

# KEEPING YOUR IP OUT OF TROUBLE

How to manage and reduce IP-related risks to your business





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# Introduction

Investment in intellectual property (IP) can have great rewards. However, it's not without risks. This guide provides you with insights into where those risks lie, and how you can mitigate them. It emphasises how you can keep your business out of trouble. A separate guide—**Upholding your IP Rights**, explains your options for enforcing your IP, should the need arise.

**Chapter 1** relates IP risk to business risk, showing you the damage imitation can cause, and setting out why decisions about your IP are too important just to be delegated to your legal advisers. It addresses the misconception that IP is a game that only 'big boys' can play, but also highlights the possible consequences of getting it wrong.

**IP is a form of property**—something your business can own and with which it can transact business. However, its non-physical nature means it does not behave in the same way as other, more familiar types of property. For example, with intangibles like IP, lots of people (potentially millions) can benefit by using the same asset at once.

Over time, this difference has led to the development of 'exceptions' in the law, to help balance the rights of the creator and owner of an IP asset with that of the would-be user, and with society. An overview of what you can do with other people's assets, without breaking any laws, is in **Chapter 2**.

**Chapter 3** looks at the risks in your IP rights. It walks through each of the four main types of IP rights (i.e. patents, trade marks, designs and copyright) and provides a series of checklists to help you identify the risks of most concern to you. It also touches on protection for software and databases.

To help you avoid running into trouble with other companies' IP rights, **Chapter 4** sets out a series of tips for staying alert to the possibility of infringement and keeping track of what your competitors are doing. **Chapter 5** then sets out a series of steps for dealing with accusations of infringement, which will typically start with written correspondence such as a 'cease and desist' letter

Produced by **IPOS International**, these intellectual property management (IPM) business guides aim to deliver a suite of IP solutions for enterprises based on industry best practices. As the expertise and enterprise engagement arm of the Intellectual Property Office of Singapore (IPOS), IPOS International helps enterprises and industries use IP and intangible assets for business growth. Some of these engagements may be eligible for Enterprise Singapore (ESG) funding, such as the intangible asset audit and strategy development aligned with business goals. IPOS International's business portal [www.iposinternational.com](http://www.iposinternational.com) also contains case studies and videos of enterprises leveraging IP to gain a competitive edge in their innovations. Should you have questions on IPM matters or wish to speak with our Intellectual Property Strategists, do email us at [enquiry@iposinternational.com](mailto:enquiry@iposinternational.com) or call **+65 63308660**.





# Which IP risks need managing?



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# 1. Which IP risks need managing?



## How does IP risk relate to business risk?

At its heart, owning intellectual property (IP) is about having the means to stop other people benefiting unfairly from your hard work. The more successful your business becomes, the better motivated your competitors will be to copy all the best features of your products or services, eroding your market share. If you don't pay proper attention to IP rights, you may find yourself powerless to stop them.

IP rights exist to protect your 'intellectual creations' (whether these are inventions, designs, brands or copyright-protected works) and to give you a degree of exclusivity and ownership over them. These intellectual creations are what differentiate your business from your competitors: they underpin your unique selling points (USPs).

Businesses that create and manage IP effectively and efficiently can reap the benefits of the investments they make in building up their know-how. This is because IP gives them a means of defending their competitive advantage.

IP is not a purely legal matter. It also involves commercial considerations. It is fundamental to every business that exploits knowledge in any form.

“IP is about having a means to stop people benefiting unfairly from your hard work”

## Can I really protect my IP from the 'big boys'?

Some small businesses feel there is little point protecting inventions, brands, designs or creative works using the IP system. Their argument is that bigger companies will ignore their rights and that the costs of fighting this out in court are unaffordable. However, the truth in any business is that your position is stronger when you own IP than it can ever be without it.

There is no denying that court costs can be substantial and that you will want to avoid court proceedings wherever possible, but here are six reasons why you should still take IP protection very seriously.

<b>1</b>	<b>IP rights act as a deterrent</b>	They will make a large proportion of would-be infringers think twice about copying you—provided, of course, you make it obvious that the rights exist.
<b>2</b>	<b>IP may help generate offers you want to accept</b>	If you have strong IP rights, large competitors are likely to offer to buy them (or license them from you). It's often a cheaper, easier and less risky route than starting a development programme of their own with the sole intention of copying you. It might even lead to an offer to buy your business.
<b>3</b>	<b>You don't have to fight it out in court</b>	You can use your IP to apply for orders to prevent imports of offending goods, or (in some cases) get these goods taken off the shelves of retail outlets. You can also choose to use arbitration and mediation services to resolve disputes.
<b>4</b>	<b>IP supports business continuity</b>	Registering your IP reduces the risk of being 'locked out' of the market by a competitor filing for rights which could prevent you from operating.
<b>5</b>	<b>You'll have a stronger negotiating position</b>	Once you have registered trade marks and industrial designs, it puts the onus on other people to prove they are NOT infringing. Without registration, you have to prove that they HAVE copied you. You have a much better basis for obtaining compensation from an infringer.
<b>6</b>	<b>It's MUCH better than nothing!</b>	You may feel as though your IP position will always be weaker than a large competitor with big enforcement budgets. However, your position will be far weaker if you don't have any IP rights of your own to help you reach an agreement.

