

THE ENTREPRENEUR'S IP PLANNING PLAYBOOK

A Strategy Guide To Help Solopreneurs,
Startup Founders, And Entrepreneurs
Harness Their Intellectual Capital

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This book provides general information about intellectual property planning, strategy, and management. Nothing in this book is to be considered as legal advice, either generally or in connection with any specific issue or case. The information contained in this book is intended for educational and informational purposes only. Although the book covers legal issues, it is not a substitute for seeking and obtaining legal advice.

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FREE RESOURCES

There are free resources available for readers to download at www.klinckllc.com/IPPlanningBook. Readers can obtain copies of an IP Audit Form, a guide for choosing an IP attorney, and a PDF version of my bestselling book on patent litigation.

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INTRODUCTION

WHY THIS BOOK?

If you are like most entrepreneurs, you don't spend much time focusing on your company's intellectual property. You go about your days building your business, perfecting your product or service, and executing your business plan. You probably have some sense that your business has intangible assets and that those assets have value, but you have not taken the time to create a plan for how to protect those assets.

Some entrepreneurs think of intellectual property as a legal issue rather than a business issue. As a result, they wait until a problem arises and then approach a lawyer to address the problem. This is a mistake. Although intellectual property has a legal component, developing your company's assets is fundamentally a business issue. Ignoring your intangible assets, or simply failing to create a plan for how to maximize their value, is a business mistake. This approach will ultimately deny your company considerable value that it could obtain from a more planned approach.

Other entrepreneurs, mainly solopreneurs and owners of non-technology-based companies, think that intellectual property issues don't apply to them. This is also a mistake. Every company creates intangible assets and, therefore, needs a plan to harness those assets. But beyond harnessing your own assets, you need to develop systems and procedures to

minimize the risk that you will be accused of infringing someone else's rights.

I suspect that many of the entrepreneurs reading this introduction have a sense that intellectual property is important, know that they need to do something to protect it, but simply don't know where to start. For these entrepreneurs, intellectual property can seem like a daunting subject that can threaten to overwhelm them.

If any of these descriptions fit, this book is for you. This book will provide you with a working knowledge of basic intellectual property issues and with a roadmap to help you develop an intellectual property plan. Entrepreneurs who read this book *and take action* will place their companies on the best possible footing to succeed and excel in today's knowledge economy.

I recognize that entrepreneurs fall into a number of camps, from solopreneurs and founders of early-stage startups (*i.e.*, startups with only a handful of participants) to entrepreneurs running larger ventures. Your company's makeup and its stage in the typical lifecycle of companies will dictate how you handle intellectual property issues.

To make this book useful for entrepreneurs in multiple phases, the information is presented with tips targeting entrepreneurs running established companies as well as solopreneurs and entrepreneurs running early-stage micro-ventures.

Robert A. Klinck

CHAPTER 1

INTELLECTUAL PROPERTY OVERVIEW

We live in a knowledge economy and are surrounded by ideas and innovation. Businesses generate new ideas and create innovations at every turn—from the inventions that power the devices we use on a daily basis to the brand names and logos that are attached to those products, and to the businesses that are driving our economy using intangible assets.

In their early stages, these ideas and innovations are intangible and have not yet blossomed to the point of being property in any real sense of the word. Instead, they are simply intangible assets. Through careful planning, companies can convert these intangible assets into intellectual property (or IP) — a term of art that refers to intangible assets that have obtained legal protection. This book is largely about the process of converting unprotected, intangible assets into intellectual property.

Before you can create a plan to convert your intangible assets into intellectual property, you need to develop a base-level understanding of the various kinds of intellectual property. There are four primary forms of intellectual property: patents, trademarks, copyrights, and trade secrets.

PATENTS: PROTECT YOUR INVENTIONS

Patents are the most common form of intellectual property used to protect a new invention. Inventors can obtain a patent for nearly any invention, including a new method for doing something, a device, a machine, an article of manufacture, or an ornamental design. You can even patent seeds and plants under certain circumstances. Inventors can also obtain patents for new improvements to an invention. Thus, patents can be used as a means to convert a wide array of intellectual capital into a protected asset.

The process of converting an invention into protected IP is not simple. Inventors must file a patent application, engage in a back-and-forth discussion with the U.S. Patent and Trademark Office, and ultimately convince the office that the invention qualifies for a patent. The process can be expensive and time-consuming.

The rewards for obtaining a patent can be significant. A patent grants its owner the exclusive right to make, use, sell, offer for sale, or import a product or service that uses the invention for a period of up to twenty years (depending on the form of the patent). Thus, entrepreneurs who obtain a patent can limit their competitors' ability to use the invention to compete in the market. This ability obviously has significant business advantages.

TRADEMARKS: PROTECT YOUR BRAND

Trademarks are the form of intellectual property that is used to protect a company's branding. They protect trade names, logos, slogans, and other similar *marks* that are associated with a brand.

Unlike patents, trademarks generally obtain legal protection automatically. So-called common-law trademark rights arise

automatically as a result of a company (or individual) using a mark in commerce (*i.e.*, business). As soon as an entrepreneur starts using a mark as part of his or her business, the mark will begin to obtain protection. There are also administrative procedures available, including registering the mark with the U.S. Patent and Trademark Office, that can be used to strengthen the protection.

Trademark owners have the right to prevent others from using the same mark and also have the right to prevent others from using similar marks that create *a likelihood of confusion* about the source of the product. In other words, you can prevent a competitor from using a mark that is so similar to yours that it might make consumers think that your competitor's products are somehow affiliated with your company.

