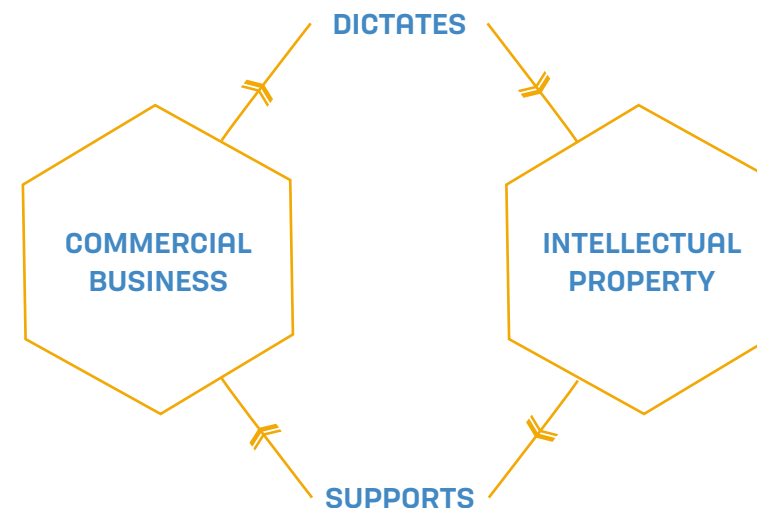
# WHAT IS AN IP STRATEGY AND WHY DO YOU NEED ONE?

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**An IP strategy is the part of your business plan that sets out exactly how you plan to develop, protect, use and - most importantly - commercialise your intellectual property (IP) so your innovation can achieve its maximum value.**

As IP comes in many forms, you will need to make strategic decisions so that your IP best serves your commercial goals. These decisions will be based on the stage your business is at, the field you operate in, the type of innovation you produce, the competition you face and your goals and objectives.

As these factors will be the key drivers for your business, we would always stress your IP strategy must be an integral part of your business plan and not an adjunct or accompaniment. Instead, the overall business plan dictates the IP strategy which in turn supports the business goals:





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**Having an IP strategy isn't solely an exercise in working out how you plan to move forward. It will also preserve your competitive advantage. Your IP strategy will play a hugely important role in safeguarding the investment that you, your employees and your investors have made in your business given that you, your market and your competitors will change over time.**

For example, you may be in an industry that is seeing a steady stream of new market entrants, or you may have targeted new territories or sectors to introduce your product into.

A strong IP portfolio will ringfence your position, protecting you against your competitors and laying a solid foundation from which to build your market share and leverage your chosen revenue streams.

The good news is developing an IP strategy doesn't have to be complicated.

Your IP strategy can start off as nothing more than a simple one-page overview of the IP assets you currently own and how you want to develop your portfolio over time.

At the earliest stages of your business' life, even your one-page IP strategy will help you achieve one vital goal. It will position your IP as one of your most valuable strategic assets, assets that must be at the forefront of your thinking as your company continues to grow.

However, as your company does continue to grow, your IP strategy will grow into a more detailed document as you will need to ensure:

- » **Your business plan and your IP remain totally aligned.**
- » **Your IP and your approach to IP has the infrastructure and support it will need to deliver your commercial objectives.**
- » **You know exactly how you plan to execute your IP strategy and the roles everyone in the business is expected to play in its execution.**

This last point underlines why creating your IP strategy is not just a job for your CEO, CTO or founder.

All your key stakeholders should be involved in developing and implementing the strategy.

Everyone who is involved in any aspect of your IP will have a valuable contribution to make. The IP to be considered includes patents, trade marks, designs, copyright, licences and other agreements and confidential information, including know-how/trade secrets.



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## WHY IS CREATING AN IP STRATEGY A COMMERCIALY VALUABLE EXERCISE?

**There will be a cost associated with creating an IP strategy, but it should be viewed as an investment in your business' future. Over time, the benefits of having a fully formed IP strategy will massively outweigh the initial cost. These benefits include:**

### INCREASED REVENUES

Once you have decided what you want to achieve with your IP, identifying all the potential revenue streams becomes a relatively straightforward task. And once you know where you plan to generate your revenue from, you can agree the tactics you'll need to leverage each revenue stream.

### INCREASE YOUR CHANCES OF SECURING INVESTMENT

Today investors understand the power of a robust IP strategy. They know a business with a clear and structured approach to IP is much more likely to deliver the returns they want at exit, and in the early days, having a clear and intentional IP strategy can be more attractive to investors than having a patent application on file.

This means having a robust and considered IP strategy makes it more likely you will secure the funding you want when you go out to the market to pitch.

### INCREASED MARKET SHARE

In sectors with high barriers to entry or a range of alternative solutions, patent protected technology is often the most attractive option in what will be a competitive procurement process.

