

# Practical Guide to IP Managers (Summary Version)

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This Guide (Summary Version) is compiled by Wilkinson & Grist Intellectual Property Practice Group as commissioned by the Intellectual Property Department of the HKSAR Government

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## A. UNDERSTANDING THE BASICS OF INTELLECTUAL PROPERTY (IP)

### Identifying IP assets

<i>Type of IP</i>	<i>What does it protect?</i>	<i>Can it be registered in Hong Kong?</i>
Trade Mark	<ul style="list-style-type: none"><li>the “brand”, in simple terms</li></ul>	✓
Patent	<ul style="list-style-type: none"><li>invention, i.e. product, substance or process which is new, inventive and susceptible of industrial application<sup>1</sup></li></ul>	✓
Design	<ul style="list-style-type: none"><li>product design that is new<sup>2</sup></li></ul>	✓
Copyright	<ul style="list-style-type: none"><li>books and literature, art, drawings and paintings, music and drama, films and print, broadcasts, computer programs, software, original databases</li></ul>	✗
Domain Name	<ul style="list-style-type: none"><li>the unique name(s) of the company’s website</li></ul>	✓
Company Name	<ul style="list-style-type: none"><li>the unique name(s) of the company, under which the business operates</li></ul>	✓
Trade Secrets	<ul style="list-style-type: none"><li>confidential information in a commercial setting, such as formulae, methods, technologies, know-how, designs, product specifications, business plans and client lists, that have commercial value</li></ul>	✗
Layout-Design (Topography) of Integrated Circuits	<ul style="list-style-type: none"><li>the original layout-design for incorporation into an integrated circuit</li></ul>	✗
Plant Varieties Protection	<ul style="list-style-type: none"><li>all botanical genera and species of vascular plants varieties of all types of plants<sup>3</sup></li></ul>	✓
Goodwill	<ul style="list-style-type: none"><li>reputation established through use and/or promotion that forms part of the business value</li></ul>	✗

## B. FORMULATING YOUR IP STRATEGY

### 1. Auditing & mapping your IP assets

#### Identifying the IP assets and ownership within a business

- (1) What kind of IP does the business have – trade mark, patent, design, copyright etc.?
- (2) When and how was each IP created?
- (3) Who owns the IP? By whom was the IP created?

<sup>1</sup> Section 93, Patents Ordinance (Cap. 514)

<sup>2</sup> Section 5, Registered Designs Ordinance (Cap. 522)

<sup>3</sup> [http://www.afcd.gov.hk/english/publications/publications\\_qua/files/pvpleafletb.pdf](http://www.afcd.gov.hk/english/publications/publications_qua/files/pvpleafletb.pdf)

- (4) How has each IP been developed/ changed (if any) since creation?
- (5) What has been/ should be done to protect each IP?
- (6) What is the value of the IP and its market advantage to the business? Is the IP of active business interest or has it become idle?
- (7) How and by whom each IP is/ can be commercially exploited?

## 2. Building your IP Inventory

This process includes:-

- (a) creating a database of information of each IP; and
- (b) documenting relevant supporting documents.

## 3. Setting guidelines on securing IP protection in new projects

### (a) Collaboration between cross-functional teams



### (b) Guidelines on securing IP protection

#### (i) Defining and documenting IP ownership

##### *IP created by employees*

The general principle is that an employer owns the IP created by its employees in the course of their employment.

##### *IP created by outside parties*

Where outside engineers, designers, software developers and/or other agents/ parties are engaged in developing the new project, the business should consider and have agreement with each outside party as to who owns any and which of the IP in the work.

Absent such agreement, the general principle is that the author/ creator of a work is the first owner of any copyright in it.

#### *IP created by collaboration with another business*

Where the new project is a collaboration with another business, the ownership of the IP arising from the project should be pre-defined and clearly stated in the agreement.

#### **(ii)     *Safeguarding confidential information***

It is critical and prudent for a business to include a confidentiality clause in all employment agreements, and agreements with contractors or business partners e.g. manufacturing factories, printers, service providers, design houses, licensees, franchisees and distributors; and/or to have them sign non-disclosure agreements (“NDA”) before any information is revealed to them.

