



Intellectual Property Department Strategy

Intellectual Property (IP) in general encompasses the four major areas of patents, trademarks, copyrights and trade secrets. While all are important to most businesses, different types of businesses will emphasize the various facets of intellectual property differently, i.e., not all intellectual property is created equal. For example, technology and manufacturing companies will likely place a strong emphasis on patent and trade secrets, whereas entertainment companies will likely favor copyrights and trademarks. While the strategies discussed herein will be of use to other businesses, the focus of this article will be on strategies for the IP departments of technology and manufacturing companies. This will include strategies on (1) structuring an IP department, (2) managing each of the four categories of intellectual property, and (3) IP enforcement.

Structuring an IP department

For technology and manufacturing companies, this often starts with one or more patent attorneys who can be assigned as the primary point of contact for each of the businesses within the company. The IP department's patent attorneys should be in regular contact with the business or businesses for which they have responsibility, and in particular their R&D scientists, development engineers, and product and marketing managers. Such regular contact should involve (i) attending regular business meetings, (ii) giving lectures on IP topics, (iii) installing processes for harvesting inventions, selecting trademarks, reviewing packaging and promotional materials, (iv) providing and reviewing IP-related contracts, (v) liaising with the company's top executives to keep IP strategies in step with the company's business objectives, and (vi) developing and executing IP policies. Regular contact does not mean that the attorneys must necessarily be on site at their respective business/R&D centers and in fact IP departments are likely to work more cohesively when the attorneys and administrative staff are centrally located. However, it does mean that there should be regular communications with business clients and periodic site visits for in-person meetings.

In addition to patent attorneys, the company's IP department should include at least one trademark specialist. This can either be a trademark attorney or a trademark paralegal. Since trademark management is generally the same even across diverse businesses, it may not be as necessary to have a trademark specialist for each business although this is less true in the case of enterprises spanning different jurisdictions.

As for copyrights, technology and manufacturing companies typically would not need a dedicated attorney for copyright issues. That doesn't mean copyrights can be ignored, it just means that types of copyright issues that usually arise for these companies can be handled by the IP attorneys already on staff. The same can be said for trade secrets, as issues regarding trade secrets are usually handled by the same patent attorneys responsible for the company's different businesses.

All of this needs to be supported by a well-trained administrative staff. Administrative processes should be well-defined and documented so that errors are less likely to occur. It's all about managing the copious amount of correspondence and numerous deadlines relating to the registration and maintenance process of intellectual property such as patents, trademarks, and copyrights throughout the world. Consequently, an IP department will require comprehensive docketing software with the data entry preferably supervised by qualified paralegals. While docketing can certainly still be done the old-fashioned way, i.e., with paper files and calendars, most companies have moved to an electronic environment. This means that central file rooms with lots of paper files are becoming a thing of the past. Your docketing software will at least need to accurately maintain all of your deadlines, and act as the central repository for all your source documents, e.g., invention

disclosures, initial uses of trademarks in interstate commerce, publication dates related to copyrighted material, office actions, responses, prior art, and foreign agent correspondence. Preferably, the software will also have functionality for generating reports for helping with IP management tasks. The software should have the ability to interface with, or prepare reports for, external services providers that may assist in maintaining different assets on behalf of the company. For example, using an external service to pay maintenance fees is usually much more efficient and cost effective than using in-house resources to pay these fees, particularly foreign maintenance fees. No matter which docketing software you choose, you'll need meticulous processes for data entry. Docketing systems definitely follow the GIGO principle – garbage in, garbage out. Missing a deadline is never good and may result in losing a valuable IP right. Thus, for critical tasks and deadlines, it's preferred to implement a four-eyes fail-safe, where one person enters the data and another person needs to confirm it's correct before the data entry is complete.

Outside counsel can have a significant role to play in structuring an IP department. This may range from having outside counsel act essentially as in-house counsel for a business, providing the full range of services that would normally be provided by in-house counsel (e.g., docketing and third party communication), to aiding with specific tasks, such as the drafting or prosecution of patent and trademark applications. Having an experienced outside counsel act as an in-house counsel can be of great benefit, particularly when it is impractical to employ enough in-house personally to address all of a company's IP needs. Additionally, it often makes more sense to understaff an IP department and outsource at least a portion of the more routine and time-consuming tasks to outside counsel having expertise in managing IP portfolios. This leaves in-house counsel more time to focus on managing the company's IP without the added labor costs and complexity associated with a fully staffed department.

