



SUN TZU ON BUSINESS
INTELLECTUAL PROPERTY PROTECTION

“A strong intellectual property protection strategy would allow your business to reap the most benefits out of the intellectual property. The ancient Chinese military strategist, Sun Tzu is credited for The Art of War, the ancient military treatise dating from around the 5th BC. Each of the thirteen chapters in the Art of War relates to military strategies and tactics which have been applied in many modern day settings. Today, most of us would not have been called to war and are at best armchair warriors but Sun Tzu’s stratagems may still be of relevance when strategizing on the protection of a company’s intellectual property.”

Intellectual property is an important asset for a business. Apart from serving as an indicia of origin of a business’ goods or services, intellectual property can be licensed, assigned, sold and even used as a collateral. In other words, it can be monetised and adds to the total value of a business. The International Trademark Association published a report in August 2017 on the correlation between trademarks and their economic impact on contribution to gross domestic product, share of exports and employment in Indonesia, Malaysia, the Philippines, Singapore and Thailand. The analysis showed that trademark-intensive industries in these five major markets in Southeast Asia can contribute up to a significant 50 per cent of gross domestic product, 60 per cent of exports, and 29 per cent to overall employment.¹ A 2007 joint research project by the World Intellectual Property Organisation and United Nations University on the impact of the intellectual property system on economic growth in Malaysia concluded that the improvement in the intellectual property standard in the country has positively influenced the gross domestic product growth in the long run.² The same study also found that there is a positive correlation between foreign direct investment flows and the intellectual property index implying that stronger intellectual property protection attracts more foreign direct inflows. Given the significant impact of intellectual property on the economic development of Malaysia, protection of intellectual property is crucial for the stability of the country.

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“Know yourself and you will win all battles”

To start things off, a shrewd assessment of your business and business objectives is required so that scarce resources can be efficiently allocated to protect the relevant intellectual property which is in line with the business. **You need to take into account your business' core goods and/or services** along with the growth and growth prospects of your business and if the business is expanding overseas, you will need to consider protecting the intellectual property there. This applies even to startups which may still be sourcing for funding as protected intellectual property attracts potential investors on the basis that your business is not exploiting other people's intellectual property. A patented product would deter competitors from exploiting your product for a duration allowing you to commercialise it and carve a market share. Though understandably, some businesses might not have prioritised protection of intellectual property due to uncertainties associated with the continuity of the business, lack of awareness, underestimating the importance of intellectual property protection or some other reasons. The potential to commercialise your intellectual property requires you to examine your business' objectives and your competitor's business' objectives together with any limitations.

“He who wishes to fight must first count the cost”

In order to protect your business' intellectual property, you must identify the intellectual property that the business possesses and the cost that comes with protecting the intellectual property. **You will need to know what can and cannot be protected.** Broadly, intellectual property covers creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.³ This includes intangible property that has already crystallised and those that are still in the pipeline such as blueprints, drafts and discussion or presentation materials. Depending on the industry that you are in, you may have a variety of intellectual property that warrants protection some of which may not be apparent at first instance such as recipe ingredients, traditional knowledge, internet domain names and software source code.

At the preliminary stage itself, making an inventory of these intellectual property and understanding the rudiments of each type of intellectual property that is present including the procedures, requirements, associated cost to protect the intellectual property and legal rights accorded by the protection is fundamental and will save time and cost in the long run. It is only through understanding what intellectual property is that you can decide the best course of protection. Each

¹ https://www.inta.org/Communications/Documents/ASEAN_Impact_Study-Five_Country_Summary_090817.pdf; <https://www.inta.org/Communications/Pages/Impact-Study-Four.aspx>

² https://www.wipo.int/export/sites/www/about-ip/en/studies/pdf/wipo_unu_07_malaysia.pdf

³ <https://www.wipo.int/about-ip/en/>

country has its own set of laws, regulations or practice which governs the protection of intellectual property so if you are thinking of expanding your business overseas or have already done so, do consider protecting your intellectual property in these countries as it will give you a competitive advantage over your competitors. In many countries, intellectual property registration is required before certification or license approvals are granted for manufacturing, exporting or importing goods. In Malaysia, a certification body such as SIRIM QAS International, requires trademark ownership declaration as a precondition for certification.⁴ Do bear this in mind if you are keen to obtain certification for your products.