## What damage can imitators cause me?

*“The process of imitation is becoming ever quicker and cheaper”*

**T**he digital age has massively increased the speed with which information can be disseminated globally. This means that news of commercial success spreads quickly. It may give rise to imitators without your knowledge.

Invention and creation is still a costly and time-consuming activity. However, once a breakthrough has been made, the process of imitation is becoming ever quicker and cheaper (just proving that something is possible greatly reduces risk and speeds up time to market).

It is sometimes said that 'imitation is the sincerest form of flattery'. Certainly, the presence of competitors can grow your overall market. Unfortunately, the type of imitation many companies experience is based on quality compromises and price reductions. If you are selling a physical product, for example, copies originating from lower production cost markets may represent a real threat, even if your customer relationships are relatively well-established.

# 1. Which IP risks need managing?



If you cannot sustain a price premium based on some aspect of differentiation, your offering is likely to become increasingly commoditised. You will find that you have to sacrifice profit margin for sales volumes, leaving you with fewer resources to innovate and keep ahead of the competition. Worse still, if your competitors are protecting **their** USPs using the IP system, they may be able to stop you from keeping up at all. This is a downward spiral you will wish to avoid!

Imitation, therefore, is a problem that needs to be taken very seriously as soon as it is identified—particularly if direct copying has occurred, or leakage of confidential information is behind it. The best defence is to take the necessary legal and contractual steps to protect what you own at the earliest opportunity. This will enable you to take effective action against the copycats and get compensated for business you lose as a result of illegal activity.

## How much trouble might I get into if I infringe someone else's IP?

Intellectual property rights are carefully defined and backed by specific legal provisions and case law. If you are found to have been misusing someone else's IP, the consequences can be very serious, with either civil or criminal penalties being applicable (and sometimes both). You could lose your business, your livelihood—even your freedom.

Like all other types of property, IP has an owner who has the rights to exercise control over when and how it is used. Unauthorised use, manufacture, importation or sale of another party's IP is usually considered to be an infringement. Some infringing acts are not only considered harmful to the IP owner (a civil matter), but also against public law and order (and so also a criminal matter).

The exact activities which are considered infringing and/or criminal and the exceptions are quite complex and vary by the type of IP right involved. Should you be taken to the civil court for IP infringement, the following panel sets out the six main civil penalties, any or all of which might be imposed on you and your business by a judge depending on the types of IP involved.

<b>1</b>	<b>Declaration of validity</b>	<i>In patent infringement cases, the court may issue a declaration that the patent is valid and that it has been infringed</i>
<b>2</b>	<b>An injunction</b>	<i>An order from the court that tells you to stop your infringing activities, or requires you to pay licence fees to continue them</i>
<b>3</b>	<b>An award of damages</b>	<i>You can use your IP to apply for orders to prevent imports of offending goods, or (in some cases) get these goods taken off the shelves of retail outlets. You can also choose to use arbitration and mediation services to resolve disputes.</i>
<b>4</b>	<b>An award of statutory damages</b>	<p><i>For copyright and certain trade mark infringement cases (where the infringement involves the use of a counterfeit trade mark in relation to goods or services), statutory damages may be ordered to be paid even if the wronged party cannot prove a loss. The sum will depend on several factors, including:</i></p> <ul style="list-style-type: none"> <li><i>• Whether the act was infringing and what its purpose was</i></li> <li><i>• Whether it should have been obvious to you that you were infringing</i></li> <li><i>• Whether you were acting in bad faith</i></li> <li><i>• The likely amount of loss suffered by the copyright owner</i></li> <li><i>• The amount of benefit you have received from the infringement</i></li> <li><i>• Whether a large award would act as a deterrent to future infringers</i></li> </ul>
<b>5</b>	<b>An order for delivery or disposal</b>	<i>You may be asked to dispose of or surrender, any infringing goods that you still have (these may otherwise have had a significant value)</i>
<b>6</b>	<b>An account of profits</b>	<i>You may be asked to pay the infringed party the amount you have earned from committing the infringement. If you are allowed to continue trading, you may also be required to pay a licensing fee to the infringed party on any future sales you make</i>

# 1. Which IP risks need managing?

If you are taken to the criminal courts for IP infringement, you will have to defend yourself against prosecutors working on behalf of the state. If you are found guilty of a criminal offence, the sanctions include **large fines** and potentially even **prison sentences** for the directors of the offending company.

It is also important to be aware that where an infringing act is committed by a corporate body, a director can be sued personally in certain situations. This personal liability can arise under two main sets of circumstances:

- If the director authorised the potentially infringing act knowing it was potentially infringing and acted in concert with the company
- Where the company was only established to carry out the business of the director(s).

The accompanying guide to enforcement in this series—**Upholding your IP Rights**, describes the civil and criminal sanctions available in Singapore and the process by which court actions are brought in more detail.