Managing each of the four primary IP categories

Patents and proprietary rights agreements

As patents will play an extremely important role for any technology or manufacturing company, it is absolutely necessary to have processes in place that can effectively harvest the ideas that will be eventually converted into patents. This starts with inventor education and invention disclosures. The patent attorney responsible for the business should regularly canvas the business for inventive ideas, instruct inventors about the patent law, establish a process for submitting invention disclosures, and encourage the submission of well-written invention disclosures. It is also helpful to have a company policy that provides appropriate recognition for invention disclosures or upon the filing of patent applications. An award for invention disclosures incentivizes inventors to commit their inventions to writing. However, a rigorous approval process is also required to prevent the incentive from turning the invention disclosure process into a mere suggestion box. An award upon the filing of a patent application and also possibly upon issuance of a patent keeps the inventors engaged in the invention evaluation and patent application drafting phases and helps ensure the cooperation of inventors — especially those that may have left the company — to sign the necessary declarations and assignments. Examples of possible recognition programs include periodic patent awards dinner, establishing an inventor hall of fame, additional compensation, or providing commemorative plaques for issued patents. Some of these programs have marketing advantages as well, including identifying the company as an innovator.

Another important means for harvesting inventive ideas may include utilizing patent liaison engineers. A patent liaison engineer is an engineer or scientist who is tasked at least on a part-time basis with acting as the on-site proxy for a patent attorney. A patent liaison engineer embedded with the business' local R&D group will have daily interaction with the local inventors, help shepherd their invention disclosures through the company's patenting processes, bring technical expertise to the invention evaluation process, and generally act as the on-site resource for local management.

Patent committees are also a key component to managing a company's patents. Depending on company size, an operational patent committee should include the patent attorney responsible for the business (either in-house or outside counsel), the respective R&D manager, a technical expert in the field, the designated patent liaison engineer for the local R&D group, the business manager, and the company's chief technical officer (CTO). Preferably, there are operational patent committees for each of the company's major businesses and a strategic patent committee composed of top executives (Head of IP, CTO, VP of R&D, etc.) to oversee the company's patent strategy. Operational patent committees are very useful for tasks such as evaluating invention disclosures for potentially filing patent applications, making foreign filing and maintenance fee decisions, and identifying technologies and products that are no longer relevant. Preferably, operational patent committees meet regularly. The larger and more diverse a company's businesses, the more important it is to use patent committees.

Another key component to managing patents, and IP in general, are proprietary rights agreements. Companies need to ensure that the inventions that are created with company resources belong to the company. Therefore, it is important that each employee or outside contractor sign a proprietary rights agreement at the time they join or do work for the company. While they serve additional concerns, a proprietary rights agreement will provide for assignment of the inventor's creativity to the company. Typically, the IP department is responsible for drafting the basic agreement and then working with others such as the human resources department to make sure they are timely executed. It may be necessary from time-to-time to have new proprietary rights agreements signed by current employees, particularly if there have been changes to the company's legal structure or ownership. Proprietary rights agreements will usually also have state-specific addenda to account for variations in state law. In the case of employees, your human resources department should also have an exit interview process that includes reminding exiting employees of their continuing obligations under their proprietary rights agreement.

Trademarks

Trademark management can be broken down into four major concerns (i) selecting an appropriate mark, (ii) clearing the mark, (iii) filing for trademark protection and (iii) policing use of the mark. While the company's product marketing groups are usually responsible for the selection of the trademark, the IP department must still provide guidance and education on how to select a trademark including the strengths of different types of marks, e.g., descriptive versus arbitrary. Once the trademark is selected, it falls upon the IP department's trademark specialist or outside counsel to conduct a clearance search to make sure that the mark is not already in use by someone else. This may be accomplished by a combination of searching the intended mark using one of a variety of databases such as the United States Patent and Trademark Office's TESS site, broad-based internet searching and paying for a trademark search by an external search agency. A trademark can represent a large investment in advertising, packaging and promotional materials so no one wants to have to abruptly discontinue using it because it's later discovered that someone else has superior rights to that mark. Once the mark has been selected and cleared, it's time to file it. This can be done using internal resources, but here is where using an external trademark counsel may be more practical, particularly if your trademark specialist is not an attorney. Unlike patents, trademark prosecution doesn't require expertise in a particular technology or having to make strategic prosecution decisions on claim scope. This makes trademark filing and prosecution easier to outsource. Lastly, the IP department needs to be on the lookout for proper trademark use. Sales and marketing departments need to be educated on how to use trademarks properly, e.g., as adjectives not nouns or verbs, or what it means to use a ® versus a ™. Thus, the IP department needs to be part of the review process for packaging and promotional materials to ensure correct trademark use.