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## STREAMLINE COSTS TO ACHIEVE MAXIMUM BENEFIT

Having a strategy before filing IP rights ensures that for each right in question there is a careful consideration of what type of IP would best protect the innovation, and whether a formal filing is necessary or not. This ensures that costs aren't unnecessarily incurred by filing without deciding if this is the best decision in the circumstances.

### REDUCED RISK

In the US alone the number of patent disputes filed in US District Courts rose to a staggering 3,777 cases in 2020. Having an IP strategy will help you identify potential risks and take the required action to avoid or at least negotiate these risks before they become costly and potentially damaging legal actions.

### REDUCED TAX LIABILITIES

Many countries are now offering tax breaks for innovative companies. In the UK the primary options are R&D tax credits and Patent Box. Having a clear IP strategy will make it easier to make the necessary claims not to mention increase the likelihood you receive the awards you want.

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## INCREASED PROFIT MARGINS

On one side, if you have innovation that is unique to your business and innovation your customers become reliant on, you can charge a premium whilst lowering sales costs and increasing client retention, repeat sales rates and the lifetime value of your customers.

If you are a more mature business, your IP strategy will also uncover the IP rights you no longer need so you can immediately cut the cost, time and effort of maintaining these rights.

On the other side of the coin, your IP strategy will also highlight where you could save significant R&D costs by licensing other organizations' IP or forming strategic partnerships through which to collaborate and share IP.





## ***WHAT SHOULD MY IP STRATEGY COVER?***

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An effective IP strategy should cover three business critical elements - protection, performance and operations, and commercialisation.

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# PROTECTION

# 01

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**At the most basic level, your IP strategy will set out how you plan to protect your IP.**

**Depending on your innovation and your business model, you may need a blend of patents, designs, trade marks and trade secrets to provide the exclusivity you want.**

However, protection involves more than just choosing the correct IP rights. You also need to set out when you plan to file (timing is crucial; go too early and you may hurt yourself by disclosing what you have, but go too late and you may find you have lost your exclusivity) and where you plan to file.

You should also consider **why** you want file.

Defensive publishing is becoming an increasingly popular option because once you disclose your invention to the public with a verified date, it becomes prior art. Prior art can help you stop competitors from patenting anything close to your core patent that could erode its value or give them rights to use any part of your innovation under preferential terms.

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# PERFORMANCE & OPERATIONS

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**Your IP strategy is there to guide you through each stage of the innovation cycle.**

Although your IP strategy will change over time to match your business, your business plan and your business' current objectives, it must address all your performance and operational requirements from R&D to IP portfolio management.

Once it is written down you will be able to see what tools and what external support you'll need to deliver your strategy and budget accordingly.

It should also highlight any large scale projects so you can plan in advance so they don't hold you up at a crucial point in your development.

For example, FTO, patent searching and patent landscaping can all be time consuming and potentially expensive exercises so they need to be factored in and budgeted for well in advance.

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# COMMERCIALISATION

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**Your IP strategy will ultimately be judged on the value it creates. That value will come from the way you commercialise your innovation.**

Part of this is working out how to get your products to market as quickly as possible and how to generate revenue once they get there (are you selling direct, licencing or collaborating?).

However, there is much more to consider.

How will you spot potential partners? How will you spot potential infringers? How will you spot additional markets and opportunities?

How will you build your revenue model to incorporate new markets, new products and new licensors?

How you achieve these four objectives will depend on your business and your business plan but we would usually ask most of the following questions when we're helping a client set their IP strategy.

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## **1. WHAT ARE YOUR OBJECTIVES AND HOW DO YOU PLAN TO GENERATE REVENUE?**

This involves a discussion around whether you want to sell new products, utilise new processes, license your patents and/or know-how or create a partnership or shared revenue model.

## **2. WHICH IP RIGHTS ARE BEST SUITED TO YOUR OBJECTIVES?**

This involves comparing the available rights with your business plan. Yes, patents can give you temporary exclusivity, but they take time and cost money so are there more effective solutions open to you? And how can you derive additional value from trade marks and trade secrets?

## **3. WHAT IS THE CURRENT COMPETITIVE LANDSCAPE IN YOUR MARKET?**

This involves looking at your competitors and identifying any potential partners and analysing the current direction of travel within your chosen markets.

However, we'd also take a more commercial view on the current threats and opportunities in your markets and estimate how long you realistically have to make money from your innovation.

## **4. WHAT IS YOUR COMPETITIVE ADVANTAGE?**

This involves looking at the barriers to entry you can create for competitors (or whether there are any barriers that would stop you progressing as planned) and which relationships you would need to nurture in order to succeed.

We'd also look at how best to leverage your brand which for some companies can be more important than protecting any innovations.

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At this stage we'd also examine your competitors' patents. Do they have any 'second-best' or 'not-in-kind' patents that could impact your competitive advantage by allowing them to deliver lower quality alternatives at lower prices?

