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THE CURRENT TRANSFORMATION OF IP STRATEGIES FOR NON-HOLDERS

СУЧАСНА ТРАНСФОРМАЦІЯ СТРАТЕГІЙ ІНТЕЛЕКТУАЛЬНОЇ ВЛАСНОСТІ ДЛЯ НЕВОЛОДІЛЬЦІВ ПРАВ ІНТЕЛЕКТУАЛЬНОЇ ВЛАСНОСТІ

Анотація. Досліджено сучасну трансформацію стратегій інтелектуальної власності для неволодільців прав інтелектуальної власності та запропоновано сучасні підходи до класифікації таких стратегій, а також обґрунтовано перспективи їх застосування малим та середнім бізнесом.

Abstract. The current transformation of intellectual property strategies for non-holders of intellectual property rights was studied and modern approaches to the classification of such strategies were proposed, as well as the prospects for their application by small and medium-sized businesses were substantiated.

In turbulent times of nowadays it is very important for every company to have a strong IP strategy to increase its value and decrease risks. In this context intangible assets create a bigger part of the company's value added. That's why any organization is interested in integrating its IP strategy with general strategy of the company.

In order to generate a competitive advantage, IP strategy must be aligned with, adapted to, and developed on the basis of a corporate strategy, which includes a product strategy with strong marketing policy, a business unit and a technology policy as well as financial and tax policy, HR policy and procurement policy. The aim is to ensure that the IP rights portfolio aligns with the key success drivers of the company's strategy, including: available resources and capabilities, approach to product development and commercialization of technology, competitive situation, position on the market, product portfolio, R&D effectiveness, product and technology life cycle, potential or existing cooperation in the sector, industry specifics, company's size and other [1; 5; 6; 8; 9].

According to the IP strategies classification approach of W.W. Fisher and F. Oberholzer-Gee [4] the main division of IP strategies is made into two types: IP strategies of IP rights holders and IP strategies of IP rights non-holders.

Under the term “non-holders of IP rights” we understand companies or individual entrepreneurs, who don’t own important IP assets, but who would like to compete with those rivals, who own such important IP assets. According to Intellectual Property SME Scoreboard 2022 [3] 90% of SMEs don’t own registered IPR. This is the reason why I have focused on that kind of market players.

The reasons why intellectual property rights are not used in SMEs are as follows [2]:

- the innovation is not entitled to patent protection
- it would be difficult to enforce the patent
- the innovation is not new on the market
- the price of the patent application is too high
- it would be difficult to detect patent infringement
- a patent was not important
- a patent would have revealed too much.

These reasons forces SMEs to become non-holders and look for the appropriate IP strategies.

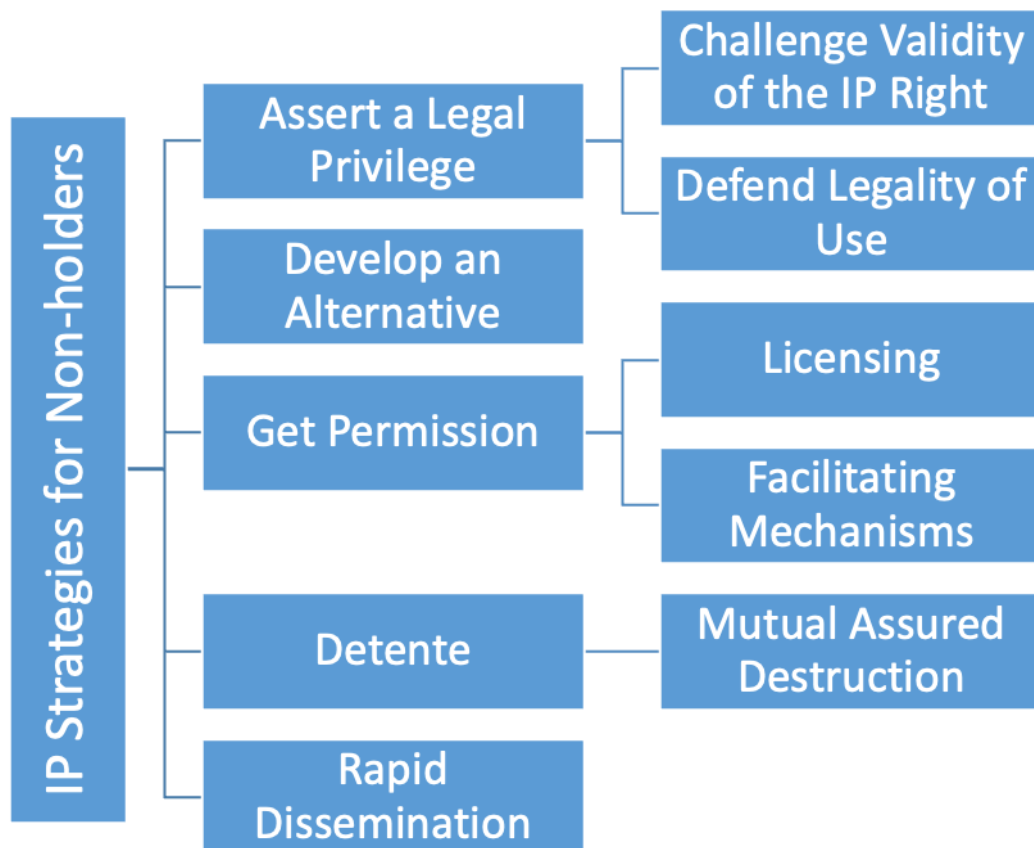


Fig.3. IP Strategies for Non-Holders

Source: composed by the author based on W. Fisher and F. Oberholzer-Gee [4]

At the Fig.3 the classification of IP strategies of non-holders is represented. The main IP strategies for non-holders are the following ones: asserting legal privilege, developing an alternative technology, getting permission, *détente* and rapid dissemination [4].