## What other IP risks do I face besides infringement?

**E**ncroaching on other people's rights may not be the only IP-related risk your business is running. Here is an overview of the most frequently encountered issues that are covered in accompanying guides in this series, which can also tell you how to mitigate some of these risks.

ISSUE	EXPLANATION	RELEVANT GUIDES(S)
<b>Loss of trade secrets</b>	<i>Confidential, proprietary information that underpins your products and services might be disclosed by a member of your team or stolen by another company</i>	Safeguarding Your Competitive Edge Managing Your Most Valuable Assets
<b>Loss of potential rights through disclosure</b>	<i>You may lose the ability to file for IP protection in some territories, in particular for patents if your invention has already been disclosed. This can happen by publishing a paper, exhibiting at a trade fair, or talking to suppliers without a confidentiality undertaking in place</i>	Safeguarding Your Competitive Edge Managing Your Most Valuable Assets

ISSUE	EXPLANATION	RELEVANT GUIDES(S)
<b>Loss of rights through failure to take timely action (post-application)</b>	<i>You may lose the opportunity to obtain or maintain IP protection if you miss application deadlines, fail to respond to official correspondence or do not renew rights when due</i>	Managing Your Most Valuable Assets
<b>Lack of attention to imitators</b>	<i>If you do not take timely action to tackle suspected infringement, you may find that your ability to address it reduces over time</i>	Upholding Your IP Rights
<b>Loss of rights through failure to apply early enough</b>	<i>The 'first to file' principle exists in some countries, such that another company may have already claimed rights to a name that you are using in other countries</i>	Knowing Your Competition Going Global
<b>Loss of know-how</b>	<i>If your staff retention policies are poor, you may lose valuable know-how from your business that is needed to extract the best value from your intangible assets</i>	Keeping Your IP Out Of Trouble
<b>Secondary infringement</b>	<i>Case law has established that companies can be liable for infringing acts of their employees (for example, 'borrowing' other people's software code), and also if they are complicit in the infringing acts of other people</i>	Upholding Your IP Rights
<b>Missed deadlines</b>	<i>Several deadlines have to be strictly met to maintain IP rights. These include the regular payment of renewal fees, responses to the office and other actions and correcting of formalities in an application. If any of these deadlines are missed, very valuable assets may be irrevocably lost</i>	Managing Your Most Valuable Assets
<b>Failure to manage licensees or franchisees</b>	<i>Other companies authorised to use your IP rights may abuse them by failing to follow your guidelines, especially if you do not include clear audit rights, affecting your profits and your reputation</i>	Making Money From Your IP



# What risks are associated with my own IP rights?



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## Where do IP risks most often arise?

Risks relating to the IP that your business owns, or is seeking to protect, can be divided into two main categories. The first is the set of risks that arise during, or as a result of, the application process: the second is the set of risks you may encounter when you try to use them.

This chapter looks at each of the main categories of IP in turn, highlighting some of the most important issues to consider from a risk management perspective. Some of these are **internal** risks, such as making sure that by the time you apply for protection, you can describe the IP you wish to protect in a reasonably final form. Others are **external**, such as the intelligence an advance registration might give away to competitors.



*The tables in this chapter have a space next to each risk, for you to identify which ones you consider to be most relevant or important to your own business.*

None of these should detract from the main point: **it is much better to have IP rights than not!** But it is even better if these rights form part of a strategy that has carefully weighed the risks involved in making your intentions known, and the market response that obtaining your rights might provoke.



*Our guide—**Safeguarding your Competitive Edge**, contains the basics on how you can obtain protection in Singapore under each of the registered rights families discussed in this chapter. A separate guide—**Going Global**, sets out how this protection can be extended internationally.*

## What risks are associated with patent use?

The rights associated with patents are generally regarded as the strongest of all IP types. However, the process of obtaining patent protection and the use of your patents in the market (both before and after grant) attract risks. It is helpful to confirm that patenting is the right strategy before you start, and to bear these risks in mind as you go through your patenting journey.



*Our guide—**Planning for Success**, offers a range of hints and tips to help you make sure that you put in place an IP strategy that is appropriate for your business.*

Patenting is an expensive and time-consuming activity. The reason companies engage in it is to protect a far greater amount of investment, which is the money they have spent innovating. If you find that someone else has copied how something works (as opposed to what it looks like or what it is called), a patent is the IP right that gives you the best basis

## 2. What risks are associated with patent use?

for effective action. So for certain types of businesses, patenting is essential.

However, patenting isn't appropriate for every business. Some companies, for example in the software industry, innovate in ways that simply don't produce patentable outcomes. Also, the fact that a patent ultimately puts your invention into the public domain—in sufficient detail for someone else to be able to reproduce it—it may not offer the best protection for all businesses, particularly if keeping an entire production process secret is a realistic option. The panel below sets out some important considerations to help you take a balanced view of the risks and rewards of patenting for your business.

