




STRATEGIC MANAGEMENT OF INTELLECTUAL PROPERTY

William G. Abbatt

Brooks Kushman P.C.
1000 Town Center Drive
22nd Floor
Southfield, Michigan 48075

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William G. Abbatt
 Brooks Kushman P.C.
 (248) 358-4400
 wabbatt@brookskushman.com


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Introduction


- Intellectual Property ("IP") is value created by the mind
 - E.g. an invention (patent); computer software (copyright); brand name (trademark); know-how (trade secret)
- IP accounts for 3/4 of all corporate wealth, much of which is unexploited
- IP Asset Management



Identify




Acquire



Capitalize
- Successful long-term corporate performance
 - Requires control over value creation, preservation & enhancement
 - Cannot be sustained without managing IP


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Identifying IP Assets

- IP Assets include . . .
 - Patents, pending & published patent applications, invention disclosures, trademarks, copyrights, trade secrets
 - Agreements (e.g., non-disclosure, non-compete, employment, consultant, license, etc), trade secrets, know how, CAD drawings, procedure manuals, lab notebooks, competitive intelligence, etc
- IP Audits
 - Just do it!



Tip - Make your IP as tangible as possible - put it in a 3 ring binder . . .

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Conducting An IP Audit

- Review IP management policies & procedures used to identify, acquire & protect IP
 - Why?
 - **Defensive:** Protect the organization from others' IP
 - **Offensive:** Maximize value to your endeavor

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What Are Your IP Policies On . . . ?

- Periodically identifying & organizing your IP & that of your competitors
- Screening the IP to be protected - internal review processes -role of a Technology Review Committee - refer to Checklist in accompanying materials
- Modifying IP processes to secure & maximize your rights to IP, including patent maintenance, docketing dates for renewal of trademarks & copyrights, etc
- Instituting procedures for reviewing, renegotiating & maintaining compliance with non-compete agreements, employment agreements, trade secret protection practices, etc
- Encouraging inventors to participate in the IP process
- Making the in-house IP processes more satisfying to inventors & authors

Problems From Failure To Use Effective IP Procedures

- Your competitor beats you to the Patent Office
- You are excluded from manufacture, use or sale
 - The Kodak blunder . . .
- Your competitor makes inroads into your market because you failed to protect your position
- You miss a date . . .
 - Pre-critical date disclosure deprives you of a valid patent
 - You lost potentially valuable international patenting opportunities . . .
- Someone leaks confidential information
- Your investors may question your corporation's performance:
 - **You're accused of squandering IP Assets**



Acquiring IP Assets

- How Do You Acquire IP?
 - External Sources: From another party
 - Purchase or license
 - **Not recommended . . . :**
 - Unauthorized use
 - Theft
 - Internal Sources: Develop it in-house
 - R&D
 - Hiring someone under contract (outsourcing)

Purchasing Or Taking A License To Another Party's IP - Due Diligence

- Spend time & \$\$ to assure that you're not buying a problem . . .
- Define & list the IP - does it complement yours?
 - Expiration? Lapse? Worldwide?
- What is its market?
 - Past, present & future?
 - Geographically?
 - Manufacture, use, sell?
- Pending invalidity or infringement actions?
- Could you invalidate the IP?
 - Claim scope? Prior art?
- Does the other party own the IP?
 - Require disclosures, warranties & representations

Purchasing Or Taking A License To Another Party's IP - Due Diligence (contd.)

- Warranties & representations
 - Conduct title search covering assignments of record & security interests on file
 - Is the IP subject to the rights of others (e.g. a licensee, bank, etc)?
- What is it worth?
 - Valuation: Factors that will be considered
 - Use an outside appraiser

Developing IP In-House

- On what are you spending R&D money?
- Invention Disclosures ("ID") - drop off your business card
- Review of ID's by a Technology Review Committee
- Employment, independent contractor, or consulting agreements should address IP ownership issues
- Search patents issued & published patent applications
- Patent preparation & prosecution - refer to materials accompanying presentation
- Procedures for managing trademarks & copyrights are analogous to those for patents



Capitalizing On Your IP Assets

- Requires managing your IP
 - Identify
 - Acquire
 - Capitalize
 - Police
 - Enforce
 - License
 - In
 - Out
- E.g. Inventions
 - Protectable by patents or trade secrecy
 - How?