#### **(iii)     *Designing the IP elements in a new project***

Below are some tips for the design teams:-

- ✓ Be innovative; avoid copying or using others’ works.
- ✓ For a new brand name/ trade mark, adopt a “distinctive” one to enhance the chance of securing registration.
- ✓ For a new product design, in order for it to be registrable the design should include features of shape, configuration, pattern or ornament applied to the product which appeal to the eye, but not only features dictated solely by the function which the product has to perform.
- ✓ Naturally, an invention should be something new<sup>4</sup>.

#### **(iv)     *Clearing the new IP for use and registration***

Conducting a clearance search on the official registers is a critical step in finding out whether the new (registrable) IP can likely be used and registered by the business, free from objections from the relevant authorities and third parties.

#### **(v)     *Pursuing registration and protection of the new IP***

Below are some practical issues to consider in devising a registration strategy:-

register every and all IP?

register which element?

register in all markets?

register for all goods and services?

register in whose name?

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<sup>4</sup> Section 93, Patents Ordinance (Cap. 514)

#### 4. Managing your IP portfolio

##### (a) Docketing critical action dates of each IP asset

##### (b) Periodic review and update of IP portfolio

Different teams should go through each of the IP in the portfolio and consider issues including:-

- whether there has been/ will be any change to each of the IP (e.g. whether the trade mark, product design or copyright work has been or will be changed, whether there has been any improvement in the invention);
- whether there has been/ will be any change in business focus, distribution channels, or direction in terms of industry and country of interest etc.

#### 5. Devising Manuals on IP Compliance

##### (a) Guidelines on use of own IP Assets

##### (i) Trade Mark, Design and Patent

Below is a quick overview of what indicia are considered as representing registration and pending applications:

<i>Type of IP</i>	<i>Indicia to denote registration</i>	<i>Indicia to denote pending application</i>
Trademarks	“®” “registered”	“TM”
Patent	“patent” or “patented” with patent registration number XXX	“patent applied for” or “patent pending”
Design	“registered”	Not required

##### (ii) Copyright

- Always put the symbol © together with the year when the work is created and the name of the copyright owner in a conspicuous place.

##### (iii) Company Name, Trade Name, Domain Name

Where appropriate and practicable, consider including the business’ company name, trade name and domain name on the actual goods or packaging or promotional materials, which will help to build up commercial goodwill in such names.

##### (b) Steps to take before use of others’ work which may entail IP rights

##### (i) Use of others’ trade marks in relation to goods or services

###### Steps to Take

In general, it is necessary to obtain either an assignment or a license to use the trade mark.

**(ii) Use of others' trade marks on advertising**

Steps to Take

- (a) investigate if the intended use is authorised;
- (b) if there is no express authorisation from the trade mark owner, consider whether the intended use fall within the above exceptions under the Trade Marks Ordinance
  - is the use in accordance with the honest practice in industrial or commercial matters? Reference can be made to industry agreed codes of practice (if any);
- (c) consider whether the intended use will cause confusion to the consumer public, for example, that the person using the mark is an authorised distributor of the trade mark owner when in fact it is not the case. If necessary, include a disclaimer to reduce the likelihood of confusion;
- (d) if there is no express authorisation from the trade mark owner and the exceptions do not apply or in case of doubt, one should:
  - refrain from using others' trade marks, especially marks which incorporate logos; or
  - obtain the trade mark owner's consent.

**(iii) Use of others' copyright material**

Steps to Take

- (a) consider whether a third party's copyright work or a substantial part of it is being used;
- (b) consider if the intended use is authorised by the copyright owner or falls within any of the above mentioned exceptions;
- (c) include a sufficient acknowledgement where appropriate;
- (d) if the intended use is not authorised by the copyright owner or the exceptions do not apply, or in case of doubt, one should:
  - refrain from using others' copyright materials; or
  - apply for a licence.

**(iv) Use of others' patented invention**

Generally a licence is required from the patent owner in order to use a patent which is valid and in force.

**(v) Reference to others' company name or domain name, or link to others' website**

Steps to Take:

Consider whether the use will cause confusion to the consumer public. For example, will the public be misled into believing that there exists certain relationship between the party using others' name and the company whose name is being used / whose website is being linked to, when no such relationship exists? If necessary, include a disclaimer of any relationship or association whatsoever to reduce the likelihood of confusion.