“Ensure adequate protection for any background IP before it is disclosed to another party”

### Points to consider when applying for patent protection

	ISSUE	EXPLANATION	OF CONCERN?
1	<b>Enables competitors to design around you</b> 	<i>The patenting process involves a disclosure of your invention at publication. If your invention is easily reverse engineered, patent protection may be the best way forward. However, if you have a process or product that is hard to reverse engineer, do you mind others knowing what you are planning and how your products work? Could your invention be better protected by way of a trade secret?</i>	
2	<b>Use in other territories</b> 	<i>You are unlikely to be able to protect your IP in every country. Does this leave too much room for competitors to copy you?</i>	
3	<b>Risk of rejection</b> 	<i>You cannot be certain that your patent will be granted. You could end up putting information in the public domain that you can't then protect. Is this a risk worth taking?</i>	
4	<b>Costs are high</b> 	<i>Even before your patent is granted, renewal fees are payable and can be substantial, increasing every year in most countries. Is the income stream you expect to protect large enough to justify the expense?</i>	
5	<b>Granted protection is too narrow</b> 	<i>During the patent examination process, some of your claims may have to be revised or dropped altogether. Will a narrower scope of protection be good enough?</i>	

## Possible pitfalls: risks when using your patents

	ISSUE	EXPLANATION	OF CONCERN?
1	Risk of infringing 	<i>You may still need permission from other patent holders to practise your invention if they hold rights to a core patent you have improved—have you considered this?</i>	
2	Risk of patent being invalidated 	<i>Patents can be challenged both before and after they are granted. Is there any competitor who has placed a watching brief over your portfolio? Are you aware of any potential grounds which can work against you?</i>	
3	Costs of defence 	<i>Can you afford to defend your patent in court if necessary? Should you set aside a budget in contingency to deal with this element or consider IP insurance?</i>	

### What risks are associated with trade mark use?

Trade marks are applicable to the majority of businesses. Most companies have a trading style or brand that is worth protecting, and trade marks provide the best way of safeguarding a range of reputational assets. However, these IP rights are not 'fit and forget'—ongoing management is needed to make sure they remain relevant.

Obtaining trade mark protection in Singapore is relatively affordable, but costs can mount up when coverage needs to be obtained across a large number of territories. Also, if you decide that you need to extend your rights to cover new products or services, you will need to file a new application from scratch. It is therefore advisable to plan your strategy carefully to make sure that the registrations you secure will be long-lasting and effective.



Our guide on branding—**Building a Strong Brand**, has further details on the various IP-related elements that go towards establishing an image and reputation.

Many of the risks associated with trade marks are or should be, under your company's control. A common problem is that the marks do not keep pace with the company's changing identity and activities.

## 2. What risks are associated with patent use?

One other trade mark problem familiar to Singapore companies is to protect their business or product names overseas. It is important to engage with a local lawyer to check any translation of your brand has no negative connotation regarding the textual or oral representation of the brand in the local language. Also, for some languages, such as in China, for example, many of the Chinese characters you may wish to use are in relatively common use.

Your brand must be appealing to consumers in markets of interest as if they dislike the sound or impression of your brand they may refer to it by an alternate name, which could lead to you losing control of your brand. Overall, whatever your claim is to the mark, it is better to be first to file than trying to dislodge an existing registration. For that reason, consideration of the branding and naming strategy and searching databases to check availability is a very important tactic in advance of making commitments.

The panel below sets out some of the main trade mark-related considerations.

### Points to consider when applying for trade mark protection

	ISSUE	EXPLANATION	OF CONCERN?
1	<b>Prior registrations</b> 	<i>You do not want to waste money by building up a brand you cannot protect. Has someone else already registered the same mark or something that looks or sounds similar?</i>	
2	<b>Provides competitors with intelligence</b> 	<i>Could applying for a trade mark too early (e.g. too far in advance of a media/product launch) 'tip-off' competitors about your future product or marketing strategy?</i>	
3	<b>May encourage opposition from third parties</b> 	<i>Owners of similar marks will know when you apply. Have you left enough 'space' between your mark and existing registrations, so that they cannot reasonably object?</i>	

## Points to consider when using your trade marks

	ISSUE	EXPLANATION	OF CONCERN?
1	Trade mark becomes outdated 	<i>You cannot simply add classes of use to an existing mark – you have to apply afresh. Does your registration cover all the ways in which you use the mark now, and expect to in future?</i>	
2	Rebranding 	<i>If your trade mark is an image and you rebrand, you can move outside the scope of your own protection. Are your registered marks up-to-date?</i>	
3	Overseas trade 	<i>Your mark may be fine in Singapore, but are you trading in other markets (e.g. via the internet) where it could infringe someone?</i>	
4	False representation 	<i>Are you using ® appropriately? You may only use ® if you have a registered trade mark—did you know in some territories it is a criminal offence to use the ® symbol incorrectly?</i>	

### What risks are associated with use of designs?

If styling and external appearance are important to your products, registered design protection provides a quick and affordable means of obtaining protection for the distinctive elements they contain. Like any other IP rights, it is important to formulate your registration with care, otherwise it may not provide the protection you are seeking.

Like patents, designs provide you with a licensable right that can be used to manage the risks associated with production and distribution. Unlike patents, however, designs do not undergo a formal examination process in Singapore (or other countries) to establish whether they are in fact novel. This leaves them more exposed to later challenges.