## **5. ARE YOU FACING ANY FREEDOM TO OPERATE ISSUES?**

This involves identifying any third party patents that could restrict your ability to progress as you've planned and, critically, avoid potentially costly and damaging infringement actions.

## **6. HOW CAN YOU ACHIEVE YOUR GOALS WITHIN THE TIMEFRAME YOU WANT?**

This will involve making decisions as to whether you should be developing your technology in-house or licensing the required IP from others.

## **7. WHAT ARE YOUR CRITICAL SUCCESS FACTORS?**

Once you have identified your critical success factors, it is easier to work out how to achieve and take full advantage of them.

## **8. WHAT OTHER LEGAL DOCUMENTS AND AGREEMENTS WILL YOU NEED?**

This involves making sure everything needed to define the ownership of your IP is in place and clearly documented. This could require putting confidentiality or collaboration agreements in place so you can collaborate with others but limit the sharing of confidential information.

It could also involve drafting agreements that clearly articulate what will happen to any IP and/or proprietary information when a partnership, collaboration or license comes to its end.

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**9. DO YOUR PATENTS HAVE ANY VULNERABILITIES OR GAPS IN PROTECTION?**

This involves making sure your patent claims cover the product and/or process you want to protect. It will also set out a roadmap that will enable you to develop new solutions and stay ahead of your competitors.

**10. WHAT IS YOUR FOREIGN FILING STRATEGY?**

This involves designing a foreign filing strategy built around overseas market opportunities, likely infringement hotspots and the barriers you could place on competitors.

Determination of the geographic areas of interest is a conversation we would have with your business development team, to ensure we have the right geographic coverage and scope to allow your business development team to leverage the IP rights.

**11. HOW WILL YOU MONITOR COMPETITOR ACTIVITY?**

This involves working out how you not only monitor new potentially harmful IP rights being produced by your competitors but also how you plan to analyse and act on the intelligence you gather.

**12. HOW WILL YOU KEEP YOUR IP STRATEGY UP TO DATE?**

As we've already explained, your IP strategy needs to be a moving document so how and how frequently do you plan to keep it up to date so it meets the current strategic requirements of your business?

Just as importantly, how will you make sure your updates are based on an honest and commercial perspective so that it delivers the maximum value to the business? This could well require an experienced professional acting in a consultative or non-exec capacity.


An IP strategy is a working policy, which should be revisited on a regular basis to ensure it is fit for purpose. The strategy can be adjusted as the commercial aims and stage of the business develop over time.

**13. HOW WILL YOU DEFEND YOUR IP?**

If your IP is worth something to you, it will probably be worth something to someone else if they can knock it out. As part of your IP strategy, you should build in a plan and a budget for defending your IP. For example, once a European patent is granted, there is a nine-month period where the patent can be opposed and effectively entirely wiped out. Not having the resources to defend your IP at this point is a major issue.








***FROM A PURELY PATENT  
PERSPECTIVE, WHAT ARE  
THE ISSUES YOU SHOULD  
CONSIDER?***

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The questions raised in the previous section are valid for setting a strategy involving all or any of the available IP rights. However, if you look specifically at your patent portfolio the following questions might provide you with even sharper focus.

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A 3D maze graphic with a path leading to a large number '1'. The maze is composed of dark blue and grey blocks, with a yellow and orange path leading to a large white number '1' with a black outline. The text 'WHAT IS YOUR LONG-TERM PATENT STRATEGY?' is overlaid on the maze.

# WHAT IS YOUR LONG-TERM PATENT STRATEGY?

# 01

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**When you come to discuss your long-term patent strategy you need to be mindful that you can patent both the inventions you plan to commercialise as well as those you don't plan to commercialise.**

The former is probably the one you have been focusing on. However, the latter can also be a potent business tool. It could allow you to exclude competitors from the area/s you want to pursue.

It could also help you pave the way for a very lucrative licensing strategy.

You need to work out how you plan to use your patents in the most strategic and commercial way - e.g. whether you want to file the minimum number of patents to minimise costs, or pursue as much coverage as possible.

Broader coverage has the obvious downside of increased cost, but on the flip side having an extensive patent portfolio could either scare your competitors if maximising market share is your objective or inflate the price for exit if that is your objective.

Again, it's essential you review your patent strategy at regular intervals as, like your overall IP strategy, it will evolve with your business.

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# HOW CAN I TELL WHETHER MY IDEA IS PATENTABLE?

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**This is often the trickiest question to answer (especially if software or computers are involved).**

We would always suggest you examine your invention with an experienced but independent patent attorney.

They will be able to provide you with a solid opinion as to whether you can apply for patent protection or whether you should look at alternative ways to protect your innovation.

As well as having been through the same process with a long list of other businesses, they will be familiar with the patentability criteria in various territories.