IP Management (Patents): Checklist

- Invention Recordation - Write It Down
 - Inventor notebooks
 - Invention record forms/questionnaires
 - Leave your card if you'd like a sample
- Invention Reporting Incentives - Have a Program in Place
 - Recognition
 - Money
 - Plaques
- Invention Review Process
 - Criteria for screening
 - Parties involved in screening: Technology Review Committee
 - Consider alternatives to patenting, such as publication or maintaining trade secrecy



Patent Checklist (contd.)

- Procedures for Preparing Patent Applications
 - Timing
 - Costs & timing may depend on familiarity of patent attorney with:
 - Technology
 - Your company's other
 - Inventions
 - Products
- Checklist for Preparing an Application - **Leave your card if you'd like a sample**
 - Questions for inventors regarding statutory bars; best mode; enablement: see Invention Disclosure
 - Imperative to submit material prior art to patent attorney, etc.
 - Other quality control issues, e.g., pre-filing reviews; cost vs. budget, etc.



Patent Checklist (contd.)

- Patent Prosecution
 - Patent attorney submits prior art to Patent Office
 - Scope & effect of arguments made during prosecution
- "Patent Pending"
- Small Entity Status & Periodic Reassessment
- Publication of Patent Applications
 - Valuable source of competitive intelligence
- Maintenance of Patents
 - Procedures for making maintenance decisions (U.S.: 4, 8, 12 years post-issuance)
 - Competitive data – patent watch service
 - Technological & commercial value of invention
- Docketing
 - Responses
 - Issue fees
 - Maintenance fees
 - Dual backup systems



Patent Checklist (contd.)

- **Offensive:** Threatening others with infringement or offers to license
 - Beware of provoking a declaratory judgment action
 - Delay may kill: Laches
 - Estoppel
 - Marking
- **Defensive:** Infringement by you of another's patent
 - How to handle threats of infringement
- Writing Opinions
 - Types of opinion: patentability; infringement; right to use (clearance)
 - When necessary?
 - **Manage risk of liability for willful infringement & treble damages**
 - Who can write?

Implement An Effective Trade Secrets Plan

- Trade secrets are useless unless properly protected
- Defined: "...any info that derives independent economic value...from not being generally known to, & not being readily ascertainable by others".
UTSA
- Examples: chemical formulae, mfg processes, computer programs, customer lists, corporate strategy plans . . .
- Duration of protection is unlimited
- To qualify, the info must be the subject of reasonable efforts to maintain secrecy

Examples Of Reasonable Efforts To Maintain Secrecy


- Develop & adopt a document & materials management program
 - Identify
 - Label it
 - Keep it in a separate room or file
 - Restrict (non-)employee access: only those with a need to know
 - Example: formula for Coca Cola
 - Periodic purging
 - Control copying
 - Periodic audit
- Notify Recipient Of Confidentiality Obligation
 - Non Disclosure Agreements
- Electronic access, use & disclosure
 - Firewalls, use of email & databases; passwording; read only; laptops
- TIP: Be Eternally Vigilant !

Effective Use Of Outside IP Counsel

- Get a written retainer agreement
- Appoint in-house liaison person to interface with outside IP counsel
- Define budget
- Require periodic status reporting by IP counsel
- Appoint IP counsel to Technology Review Committee

Conclusion

- Key IP Questions:
 - Do you have inventions that set you apart from the competition?
 - **Competitive edge**
 - Are they worth protecting? If so, how?
 - Are patents for your inventions worth obtaining & maintaining?
 - Does your software deserve protection?
 - Are your brand names worth identifying, registering & defending?
 - **Not how much will it cost, but how much do you stand to lose if you don't manage IP effectively . . .**
- Companies that fail to address these issues may lose to competitors who learn to manage IP assets




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Accompanying Materials:

- Evolution of the Invention from Conception through Patent Prosecution and Patent Grant: Changes Wrought by the AIPA
- Management of Intellectual Property

On Request:

- IP Primer; Invention Disclosure Questionnaire



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