

SAFEGUARDING THE PROPRIETARY ASSETS OF THE COMPANY THROUGH INTELLECTUAL PROPERTY POLICY ("IP POLICY")

1. What is an IP Policy?

An IP Policy is an important tool in a single written document which provides and describes the policies and strategic frameworks in respect of the administration and management of the intellectual property ("IP") of a company. This would include matters related to IP creation, ownership of the IP, utilization and protection of the IP, rights and obligation of the employees, interaction with third parties and so on.

2. Why a company needs IP Policy?

IP (such as trademarks, patents, copyrights, industrial design and trade secret) is one of the most valuable assets for a company. The existence of an IP Policy provides a clear, complete, and protective framework on dealing with the company's IP.

An IP Policy also contains frameworks and parameters on ways for company to encourage innovation and creation of new IP by its employees, and the regulations on ownership of these new IP. This would therefore help the company becomes more competitive, innovative, and to properly manage its IP, as well as to minimise any IP related risks such as infringements.

The formulation of an IP Policy will vary depending upon the nature of a business and the relevant industry of such company. For example, where a company is involved in research and development, as ESG (Environmental, Social and Governance) has becoming predominant nowadays, the IP Policy may need to consider the role of IP creation with sustainable innovation.

3. What needs to be included in the IP Policy?

When developing an IP Policy, certain key features should be included in order for the policy to effectively address the various elements and issues present in administering, managing, and protecting an IP.

Furthermore, the IP Policy of a company should adhere to, uphold, and enable its missions and visions to be carried out in its IP activities, and the utilisation of an IP and/or its commercialisation guidelines in the IP Policy should also reflect those values.

Below are some of the key features to keep in mind when developing the IP Policy of a company.

(a) Purpose

An IP Policy would usually list the purpose of its formulation. The purpose of an IP Policy is to provide a guideline and framework for the protection and management of a company's IP, including its registration, disclosure, and commercialisation of its IP.

The IP Policy should include all of the important aspects of the activities or businesses which are relevant to the creation of IP and any potential dealing of the IP. If applicable, a company should consider utilizing all types of IPs (trademarks, patents, copyrights, industrial design and trade secret) to protect its assets.

(b) Parties Covered

The parties covered under an IP Policy depend on the nature of the company (and its business) which the IP Policy governs.

Generally, the parties which would be covered under an IP Policy would include, among others:

- (i) The company itself;
- (ii) The staff/ employees of the company, or any persons engage by the company;
- (iii) Any third parties involved in IP projects/creations/ collaborations (i.e. research groups, third party sponsors and etc.); and
- (iv) IP managers/administrators of the company.

(c) Defined Terms

It is important that an IP Policy has a set of defined terms in order to ensure the smooth application and governance of the IP Policy towards the IP of a company.

Having a set of defined terms in an IP Policy is important for a few reasons, including the following:

- (i) to provide clarity on the terms present in the IP Policy; and
- (ii) to avoid disputes in interpretations and definitions of the terms present in the IP Policy.

(d) General Policies

(i) IP Ownership

(aa) IP created by the employee

The regulations and guidelines of ownership of an IP created by the employee, as well as

the extent of freedom to create and own those IP while being employed under the company, is dependent upon the company itself. There is no hard and fast rule in regard to how a company should regulate IP ownership of its employees. Some policies toward IP ownership are strict whereas some are lenient.

The IP Policy of a company should clearly provide on the ownership of any IP developed by its employees. For example, any rights in the IP made or created by its employees, either developed in the course of or pursuant to the employment of the employee, will be owned by the company. An exit form should also be introduced for employee leaving the company to expressly obtain the employee's acknowledgement on compliance of the IP Policy during the employment period.

(bb) IP created together with third parties (pursuant to collaboration or contract for services)

The IP Policy of a company should establish the best practices involving third parties such as independent contractors or independent consultants. This includes requirement to enter into an agreement with such third parties and as far as practicable, to ensure that the terms of the agreement are consistent with the principles set out in the IP Policy. This agreement needs to be prepared based on the nature of the transaction. For example, a research collaboration would depend on the type of research and the specific roles each party brings forward to the collaboration. As there is no one-size-fit-all agreement, lawyers should be involved in reviewing, drafting and the negotiation of such an agreement.