It is also very important to get the scope of your application correct. If the illustrations you provide are very detailed (such as CAD drawings), they may only attract protection for one specific implementation of the features you are seeking to protect. However, if the scope is very broad, competitors are more likely to attack it.

## 2. What risks are associated with patent use?

### Possible pitfalls: the risks of applying for design protection

	ISSUE	EXPLANATION	OF CONCERN?
1	Poor drafting 	<i>Have you used appropriate representations to illustrate your design, so that protection will not be limited to one very specific application?</i>	
2	Provides competitors with intelligence 	<i>It is inadvisable to file for protection too early. What would your competitors do if they knew what you were planning to launch?</i>	

### Possible pitfalls: risks when marketing your designs

	ISSUE	EXPLANATION	OF CONCERN?
1	Scope of protection is narrow 	<i>Have you made changes to product styling? Might these have made your design protection redundant? Have others tried to copy you already?</i>	
2	Design is considered commonplace 	<i>Is there a risk that your design could be open to challenge as being already established in your industry?</i>	

### What risks are associated with use of copyright?

**A**lthough there is no formal application process required to obtain copyright, some risks still need to be managed concerning how it is created, which can catch companies out. There are also some specific points to watch for when your copyright materials are being used.

Risk management strategies work best when they think about copyright in the broadest sense. For example, copyright protects software code as well as words on a page, and images regardless of how they are captured and stored—from rough sketches to finished masterpiece.

## Points to consider when establishing copyright ownership

	ISSUE	EXPLANATION	OF CONCERN?
1	Contractor may own 	<i>Have you used appropriate representations to illustrate your design, so that protection will not be limited to one very specific application?</i>	
2	Provides competitors with intelligence 	<i>It is inadvisable to file for protection too early. What would your competitors do if they knew what you were planning to launch?</i>	

## Points to consider when using copyright

	ISSUE	EXPLANATION	OF CONCERN?
1	Employee copying activity 	<i>Are you sure your employees aren't copying your protected works?</i>	
2	Employees are unaware of responsibilities 	<i>Are you sure your employees aren't copying other people's code or taking images unlawfully from the source?</i>	
3	Clearance for use complex 	<i>Has clearance been obtained for any commercial use you make of other people's copyright works? Are appropriate licences in place?</i>	

## 2. What risks are associated with patent use?

### How do I protect data and computerised information?

Copyright protection has limitations, especially for software-based companies that rely on code and databases. The protection against reproduction that copyright law provides is unlikely to be sufficient to deal with the risks you may face.

Software code is classified as a 'literary work', and as such, it is protected by copyright law. However, it is only protected against direct copying (as a whole, or of a distinctive part). If other companies look at what your software does and decide to write their own version of it, without copying your code at all, copyright is unlikely to be much assistance in taking action against them. This is because it protects an expression of an idea, but not the idea itself.

As a result, software-based businesses tend to use other methods to protect their distinctive functionality. One of these is to develop proprietary user interfaces, which copyright (and sometimes registered design rights) can protect more effectively. Another method is to utilise rules, algorithms and data to give the code its unique functions, and to store these separately so they are less easily copied or imitated.

Under certain circumstances, copyright can also protect a database. However, recent Singapore case law has determined that this will only be the case where the compilation process has an element of creativity about it. This is different from some other countries where a separate, 'sui generis' database right exists.

Accordingly, companies seeking to protect compilations of data to which they have not added value would be well advised to find other ways to address this concern. A partial solution is provided by contract law, which can be used to stop any third parties that may come into contact with the data from acquiring any rights over it.

Further sanctions are available under Singapore's Computer Misuse Act, which has provisions to address unauthorised access, access with a view to committing an offence, unauthorised modification, obstruction or interception. However, the best defence is provided by technical means—like 'locking down' access to confidential systems to a small number of authorised staff and encrypting data to safeguard it in the event of theft.

## Points to consider when protecting data

	ISSUE	EXPLANATION	OF CONCERN?
1	Lack of physical security 	<i>Have you taken all reasonable hardware-related precautions to prevent people from outside your business gaining access to sensitive data?</i>	
2	Lack of contractual security 	<i>Are you using non-disclosure agreements (NDAs) or confidentiality undertakings every time you engage external suppliers in projects where information needs to be exchanged?</i>	
3	Poor internal procedures 	<i>Do people inside your business know what information you consider to be confidential? Do you have procedures in place to mark and store this data and restrict access to it?</i>	

## Possible pitfalls: risks when using data

	ISSUE	EXPLANATION	OF CONCERN?
1	Permissions to use 	<i>Have you got consent to manipulate and use data originally obtained from third parties?</i>	
2	Protection against hacking 	<i>Have you taken suitable steps to prevent anyone from intercepting sensitive data in use, and when stored on your systems?</i>	



**How can I minimise  
risks relating to rights  
that other people own?**



**03**

## How do I stay alert to the possibility of infringement?

“ You want to be able to concentrate on running your own business, without fear of threatening letters ”

To ensure that you are not inadvertently falling foul of the law and risk running into trouble, it is important to understand what actions can trigger civil penalties or even constitute criminal offences. You also need to keep your knowledge of the market and the IP that your competitors own up-to-date.

