

Do you need an Intellectual Property Audit?

“Ideas must work through the brains and arms of men, or they are no better than dreams.”
(Ralph Waldo Emerson (1803-1882).

An IP Audit is simply an exercise whereby the Intellectual property (“IP”) owned and/ or used by a company is identified and logged and any missing items or missed opportunities are identified. It is about ensuring the company has concrete valuable rights rather than simply ideas and dreams.

IP is, by its very nature, a product of the human intellect and so harder to identify than tangible property, such as buildings or physical property. Too many businesses therefore rely on tangible assets, ignoring or not understanding the value of the IP it has created in its business whether it be a business plan, business name, brand or product name, logo, domain name or website.

Businesses tend to only deal with the ownership of IP at times of crisis or opportunity such as when:-

- selling a business;
- floating a business;
- expanding into new territories and markets;
- losing out to competitors with defined IP strategies;
- receiving a letter before action;
- wanting to sue an infringer;
- seeking to bolster the share price or balance sheet through IP asset realisation; or
- when engaging in tax planning

In all these circumstances advance planning is highly desirable. Attempting to put things in place at the last minute - usually as an afterthought or reactive step - is generally expensive and no substitute for planning and getting your ducks in a row.

Regular surveys on the subject find that most companies do not actively seek to commercialise their IP, whilst also finding that these companies estimate that such action could benefit each company substantially! Similarly, surveys show that most companies have no systems to monitor their IP rights and no designated executive with responsibility for protecting IP.

Our own recent survey of the FTSE 100 (the UK’s largest quoted companies) found several have not protected their name through trade mark registration. At the same time, we frequently come across much smaller companies with bloated and unnecessarily expensive trade mark portfolios that could easily be trimmed back.

An IP audit is a good way of protecting IP and will help show:-

- what IP you create;

- what IP you capture and own;
- how to protect your IP; and
- how to avoid infringing the IP of others.

Thinking about protection is only the first step in developing an IP strategy. We encourage businesses to promote a planned and strategy-oriented approach i.e. create and capture your IP, protect it, limit your competitors use of it and then exploit it whether through strategic alliance, joint ventures or licensing.

Special rules apply in relation to most forms of IP. Do you know in relation to your business:-

- Who owns the copyrights, designs, innovation and other important business assets, such as bespoke software, marketing materials, processes and data.
- Your patents and trade marks – do you have a patent or trade mark portfolio? Are your patents or trade marks being used? How are they used by third parties? Do you set out guidelines for such use? Are your trade marks retaining their distinctiveness?
- Whether your terms and conditions of sale protect your IP? Is IP being licensed as opposed to assigned?
- Whether your employment contracts deal with IP created by your employees? Who owns it? Do you employ consultants? If so, do you own the IP they create for you?
- Whether the right assets are in the right company?
- Do you actually own or have a licence for the IP you are using?
- Whether you consider ringfencing IP assets and structuring your IP portfolio to reduce tax liabilities, for example, no stamp duty is payable on the transfer of IP.
- Whether proper safeguards and arrangements are in place when disclosing or receiving Confidential Information.
- Which domain names you have registered – does your portfolio cover all generic top-level domains (.biz, .info, .name, .org, .net, .com etc.)? Have you covered all domain name variants? Can a competitor register a variation and cause you difficulties?
- Which social media handles (e.g. your Twitter and Facebook account names) have you got registered?
- Are these domain names and social media handles owned and controlled by your company (rather than Bob in IT)?
- Whether you are fully exploiting your core and non-core IP?
- The value attributed to your IP, such as databases, knowledge management systems and websites?

Every business conducts an annual financial audit, most take stock-checks of their physical inventory and fire drills are obligatory, but too few businesses check their ownership of IP.

If you require assistance on devising or implementing an IP audit, or you simply want to find out more about this subject, please contact David Hansel dah@hanselhenson.com or Justine Saliba jes@hanselhenson.com now.

© 2013 Hansel Henson LLP all rights reserved.

Whilst every effort has been made to ensure accuracy, information contained in this note may not be comprehensive and recipients should not act upon it without seeking professional advice.