“You must see the subtle and notice the hidden to be victorious”

Should you have employees who invent the next best thing since Tesla electronic cars, you want to be clear about the ownership of the invention. In Malaysia, ownership over intellectual property authored or invented in the course of employment accrues to the employer (or the person commissioning the work as the case may be) unless there is an agreement between the parties to the contrary or limiting such transfer. A non-disclosure agreement for employees, contractors or suppliers may also be necessary unless clauses to the same effect are already in their contract of employment or contract for service as the case may be. If the right to the intellectual property is derived from a licensing arrangement, **ensure that the proper documentation is in place** to show consent to the use of the intellectual property as this can serve as both a shield and a sword in the realm of intellectual property. Ownership allows you to not only exploit the intellectual property but to enforce the rights in the intellectual property. However, it does not mean that you have to be the proprietor to be able to take action. The Trademarks Act 2019 (“TA2019”) provides that a licensee can bring infringement proceeding in his own name. Where an infringement proceeding is brought by the registered proprietor of a trademark, any losses suffered or likely to be suffered by a licensee shall be taken into account.

Further under the TA2019, an exclusive licensee may have the same rights and remedies as if the licence had been an assignment including the right to bring infringement proceedings in his own name to such extent which is allowed in the licence. In any event, under the Act, a licence is not effective unless it is in writing and signed by or on behalf of the licensor. Similar provisions entitling a licensee to institute infringement proceedings are entrenched under Malaysian laws for industrial designs or patents and an exclusive licensee for copyright. If the right to the intellectual property is on a joint ownership basis, make sure that the parties are aware of the limitations of the joint ownership for example, a patent application may only be applied for jointly or for copyright, an assignment or licence granted by one copyright owner shall have effect as if also granted by the other co-owner(s). Joint owners of an intellectual property may separately take action against any person who is exploiting their intellectual property without their consent so have an agreement to set out terms of the joint ownership if you want to safeguard your interests in this respect-particularly if you want to be notified or have your consent sought prior to the action and also in other respects. Where possible, avoid joint ownership of intellectual property as disputes may arise be it at the application stage or post-registration stage when you consider taking action against unauthorised use of the jointly-owned intellectual property.

⁴ <https://www.sirim-qas.com.my/wp-content/uploads/2020/03/Product-Certification-Application-Form-ePCS-FOR-01-2.pdf>

“He will win whose army is animated by the same spirit throughout all its ranks”

Educating your employees on the intellectual property that needs to be protected is equally as important as educating them on not infringing intellectual property belonging to others. Employees are involved from the research and development stage all the way through to the marketing and sales stage. Thus, even at the research and development stage, it is crucial that your employees be aware of the intellectual property that they are dealing with and work together to protect the intellectual property. For instance, at the product research and development stage you may wish to consider having non-disclosure agreements with your employees or joint venture partners to prevent confidential information from being disclosed. The marketing division must exercise care not to use brand names that are already in use or include elements of intellectual property belonging to other entities in their advertisements. Be aware of infringement risks brought on by employees who may be using intellectual property belonging to their previous employer. In terms of handling the intellectual property, all mediums of storing intellectual property such as physical files, computer, tablets or other handheld devices, virtual storage and file-sharing applications have to be secure. **Your employees will need to be trained** to identify the intellectual property and methods to protect the intellectual property when handling them including preventing security breaches. Intellectual property theft causes significant losses to businesses so implement security measures to prevent intellectual property theft.

“It is only one who is thoroughly acquainted with the evils of war that can thoroughly understand the profitable way of carrying it on”

Due to the territorial nature of intellectual property and the accompanying set of laws and regulations that come with protecting them, **you will need professional assistance** to help manoeuvre the legal intricacies, advise you on your rights and obtain the relevant protection.

Obtaining intellectual property protection may seem a breeze if you conclude this based on the number of pages on the application forms. However, consider the fact that not all applications for intellectual property are granted. In 2019, of the 7,743 patent and utility innovation applications received by the Intellectual Property Corporation of Malaysia (“MyIPO”), only 4,213 patents were granted.⁵ In the same year, 46,530 trademark applications were filed with MyIPO and 19,431 were registered.⁶ The applications were abandoned mid-way through the applications on the applicants own volition because of office actions from MyIPO or oppositions by other party. Though not reflective of the actual number of applications applied for in 2019 which obtained registration as it takes time to examine the applications, it provides an indication of MyIPO’s examination stringency.

Wasted costs and time can be prevented if you have professional assistance as you do not want to grapple with the practicalities of say, filing a patent application. The costs to rectify errors or deficiencies with the initial application can be more than re-filing a fresh application. Intellectual property professionals can help to ascertain and identify the intellec-

⁵ <http://www.myipo.gov.my/en/statistic-application-registration/#toggle-id-1>

⁶ <http://www.myipo.gov.my/en/statistic-application-registration/#toggle-id-2>

tual property that you have and manage your company's intellectual property portfolio. They can also assist to conduct an intellectual property audit, searches on the relevant intellectual property databases, formulate a maintenance plan for the intellectual property and advise on monetising of the intellectual property. This is particularly helpful if you are looking into buying over a business or have taken over a business and would like to verify the intellectual property that the business possesses and have them protected, valued or monetised. As laws and practices change over time, intellectual property professionals will be able to keep you abreast of changes and developments.