As a company owner or manager, you want to be able to concentrate on running your own business, without fear of threatening letters landing on your doorstep. However, keeping track of what might constitute an infringing act is not always straightforward.

As an example, there will usually be an 18-month delay before you can find out what new inventions your competitors have sought to protect using patents. While you cannot be guilty of infringing rights that are yet to be granted, there is always the possibility your competitors may accelerate their search and examination processes to be able to commence enforcement action if they know you are working in an overlapping area.

It is also advisable to survey the IP landscape whenever entering new geographical markets. It is always possible that activities which are legally permissible in Singapore are covered by existing IP rights elsewhere.

You may also need to bear in mind that infringement is quite a broad concept. You can infringe someone else's rights by making, selling, importing or distributing offending goods.

Also, if the technology you use has many applications, this increases the probability that IP affecting your business could be owned by companies in sectors that are adjacent to your own, as well as firms with which you compete directly. This means you may need to search quite widely for other people's rights that could affect your freedom to operate.

There are a several specialist IP databases that can be used to assist you (some are free to access and others incur a fee), but it is advisable to consult an IP professional for help with IP searches, especially with complex freedom to operate searches.



The accompanying guide in this series—**Knowing Your Competition**, describes the tools and mechanisms available to assess your competitors' IP. You will want to avoid infringing activities as far as possible: further information on this aspect is set out in the guide—**Upholding your IP Rights**.

### 3. How can I minimise risks relating to rights that other people own?

#### What processes might help me avoid disputes?

Familiarity with the IP landscape, within all the markets in which you trade, is the most important knowledge you need to help you steer clear of trouble. You can supplement this information with other processes that can further assist in avoiding potential difficulties.

Your whole business has a role to play in ensuring that threats to your IP are contained and the possibility of infringing other people is detected at an early stage. You will need to design your own processes to suit your activity focus, but the following table contains some useful ideas that should get you started, to make sure that all parts of your team are aware of what is required.

DEPARTMENT	AREAS OF FOCUS	THINGS YOUR TEAMS CAN DO	✓
R&D	<p><i>Room to innovate</i></p> 	<p>Create new IP that strengthens the company's own portfolio of rights</p> <p>Find and analyse competitors' IP</p> <p>Report internally about potentially infringing third parties</p> <p>Keep up to date with technological advances in the industry</p>	
Sales & Marketing	<p><i>Competitor intelligence</i></p> 	<p>Gather intelligence from prospective customers regarding their requirements and whether competitors are meeting them</p> <p>Track public statements by competitors to gain insights into their plans</p> <p>Understand customer needs and feed this back to R&amp;D so that the company is not left behind by the market</p>	
Operations	<p><i>Process improvements</i></p> 	<p>Develop new manufacturing processes that may subsist as trade secrets, giving the company an on-going competitive edge</p>	

DEPARTMENT	AREAS OF FOCUS	THINGS YOUR TEAMS CAN DO	
Technology	<p><i>System security and vulnerabilities, access controls</i></p> 	Restrict access to sensitive information to the minimum number of people	
		Maintain backups to ensure business continuity and IT security	
		Safeguard against hacking attempts	
		Keep valuable data encrypted	
Human resources	<p><i>Employment contracts, employee handbooks, remuneration and benefits</i></p> 	Encourage staff loyalty so skilled resources are not lost unnecessarily	
		Prevent key staff from going straight to work for competitors	
		Make staff aware of their responsibilities not to copy other people's IP	
		Ensure employment contracts contain clear provisions regarding IP and confidentiality, and assign all necessary rights to the business	
		Ensure contractors do not take company-owned IP with them	
		Incentivise staff to innovate	
		Organise training of staff on their responsibilities with regards to trade secrets, copyright and other IP	
Legal/finance	<p><i>Non-Disclosure Agreements (NDA), confidentiality undertakings, financial planning</i></p> 	Ensuring that confidentiality undertakings are in place with key suppliers	
		Make sure terms and conditions of business retain all IP rights for the company (wherever appropriate)	
		Keep business plans secret	
		Allocate sufficient budget to adequately protect and enforce the company's IP rights	
		Ensure the company owns or has on-going access to IP from projects it is involved in	



# What should I do if someone else accuses me of infringement?



04

## What steps should I take if I am accused of infringement?

Often, the first you will know about alleged infringement is that you will be sent a 'cease and desist' letter asking you to stop doing certain activities. Alternatively, you may possibly receive a less formal approach raising concerns about whether you need to buy a licence for someone else's IP assets that you are otherwise infringing. It is highly recommended to consult an IP professional on such matters.



### CHECKLIST

Here are suggested 'do's and don'ts' to deal with such situations. The sections that follow provide more detail on the key points mentioned here.