(ii) IP Disclosure

Disclosure of an IP is usually obligated onto employees when an IP has either been created, invented, and/or discovered by them in the course of their employment.

The IP Policy of a company should introduce a clear and concise innovation disclosure mechanism where an employee is obligated to disclose any innovation created in their course of employment in the company.

The disclosure of an IP is important in order for company to be aware of any IP that has been, or has the potential to be, invented, created, or discovered so that it is able to evaluate and assess on the best ways to protect or manage it.

Disclosure of an IP is usually done through an Invention Disclosure Form (IDF), and such disclosure must be made to the company.

(iii) IP Protection

(aa) For registrable IP (patent, trademark, industrial design)

The decision to register registrable IP will be determined by the company. The IP Policy of a company provides the frameworks on registering these kinds of IP, such as the factors to consider when deciding to undertake IP registration, the probability of the registration to be successful, and any other factors which may possibly prevent the IP from being successfully registered. The registration of an IP is usually done by the IP managers or administrators in the company.

(bb) For non-registrable IP (copyright, trade secret, confidential information)

For non-registrable IP, an IP Policy of a company would provide the rights and ownerships that exist toward these IP, the guidelines and limitations on dealing with these IP, either in terms of maintaining its confidentiality or in its management and administration, as well as the guidelines on who can deal with these non-registrable IP.

(iv) IP Management and Protection

It is vital that an IP Policy of a company provides provisions, frameworks, and guidelines that address the management and protection of the company's IP.

When formulating policies for IP management and protection, the various avenues and protective protocols and measures must be clearly laid down in order to have a concise and effective IP management and protection policy.

This is to ensure a specific mechanism is provided in the IP Policy of a company to properly address the management and protection of the IP, as it is a valuable asset to the company.

Some examples of IP Policy which address the management and protection of a company's IP are confidentiality or non-disclosure related provisions, dispute resolution procedures and guideline as to whom an IP may be disclosed, or licensed to.

(v) IP Enforcement

In regard to IP enforcement, the decision to commence IP enforcement against an infringer depends on the companies, and to what extent they are willing to take in order to protect their IP.

Some companies prefer to settle IP infringement without taking any legal action in order to reduce legal costs, whereas some employ IP legal counsels that monitor and manage the companies' IP portfolio in order to address IP enforcement or any legal matters.

Having an IP Policy that provides for IP enforcement ensures wider protectionary measures to the company's IP on what avenues a company can take to protect their IP.

To be on the safe side, company should ensure that its IP Policy addresses IP enforcement matter as a precaution in case an IP enforcement matter arises. Additionally, an IP Policy may provide for an establishment of a committee to investigate any IP infringement matters by any persons, and the findings will determine whether legal action should be taken.

(vi) IP Commercialization

The IP Policy of a company should provide the manner and mechanism how its IP may be commercialized.

(aa) Licensing

Some companies may opt to have a licensing related provision in their IP Policy to

enable them the possibility of licensing their IP to third parties to ensure wide usage of its IP through licensing arrangement, either for commercial gain or to be utilised for social good.

When drafting IP Policy in regard to licensing of an IP, the core values and what is intended from the utilization of the IP (such as for the IP to be used for the good of society or for monetary gain) should be considered.

Additionally, IP Policy on IP licensing should outline the situations in which an IP may or may not be licensed for, as well the limitations as to whom the IP may be licensed to or to what extent it may be utilised for, among others.

The following may be taken into consideration when drafting licensing related provisions in an IP Policy:

- (1) Protection of the company's ownership and rights toward the IP;
- (2) Protecting the IP being licensed from any risks;
- (3) Any profits or commercial returns;
- (4) Clear limitations to be adhered to by the licensee;
- (5) How the IP will be utilised; and
- (6) Prioritising the company's utilisation of its IP for current and future usage.

(bb) Sale of the IP

Some companies may opt to have a provision in their IP Policy to enable them the possibility of selling their IP to third parties for financial gain in which the companies will assign their rights over such IP to the third party.