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# SHOULD I CONSIDER A TRADE SECRET INSTEAD OF A PATENT?

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If you find your invention is not patentable, or if you do not wish your idea to eventually publish (as occurs with a patent filing), you may want to consider protecting it as a trade secret.

Trade secrets are sometimes the forgotten IP right. However, they can protect any information you have taken reasonable measures to keep secret or any information you derive commercial value from.

Trade secrets also last as long as the secret remains secret. This means they often long outlive the 20 years of protection a patent affords.

One reason a trade secret may not be the best option is when the idea it is trying to protect can easily be reverse-engineered from a product incorporating the secret. This is because reverse-engineering isn't illegal.

Again, an experienced patent attorney will be able to identify if a trade secret is perhaps a better option when you discuss the patentability of your invention and your commercial goals.

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# WHEN SHOULD I FILE MY PATENT APPLICATION?

# 04

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**Timing is absolutely crucial to any patent strategy. As you begin to commercialise your business, you need to remember research publication and IP protection are not mutually exclusive.**

However, knowing when to act is critical to a sound IP approach. Once you have disclosed any aspect of your idea, the chances of getting your patent granted can be greatly diminished. In some cases, they might disappear completely.

Some countries (including the US) have a grace period during which any publication by or originating from the inventor(s) would not affect the patentability of your invention. However, there is no such grace period in many other territories (including Europe and China).

This means that if anything was to leak before you file a patent application, it would prevent you from securing patent protection in these key territories.

While there is often no perfect time to file a patent application you will typically need to find the best compromise between filing early before anyone else does and having the requisite data to support your invention.

As this is such a vital component of your patent strategy, we would always suggest you discuss when is best to file a patent application with a patent attorney.

When considering your first filing to a particular innovation, you should also consider the timing of all the follow up applications which will eventually form a network of patent protection around your innovation and any future developments.

The timing of future filings will largely be based on when further data or developments are available, but there are also strategic aspects to consider, such as filing before the first patent filing publishes, in order to optimise the prior art situation.

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A hand is shown holding a blue chess piece (a king) over a wooden chess piece (a king). The background is a light blue gradient. The text is in white, bold, uppercase letters.

# HOW CAN POTTER CLARKSON HELP YOU CREATE EXACTLY THE RIGHT IP STRATEGY FOR YOUR BUSINESS?

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**Your IP strategy will play a defining role in creating and supporting the value of your business and your commercial advantage by creating exclusivity and protecting your products or processes from the unwanted attention of your competitors.**

The first area Potter Clarkson can help you with is making sure your team knows everything they need to know about IP.

We can explain what to disclose and what not to disclose, we can show them how to spot when you have a genuinely patentable invention, and we can show them how to gather the data they'll need to support the strongest possible patent applications.

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However, if you are seeking investment your IP will become even more crucial.

We have seen valuations drop by as much as 70% when investors spot weaknesses in an IP portfolio. More worryingly, we've also seen a significant number of investors walk away entirely if they don't like what they see.

This means you need the strongest possible IP strategy, a strategy that not only complements but maps exactly to your business plan so it will deliver your business plan.



# HOW DO WE MAKE IP *EASIER* FOR START-UPS?



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**We have designed *KickStartiP* to make the process of creating the strongest possible IP strategy as quick, easy and cost-effective as possible.**

***Kick-StartiP*** is a unique fixed price/fixed outcome audit undertaken by experienced attorneys with a long and successful track record of working with businesses just like yours and with the science and technology at the heart of your innovation.

By the end of the process you will have:

- » An explicit IP strategy (in writing) that will help you make the right IP decisions and manage your rights responsibly, commercially and cost-effectively.

- » A report that confirms your (current, and likely future) inventive concepts, the relevant IP rights and the ownership of your inventions and summarises the other legal or commercial issues you should address.
- » A set of slides that provides an executive summary of your IP strategy that you can add to your deck for use in presentations to prospective investors.
- » An accurate budget for your future IP-related costs.

If you would like to find out more about ***Kick-StartiP*** or arrange a time to discuss your IP strategy requirements in more detail with one of our attorneys, please contact:

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## SPEAK TO OUR EXPERTS



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## A PROVEN APPROACH

### OUR ACCOLADES

You can be truly confident in our abilities – we are recognised as a top-tier firm in Europe, having received accreditations from the IP profession's leading benchmarking organisations and programmes.



An excellent firm to deal with. They have invested in gaining a thorough understanding of our approach to projects, their communication is timely and concise, and their advice is easy to understand.”

**Chambers & Partners, 2022**

A key strength of Potter Clarkson is their combination of expert attorneys with solicitors, which gives comprehensive advice on highly technical matters using patent attorney expertise and solicitor know-how, as well as commercial and branding matters with trade mark attorneys and solicitors working together.”

**Legal 500, 2022**