	ISSUE	EXPLANATION	✓
1	<b>DON'T panic!</b>	<i>Just because you are being accused of having done something wrong, this is not necessarily the case. Some claims are spurious and ill-founded</i>	
2	<b>DO read the letter very carefully</b>	<i>Make sure you understand exactly which IP rights the accusation concerns, and which of your activities are considered to be infringing. Get a clear picture of what your 'accuser' is asking you to do to rectify the position</i>	
3	<b>DO notify your IP law firm</b>	<i>You will need professional advice to deal with this matter. Start with the law firm that has helped you obtain your own IP rights, if any. They will either be able to assist you directly, or recommend you to some other firms who can help</i>	
4	<b>DON'T ignore any dates specified in the communication</b>	<i>It is important not to miss any response dates set out in cease and desist letters. If you feel that any proposed timings are unreasonable and that you are going to need longer to respond, write to the other party (ideally via your legal adviser) in good time explaining why</i>	
5	<b>DO find out more about your 'accuser'</b>	<i>If you are not already familiar with the other party named in the letter, conduct some research on the company so that you can formulate a picture of who you are up against. Look at their size, location, activities and IP portfolio (you can find out most of this information easily from publicly available sources, including their website)</i>	

## 4. What should I do if someone else accuses me of infringement?

	ISSUE	EXPLANATION	✓
6	DO make internal enquiries	<i>Gather all the information you can on the activity that is alleged to be infringing. Find out how long it has been going on, what sales (if any) have been made in relation to it, and what costs are associated with it. If deliberate copying has taken place without your knowledge, you may need to take some action internally regarding those responsible for it</i>	
7	DO formulate a reply	<i>Work with your legal adviser to frame a response (which will normally come from them rather than you). This will probably take one of three general positions:</i> <ul style="list-style-type: none"><li>• <i>Accepting that the infringement has taken place (even if it has been inadvertent) and offering a route to resolve the issue</i></li><li>• <i>Reserving judgement on whether the infringement has actually happened (neither confirming nor denying)</i></li><li>• <i>Denying that the infringement has taken place</i></li></ul> <i>Any of these may be accompanied by points that might give grounds for a counter-claim. This could include questioning the validity of the rights that are claimed to have been infringed</i>	
8	DON'T hold your breath!	<i>Legitimate disputes are seldom settled immediately, so do not be surprised if further exchanges of correspondence are needed. However, it normally will not take long to determine whether this is an accusation you need to continue to take seriously, or whether it is unsubstantiated</i>	

### Who should I talk to first?

The golden rule with any letter that comes from a law firm in respect of IP infringement is: don't ignore it! Sometimes letters alleging infringement are spurious, but if there is a genuine case to be answered, time can be of the

essence in resolving a dispute. Also, prompt action at the outset may save you a great deal of time and trouble in the longer term.

An accusation of infringement, which may typically take the form of a letter requesting that you "cease and desist" from an action, can come as quite a shock. While you should not take the statement of infringement as fact—since such cases are very seldom entirely cut and dried—you certainly shouldn't delay dealing with it.

“ Prompt action may save you a great deal of time and trouble in the longer term ”

An accompanying guide in this series—**Upholding your IP Rights**, describes in more detail what constitutes infringement and what is also considered a criminal offence in Singapore.



Not all accusations of infringement are overtly threatening. You might receive a 'friendly' approach from another company indicating that they have some concerns regarding your activities and enquiring whether you may wish to take out a licence in respect of them.

Don't be lulled into thinking that you do not have to do anything: if you say no without careful thought and investigation, you may find that the tone soon changes.

## Does the accusation contain threats that are unjustified?

*“It is unlawful to issue groundless threats relating to infringement”*

**A**n accusation of infringement is a serious matter. It is illegal to make groundless, unjustified accusations that another party is infringing your rights. If you are subject to an accusation of this type, several remedies are available to you.

IP rights offer some potential for abuse. Cases have arisen where firms have written to companies threatening to sue them if a licence fee is not paid—which may not be due. As a result, for most types of IP rights, the relevant act contains a provision that makes it unlawful to behave in this way.

If you receive a threatening letter but can show that the other party's claim is unfounded, you can bring an action for groundless threats. This may enable a court to do one or more of three things:

- Declare that the threats are unjustified, essentially allowing you to carry on your activities
- Grant an injunction against the other party, stopping them issuing further threats
- Order the other party to pay you damages for any losses you have sustained as a result of the threats

For these reasons, it is unwise for any company to make threats to sue based on IP infringement without proper consultation with the professionals in this area.

## 4. What should I do if someone else accuses me of infringement?

### Does the accuser have a strong case?

**W**hat course of action you decide to take when accused of infringement will depend on several factors. One of the main aspects will be how strong you feel the other party's case is. This should be assessed early on, and as dispassionately as possible.

Before making any judgement, it is important to bear in mind that IP law is seldom clear-cut. While the infringements, exceptions and limits of protection are set out in statute, the interpretation of these points and the definitions applied to them are largely determined by case law. To be sure of the position, you will need an IP law background and be familiar with the statutes and the relevant legal precedents. In that connection, we highly recommend that you obtain professional legal advice.