**(c) Reviewing rights, obligations and limitations in existing IP related contracts**

For agreements relating to creation of IP and acquisition of IP generally: -

<i>Creating IP</i>	<i>Acquiring IP</i>
What IP rights are created?	What IP rights are acquired?
Which party owns what rights, and which party has the rights to use the IP?	The scope of rights acquired
Any restriction on the use of IP created?	Any rights reserved by the assignor?
Any outstanding documents to perfect ownership of the IP created?	Any outstanding documents to perfect the IP acquired?
Any applications need to be made to register the IP created?	Any applications need to be made to record assignment of the IP?

For agreements relating to exploitation of IP: -

<i>Exploiting IP</i>	
Licence	<ul style="list-style-type: none"> <li>• What IP is to be licensed?</li> <li>• Exclusive or non-exclusive?</li> <li>• Licensed IP restricted to local version only?</li> <li>• Licensed Territory</li> <li>• Duration of Licence – possible to renew?</li> <li>• Scope of Licence : <ul style="list-style-type: none"> <li>➢ Licensed goods/services</li> <li>➢ Use on Licensee's own advertising materials allowed?</li> </ul> </li> <li>• Need to record licence?</li> </ul>
Franchise Agreement	<ul style="list-style-type: none"> <li>• What rights are granted to franchisee: marks, know-how?</li> <li>• Is authorised use of marks by franchisee restricted to local version only?</li> <li>• What business/services the franchisee are authorised to use the marks/know-how?</li> <li>• Any directions or restrictions on use of the rights granted?</li> <li>• Duration of franchise - need to renew?</li> <li>• Franchisee authorised to create own advertising materials?</li> <li>• Need to record franchisee as a registered user of the mark?</li> </ul>

**(d) IP training/education within the organisation**

**6. Enforcing your IP and preventing dilution**

**(a) Monitoring unauthorized activities and registrations**

It is important not only to secure protection of your IP assets, but also to monitor



unauthorized activities and registrations by third parties for prompt enforcement action to be taken to safeguard and prevent dilution of your IP assets.

**(b) Routes of enforcement and available remedies**

When unauthorized activities are discovered, prompt enforcement actions must be taken to minimize any actual or potential damage to your IP assets.

**(c) Developing appropriate enforcement strategy**

Infringement and dilution of IP are ongoing risks that could potentially lead to significant damage to your business. Therefore, it is of utmost importance for your company to devise a strategy for IP enforcement that is specifically tailored to its own requirements.

**7. Planning the IP budget**

IP-related costs for a business typically include:-

- (a) Costs to acquire/ secure protection of new IP
- (b) Costs to manage/ maintain existing IP
- (c) Costs to protect/ enforce existing IP
- (d) Costs to use/ exploit IP involving or belonging to third parties

## **C. LEVERAGING YOUR IP ASSETS**

**1. Forms of Commercialization**

Commercialization of IP involves exploitation of IP in the market in return for profits and growth.

<i>Form</i>	<i>Characteristics</i>
Assignment	Transfer of IP ownership to the purchaser/ assignee
Licence	No transfer of IP ownership, only a grant of permission to use IP within defined contractual limits
Franchise	Licence of brand, copyright, business model and know-how (among other IP), with ongoing training and assistance to a network of franchisees
Joint venture (JV)	Business arrangement whereby two (or more) independent enterprises jointly undertake a project, each contributing inter alia financial resources and/or IP assets to the JV

**2. IP licensing checklist and main contractual terms in IP licensing**

*Items*

Who are the Parties?

What IP is being licensed?