Copyrights

Two of the most significant copyright issues for technology and manufacturing companies will be (i) making sure that they secure any appropriate copyright in the works created by third parties such as their contractors

and (ii) preventing unauthorized use of third-party copyrights. With respect to the first issue, this is achieved through proper contracting. The IP department should provide and review agreements for the purchase of creative services, e.g., photography, and ensure the agreements specifically require that any copyright in the works created by the contractor is owned by the company. You'll find that most people think that when they hire a photographer that they will own the photographs including the copyright. Not so. Copyrights vest in the author of the work. For there to be a valid copyright transfer to the company, there needs to be a written agreement that specifies that the work product is a "a work for hire" and requires any copyrights be assigned to the company. The IP department must further educate their purchasing and marketing groups about the dangers of engaging creative service providers without the proper copyright transfers. For example, once a company engages a photographer to take photographs to use in its product brochure, it shouldn't have to go back and pay the photographer for each subsequent reprint of that brochure. The company should have the freedom to use those photographs however it chooses and not be left to the mercy of the photographer.

With regard to the second issue, preventing unauthorized use of third-party copyrights, the IP department should help the company set up and deploy a Digital Asset Management (DAM) system, which stores the copyrighted works licensed from third parties and identifies those that can be used without restriction and those subject to limited uses. The latter category will typically comprise assets such as those obtained from a stock photography vendor. It is important that users of a licensed asset understand and abide by all of the restrictions placed on that asset to avoid possible litigation over improper use. Such controls are especially important with digitized assets since they are readily reproducible and the internet makes widespread publication instantaneous. Additionally, the IP department should as part of its participation in a packaging and promotional material review process ensure that proper copyright notices are used, that releases have been secured for any identifiable persons appearing in photographs, including employees, and that the photographs don't inadvertently show a third-party trademark or a copyrighted work such as a painting in the background.

Trade Secrets

In general, there are two important aspects of trade secrets that an IP department can help manage. First, there must be documentation to show that the company possessed the trade secret. For the IP department, this documentation starts with invention disclosures. Not all invention disclosures are converted into patent applications and in some cases, such as with process inventions, it may be more desirable to keep those inventions secret. Thus, the IP department plays a role as custodian of these valuable documents and by making sure that they are properly dated and witnessed. The IP department can also promote and supervise the proper use of engineering notebooks. Yes, engineering notebooks. While the American Invents Act minimized the need in many situations to use engineering notebooks to prove prior invention, they still perform a valuable role for documenting inventions and also trade secrets.

Many other items that give a company a competitive advantage besides inventions are also subject to trade secret protection, not the least of which is company know-how. The more detailed the documentation of the trade secret, the easier it will be to prove its existence in litigation. Second, after proving the existence of a trade secret, it will be necessary to show that the company took reasonable steps to protect it. This is where the IP department can help by providing and reviewing non-disclosure agreements (NDAs), contractor agreements, purchasing agreements, development agreements, proprietary rights agreements and any other agreement where confidentiality is at issue. The IP department can also help develop policies for plant visits, restrictive notices and marking, document security, and building access.

IP enforcement

The IP department should always be informed of any instances of the unauthorized use of the company's intellectual property. Usually, the best source of this information will be the company's employees, although for trademarks it's also typical to use a trademark watch service. Another important source for identifying potential patent infringements can be a benchmarking program whereby the company routinely obtains and analyzes its

competitors' products. Once a potential infringement is identified, the IP department should evaluate the infringement and recommend to management possible courses of action, which may include sending a demand letter, offering a license, or litigation. If litigation is recommended, appropriate outside counsel should be selected and retained and a budget prepared. Litigation can be unpredictable and costs can mount quickly. Moreover, it may not be possible to disengage from the litigation if the defendant brings its own counterclaim. Management should be apprised of all of these risks prior to recommending litigation and because of these risks the decision to bring litigation should only be made by the company's top executives. Once litigation is approved, one member of the IP department should be appointed to communicate with outside counsel on the conduct of the litigation, including reviewing and commenting on all substantive filings, budgeting, and litigation strategies. The appointed in-house contact can also assist with discovery issues, including identifying knowledgeable persons, attending depositions, locating documents, and recommending experts. The appointed in-house contact will also be instrumental in formulating and recommending possible settlement strategies. For large litigations, more than one in-house contact may be needed to assist with the litigation demands and in some cases it may be desirable to embed an in-house contact with the firm handling the litigation.

Conclusion

A number of IP department strategies for technology and manufacturing companies have been suggested. Of course, the adoption of any of these strategies will depend on the size of the company and its ability to provide the necessary budgeting resources to fund them. For small companies just starting out, it makes sense to initially outsource many of the functions of an IP department. However, as a company grows, the importance of developing in-house resource to assist outside counsel will also grow. 🍌

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