### Is the accuser's IP strong, or might it be invalid?

**A**s well as making an assessment of whether you are likely to be found to be infringing, it is important to assess the strength of the accuser's IP. A common defence, when accused of infringement, is to argue that the IP you allegedly infringe is invalid. If that is found

to be the case, the IP will be removed from the relevant register and cannot be infringed by your actions. It is advised to consult an IP professional on such matters.

Clearly, if the IP you are accused of infringing is found to be invalid, you do not have a case to answer. There are a multitude of reasons why a granted patent, a registered design or a registered trade mark might be found to be invalid, and if you can effectively argue that this is the situation in your case, then the accusation falls away. You can make a case for invalidity to IPOS for an opinion.

*In Singapore, invalidity and infringement actions are usually tried together. Although IPOS can rule on validity cases, if there is a lawsuit already filed at the High Court concerning a particular piece of IP then it is usual for the High Court to hear the validity case at the same time as the wider case is heard. IPOS will stay any judgement it is making about the IP's validity until the High Court action has concluded.*



Finding reasons why your accuser's IP may be found to be invalid is often beneficial, even before the case has come to court. Quite often, simply finding a good argument why the accuser's IP might be found to be invalid will be sufficient to encourage your opponent to settle out of court, rather than risk the integrity of its IP portfolio. Here too, you will need the assistance of an IP professional.

## Might the accuser be infringing your rights?

“ A common way to avoid court proceedings is to offer to ‘cross-license’ your IP with your competitor ”

**A**nother common form of defence is to identify areas where your accuser may be infringing your rights. This may be a good tactic even if it involves a different field of activity or relates to a different product or service.

Any IP rights you have that operate in a similar area to the accuser's rights will not, of themselves, permit you to ‘do’ anything. However, the fact that they give you a right to stop other people may be very relevant. This is especially important if the party accusing you is a direct competitor.

If both parties have IP that is used in several competing products, it is possible you may find areas where your accuser could be found to be infringing your IP. This should be investigated as a matter of priority if you are accused of infringement, since a common way to avoid court proceedings is to offer to ‘cross-license’ your IP with your competitor. This allows them to continue to use the IP you have identified, in exchange for them allowing you to use their IP, with or without any money changing hands.

A point to watch here is that if both yourself and the other party occupy dominant market positions, care must be taken that any such agreement cannot be deemed to be anti-competitive and a restraint of trade. Provided this is not the case, a cross-licence often provides an effective means of allowing your business to continue to trade and to continue to make products and services in the same way as you have been doing before the ‘cease and desist’ letter landed.

## Can I use licensing to avoid court action?

**I**f you feel that your position may be relatively weak and that you have a poor chance of winning any court battle, it may be possible to avoid court action by offering to pay your accuser a fee for continued use of their IP.

If you do not have a strong hand to play, it is important to bear in mind that if you lose a case, you may be liable for your opponent's legal costs as well as your own, and may be compelled to account for historic profits. Under these circumstances, it may be wise to suggest a form of Alternative Dispute Resolution (ADR) such as mediation or arbitration.



*In Singapore, if you offer an ADR approach and this is rejected by the other party, it may limit the damages or compensation awarded should you lose the case. The accompanying guide in this series—**Upholding your IP Rights**, explains mediation in more detail.*

## 4. *What should I do if someone else accuses me of infringement?*

During the proceedings and before the case comes to court, you may have to consider paying a fee both to make amends for any previous infringements that have occurred and, if the other party agrees, for ongoing access to the IP.

Even if the other side has a good case, it should still be possible to negotiate a reasonable licensing rate for continued access to the IP in question. There are standard licensing royalty rates that are discoverable from industry databases, which have historically been paid in these situations. These vary by industry and make it possible to determine with some degree of accuracy what an appropriate licensing rate is likely to be in your situation.

Having this information at hand during the negotiation should help to prevent punitive rates from being imposed.



# Where do I get help?

## 05

### GETTING RIGHTS GRANTED

IPOS : [www.ipos.gov.sg/resources](http://www.ipos.gov.sg/resources)

### GETTING IP ADVISORY

- Intangible asset audit
- Intangible asset strategy and management
- Business and technology intelligence
- Commercial analytics on patents
- Due diligence on intangible assets
- Bespoke advisory services

### GETTING IP TRAINING

- Executive programmes
- Certifications
- Undergraduate and postgraduate courses
- Regional training

### GETTING PATENTS RIGHT

- Patent search and examination (for both national and international PCT applications)
- Patent analytics
- Customised search services

### DEALING WITH DISPUTES

IP Legal Clinic (IPOS) : [www.ipos.gov.sg/eservices](http://www.ipos.gov.sg/eservices)

### FOR INFORMATION AND ENQUIRIES

Website : [www.iposinternational.com](http://www.iposinternational.com)

Email : [enquiry@iposinternational.com](mailto:enquiry@iposinternational.com)

Telephone : +65 6330 8660

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A subsidiary of the Intellectual Property  
Office of Singapore (IPOS)

1 Paya Lebar Link #11-03  
PLQ1 Paya Lebar Quarter  
Singapore 408533

T: +65 6330 8660 | [www.iposinternational.com](http://www.iposinternational.com)