Different from licensing, an assignment of an IP means that a company will not own the IP anymore and instead it will be transferred to another party.

In most cases, a company will sell its IP where it is no longer interested to deal with such IP.

The IP Policy of a company should outline the situations in which an IP may or may not be sold for, as well the limitations as to whom the IP may be sold to.

(e) Responsible Parties

(i) Key Person

In an IP Policy of a company, a key person is the person who is in charge of approving, enforcing, upholding and updating (where necessary) the company's IP Policy.

It is important for the key person to be well-versed in the company's IP Policy as well as the activities and dealings with the company's IP as this enables them to be aware of any infringements or non-compliance of the IP Policy, as well as to ensure that the IP Policy is properly adhered to. Additionally, the key person must also ensure the IP Policy is up to date based on the latest direction of the company.

The key person in a company may be a senior member of management, such as a director or senior IP officer of the business.

Additionally, a company may even choose to establish a compliance team headed by the key person in charge, in order to address the issue of compliance with the IP Policy.

(ii) IP Committee

To ensure smooth implementation of the IP Policy, the IP Policy of a company should require for an IP Committee to be set up. The term of reference of the IP Committee should be detailed out in the IP Policy such as the functions, composition, duties, powers and frequency of meeting (if required). The IP Committee may advise the company or they may be authorised to make decisions in respect of the company's IP such as the best form of protection and assessment on the applications for IP protection.

(f) Incentive for IP Creation

In recognition of innovative research, incentive schemes for inventors whose invention is proven to have commercial value upon valuation of the IP Committee may be considered. This incentive can be in monetary form or other kinds of recognition depending on the type of the innovation activities. The incentive may also be implemented on key performance indicator (KPI) scheme basis, such as filing of patent application, grant of patent application or publication or presentation of technical paper for internationally recognised conference.

Revenue distributions are usually present in the IP Policy of educational and research institutions.

Revenue distribution related provisions provide the mechanism for distribution of the revenues, which are obtained from IP licensing and commercialisation activities, to the inventors or creators of such IP.

This serves as a way to incentivise and remunerate the inventors or creators involved in the creation and development of the IP during their employment under the educational and research institution, as well as to any persons who were involved.

A revenue distribution related provision may provide for the division percentage and distribution guidelines of the revenue between the educational and research institution, inventors, collaborators, and any persons who were involved in the creation and development of the IP.

A royalty related provision should also be included in an IP Policy if the educational and research institution is keen to license their IP to a third party. This is to ensure that the IP Policy addresses how the royalties obtained from IP licensing activities are distributed between the educational and research institution and the inventors or creators of the IP.

(g) Conflict of Interest

An IP Policy addressing conflicts of interest serves to protect the company's IP from any actual or potential conflicts of interest by any employees or by anyone dealing with their IP.

A conflict of interest related provision would usually obligate the person(s) to report or disclose to the company of any circumstance or situation which would pose a conflict of interest to the company in relation to its IP, and the next steps to undertake in the event that a conflict of interest does exist. This provision is to ensure that the company and its IP are protected in the best interest for them.

A conflict of interest related provision includes all aspects and/or stages of IP dealings, such as during the research, creation, or invention of the IP, during IP commercialisation, as well as during the employment of all staff members.

Such conflicts may be the sharing of trade secrets, working with a competitor company, or starting a business which is in a similar nature to the company's business.

In some cases, company may even opt to formulate a Conflict of Interest Committee to address any conflicts of interests toward the company. The role of this committee is usually to determine whether a situation or circumstance has a conflict of interest element against the company and its IP and if affirmative, to address such conflict of interest.

Please note that this article only serves as an overview and guide on the basics of an IP Policy and the key features that an IP Policy should contain.

It is important to keep in mind that an effective IP Policy is ultimately dependant on the company itself such as the nature of its business and dealings, its values, and its visions and missions. As such, there is no singular 'IP Policy template' or a 'correct' IP Policy as IP Policy will vary among companies depending on various factors.

It is thus advisable to seek legal advice from IP professionals if your company is interested to know more about IP Policy, or if your company is keen to develop an IP Policy.

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