The first IP strategy for non-holders is asserting legal privilege. Non-holders frequently believe that they will need to file a lawsuit in order to enter a market that is already dominated by an established company with IP rights. The newcomer needs permission from the court to make space for carrying out its activity. There are two possible ways to go about doing this [4]. The IP non-holder may first contest the legitimacy of the rights held by the IP owner. Secondly, the entrant may concede the legitimacy of the existing company's intellectual property rights, but maintain that the product or method they intend to implement won't violate those rights.

The other possible IP strategy for non-holders is developing an alternative strategy with staying away from the territory the incumbent has already claimed.

The strategy of getting permission is reasonable in the case, if the non-infringing technology created by the market newcomer has no practical benefit. It is wasteful for society to "invent around" [4] an incumbent's technology. This fact opens up a licensing opportunity. The IP owner should be willing to license its technology to the newcomer, who is non-holder, if it knows that the latter can create innovative uses for it that will benefit both parties.

Firms may choose to amass sizable patent portfolios in order to protect themselves from lawsuits alleging patent infringement and to obtain access to the technology of competitors. Posing the threat of a countersuit could deter rivals from vehemently defending their legal rights. This strategy is called *détente*.

Companies that are going to enter the market, where business is regulated by IP rights belonging to other firms, can choose to ignore any potential rivals' claims and instead quickly spread a potentially infringement-causing technology. The idea is to roll out the technology so fast and broadly that, should it be contested in court, the company will either be able to convince the owners of the intellectual property to give licenses, or better yet, convince juries or judges that the technology is legal. This strategy is called rapid dissemination and it can be very beneficial when used properly, but it can also be very expensive when used incorrectly.

The approach to the classification of IP strategies of non-holders developed by W.W. Fisher and F. Oberholzer-Gee [4] is quite unique. There is a lack of special scientific approaches to IP strategies in particular for non-holders. The most famous researches dedicated to IP strategies [7] are mostly connected with specifics of IP owners. In this context we try to adapt them to the specifics of IP non-holders.

For example, in the research of I. Heim [7] IP strategies are divided into the following types: defensive strategy, cost centre strategy, profit centre strategy and integrated management strategy.

The essence of defensive strategy for IP owners is protection of profits and markets, when rivals are not able to receive competitive advantage. That's why the defensive IP strategy for IP owners is proposed to be transformed and considered as the offensive IP strategy for IP non-holders. In this case IP non-holders often try to get licenses from IP owners using different approaches of business communication. The other possible way to implement this strategy is to

get the official court decision allowing the IP non-holder to perform its activity on the IPR non-covered territory despite slight infringement. Such activities allow IP non-holders to overcome the market entry barriers and become the full-fledged participant of the market.

The cost centre strategy is possible for IP non-holders if they have few innovative technologies, which are not IPR protected. IP non-holders can manage their potentially IP protected assets based on the cost of their serving.

The profit centre IP strategy belongs to income-producing ones. If IP owners can concentrate on profitability of business units responsible for the definite IPR, IP non-holders are recommended to concentrate on different directions of implementing new technologies within the framework of different projects or on various markets, where these innovative technologies can be sold.

The integrated management IP strategy includes offensive, cost-saving and profit objectives in combination with making IP strategic decisions. Implementing this IP strategy, IP non-holders can join strategic alliances or joint ventures, or establish universal industry standards favourable and supportive for IP non-holders.

The adapted by the author approach to classification of IP strategies by I. Heim [7] for IP non-holders has big differences in comparison to the approach of W.W. Fisher and F. Oberholzer-Gee [4]. The common points of these two classifications are connected with the division of IP strategies for defensive and offensive, and consideration of licensing as one of the key instruments for obtaining IP protection for IP non-holders.

The “flexible intellectual property strategy” proposed by the American researcher J. Palfrey [10] from the IP owner’s point of view includes limited exclusion, patent licensing, trademark and copyright licensing, full exclusion and open access. But, if to turn this palette of strategies from IP owner’s point of vision to IP non-holder’s position, full exclusion cannot be considered as possible IP strategy, because in this case it is not possible to get official permission from IP owner to use its technology in your invention and make legally accepted the IP non-holder’s activity.

Summarizing, it should be admitted that majority of researches on IP strategies are performed in the field of IP owner’s activity. This research helps to fill in the gap in the IP non-holders’ context.

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THE ROLE OF INTELLECTUAL PROPERTY MANAGEMENT WITHIN INVESTMENT DECISIONS AND M&A TRANSACTIONS

Abstract. The theoretical aspects of the role of intellectual property management within the M&A transactions processes and in the context of investment decisions related to startups and SMEs are reviewed.

Last decades the intellectual property role becomes more and more important when it comes to M&A transactions and/or investment decisions. When we talk about the IP in this case, we are going to talk about all of the existing IP/IPR forms company may own, which may be taking into account in the process of M&A or while investing anywhere in the world arising under or associated with patents, utility models, marks, copyrights, trade secrets, registered designs,