“Whoever is first in the field and awaits the coming of the enemy, will be fresh for the fight; whoever is second in the field and has to hasten to battle will arrive exhausted.”

Timing is important when it comes to protecting a business' intellectual property. **The sooner it is done the better** it is as delays may have serious ramifications such as financial losses or inability to enforce rights in the intellectual property. For instance, an entity could have filed for a trademark first before you and its application could be cited against yours resulting in delay and extra cost in your endeavour to overcome the citation. In first-to-file countries, another competitor could already have registered your trademark in its name and may bring infringement action against you. Delays in protecting your patent for medicines could mean that generic medicines flood the market thereby denying you monopoly of the medicine. Intellectual property protection will act as a market barrier to entry for certain industries such as pharmaceutical, technology and manufacturing. So get your leg in the door before others do!

“The art of war teaches us to rely not on the likelihood of the enemy's not coming, but on our own readiness to receive him; not on the chance of his not attacking, but rather on the fact that we have made our position unassailable”

Once your business' intellectual property protection framework has been implemented, **be pro-active and vigilant in enforcing your intellectual property rights**. You want to deter your competitors and others from profiting from the unauthorised use of your intellectual property so that you can continue to reap the benefits and enjoy your market position. Uncurbed infringement of your intellectual property not only leads to loss of revenue and market share but will eventually affect the sustainability of your business. Registration or grant of protection of intellectual property provides you with prima facie evidence of ownership so flex those muscles if need be and show them that you mean business. After all, a strong record of enforcing your intellectual property rights would bolster your claims of proprietorship in the event of litigation. To stop others from infringing your intellectual property rights, warning notices, watch service or market survey can help to nip infringing activities in the bud. Even if you have yet to obtain protection for your intellectual property you may have common law rights in the intellectual property and are entitled to exercise those rights. Consult an intellectual property law professional if you are unsure about the legal position. Very often, businesses encounter infringement of their intellectual property rights but are time-barred or face numerous obstacles in enforcing their rights due to the delay in enforcement. Instead of being on the offensive and enforcing its intellectual property rights, a business may therefore find itself going on the defensive as a result of its delay in enforcing its intellectual property rights.

“Opportunities multiply as they are seized”

Since the whole point of protecting your business’ intellectual property is to preserve your exclusive rights over the intellectual property, competitive advantage and the resulting value, **consider monetising your business’ intellectual property** once you have set in place an intellectual property protection regime. Businesses can utilise its intellectual property as the subject of a security interest. The TA2019 has specific provisions for the treatment of a registered trademark as property allowing it to be the subject of a security interest in the same way as other personal or moveable property. A registered industrial design is recognised as a form of personal property under the Industrial Designs Act 1996 and can also be the subject of a security interest in the same way as other personal or moveable property.

Intellectual property financing is still very much a novelty and many financial institutions do not have the framework to facilitate this. All is not lost though as the Malaysia Debt Ventures Bhd accepts intellectual property as collateral for financing.⁷ Its Intellectual Property Financing Scheme was introduced by the government in 2013 to assist small medium enterprises to obtain funding by using intellectual property as collateral. Not surprisingly, one of the qualification criteria is that the applicant must own the intellectual property and it has to be registered with MyIPO.⁸ All in all, licensing of intellectual property will still be the more common option for monetising intellectual property. Lastly, you can always opt to sell intellectual property that no longer sparks joy for your business or will spark more joy if sold.

“The supreme art of war is to subdue the enemy without fighting”

In conclusion, intellectual property is evidently the backbone of a business and drives the economy. They not only contribute to the success of your business but also global competitiveness. Hence, protection of intellectual property should be factored in at the very start of your business and remain a priority in your business’ legal framework. As technological advances evolve towards a digital economy, protecting your intellectual property becomes all the more important because of the prevalence of cyber theft of intellectual property. You really do not want to wait till your business is adversely affected by intellectual property infringement or theft before you get down to business. Prevention is better than cure after all as our fellow colleagues in the medical profession will tell you.

⁷ <http://www.mdv.com.my/v3/monetising-intellectual-property/>

⁸ <https://mastic.mestec.gov.my/sti-incentive/intellectual-property-financing-scheme-ipfs>



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