Rights granted/ limitations

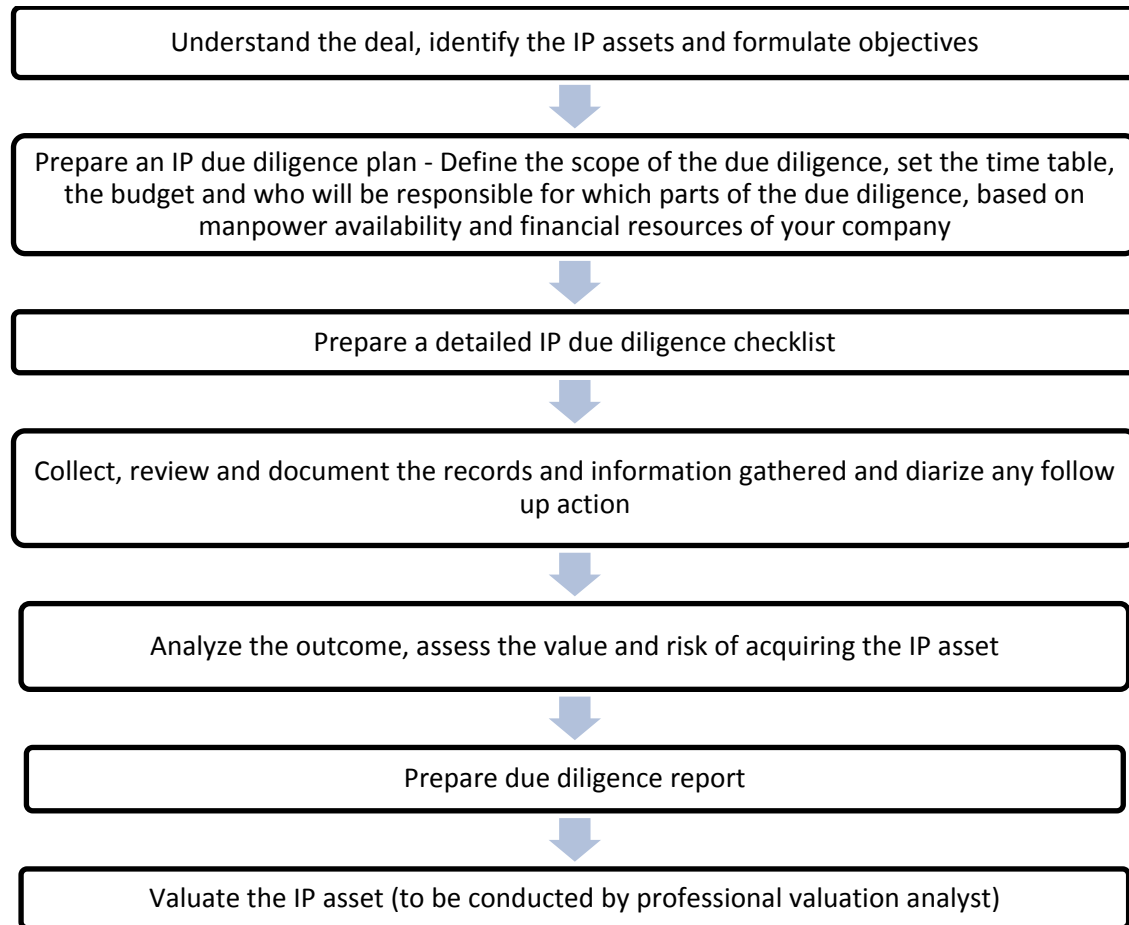
Duration and territory

Fees/royalties and payment

IP protection and Infringement  
Confidentiality  
Warranties and Indemnities  
Termination and post-termination/expiry

## D. IP DUE DILIGENCE IN IP TRADING

### Steps to conduct IP due diligence



The parties shall then negotiate a mutually acceptable price and contractual terms for acquisition of the IP asset based on the results of the IP analysis and evaluation.

## **E. TOP 10 KEY POINTS ON TAILORING YOUR STRATEGY**

10 Key Points for IP Managers:-

1. formulate IP strategy for your business
2. know well the IP in your business and its importance
3. keep good record of IP creation and ownership and register early for the IP in your business
4. allocate adequate resources to build and manage your IP portfolio
5. conduct regular audit and review of the IP inventory in your business
6. continual review with your teams to ensure IP compliance
7. monitor the market and the registers to detect infringement / unauthorized IP filings
8. take appropriate enforcement action to prevent devaluation of the IP in your business
9. commercialize the IP in your business to maximize return on IP inventory
10. conduct a thorough IP due diligence to maximize return and minimize risk of an IP transaction