COPYRIGHT: PROTECT YOUR CREATIVE WORKS

A copyright is a form of legal protection that protects creative works, such as books, songs, photographs, paintings, computer software, drawings, and any other creative works. A copyright protects the *expression* contained in the work, not any underlying themes or storylines.

A copyright attaches automatically as soon as an expressive work is in a fixed form. Thus, as soon as a document is written or a song recorded (or the music written), it is entitled to copyright protection. There is no requirement to register a copyright or even to include a copyright notice.

Copyrights grant their owners the exclusive right to reproduce the work, create derivative works, distribute copies of the work, and publicly display or perform the copyrighted work. It is important to recognize that copyright protection is different from ownership of a physical product. For example, a

person who buys an original painting does not generally obtain the right to make copies of the painting.

Although you are not required to register a copyright, there are advantages to doing so. Among other things, you cannot file a lawsuit in federal court to enforce your copyright until it is registered. Moreover, if you register your copyright before another party begins to infringe, you will be entitled to special forms of damages and may be able to recover fees and costs if you have to sue. Thus, you should register any creative work that you anticipate you might want to protect at the earliest possible juncture.

TRADE SECRETS: PROTECT YOUR CONFIDENCES

Trade secret law protects confidential business information. Companies often use trade secret law to protect recipes, formulas, customer lists, and other data compilations. One of the most famous examples is the recipe for Coca-Cola. The Coca-Cola Company has maintained the secrecy of its cola recipe for over a century. In fact, according to recent reports, there are only two employees who know the recipe, and the written copy is stored in a vault in an Atlanta bank.

Trade secrets arise automatically as a matter of law as long as companies take reasonable steps to protect the confidentiality of the information. As long as the company takes reasonable steps, its information will be protected.

Trade secret disputes generally arise when an employee leaves to work for a competitor and seeks to use confidential information at the new venture. Where an entrepreneur has taken reasonable steps to protect the information, employees who leave are prohibited from using the information to build a competing business.

CHAPTER 2

IP PLANNING OVERVIEW

Now that you have a working knowledge of the four key areas of intellectual property, we can focus on the steps entrepreneurs need to take to protect their intellectual property and to minimize the risk of infringing the rights owned by others. The first crucial step in the process is to develop an intellectual property plan for your business.

In my experience, entrepreneurs rarely take the time to engage in rigorous IP planning. This strikes me as odd considering the amount of time that entrepreneurs will spend planning other areas of their business. Nearly every entrepreneur will tell you the importance of having a business plan and a marketing plan. These business people will also develop a human resources plan, a hiring plan, an advertising plan, an inbound marketing plan, and scores of other plans.

Yet, amidst all this planning, entrepreneurs generally don't think to create an innovation plan or an IP plan. This failure to plan is a mistake. In today's knowledge economy, creating an IP plan is a must for companies that want to excel.

WHY DO YOU NEED AN IP PLAN?

Most entrepreneurs have at least a sneaking suspicion that intellectual property is important to their business and its long-term success. At the same time, few entrepreneurs understand just *how* important intellectual property is.

Intellectual property assets are one of the largest asset classes held by corporations. In fact, by some estimates, intellectual property assets represent 40 percent or more of the value of U.S. corporations. Interestingly, among the most successful companies – the S&P 500 companies –, intellectual property assets are even more important, representing 80 percent of the value of these corporations.

It is safe to state that there is no other class of assets that represents such a significant portion of a company's overall value yet gets as little attention as intellectual property.

The statistics also provide important insight regarding the role of intellectual property assets in the success of companies. Notably, the most successful companies tend to have a higher than average percentage of their valuation coming from intellectual property assets. This correlation suggests that companies that are able to harness their intellectual property tend to excel compared to their competitors.

The expanding importance of intellectual property also poses risks to entrepreneurs. There is an ever-growing number of accusations that companies have infringed, misappropriated, or outright stolen another company's intellectual property. A quick Google search for "patent infringement," "trademark infringement," "trade secret lawsuit," or "copyright infringement" will provide a litany of examples of these lawsuits.

Considering the importance intellectual property plays in the success of companies and the risks it poses, entrepreneurs

simply cannot justify ignoring it as an asset class or leaving it entirely in the hands of outside lawyers.

There are real, tangible advantages for companies that develop an IP plan. Considering that you are reading this book (and have made it through the discussion of the legal concepts), it is a fair bet that you understand the need to develop an IP plan. But you might not have considered all the advantages that will come with this planning process.

CAPTURE VALUE

Without an IP plan, your company will almost certainly miss opportunities to capture value from its intangible assets. Companies without an IP plan plod along haphazardly. They protect some assets but not others. And, without a plan, they have no way to know whether the assets they have protected should have been a priority and thus potentially waste resources. Businesses that fail to plan will never manage to systematically capture the value of their most valuable assets.

Having a plan will ensure that your company is positioned to fully leverage the goodwill associated with your brand, protect your valuable inventions, and ensure that your confidential information remains protected. The companies that take the time to implement IP plans are able to harness their intangible intellectual capital and convert it into protected, valuable intellectual property assets. These are the companies that end up with large caches of IP and that tend to excel in the market. Although planning alone is not enough, a company cannot hope to truly harness its intangible assets without creating an IP plan.

Be like the most successful companies – develop your IP plan.

MINIMIZE RISKS

In addition to allowing you to maximize the value of your intellectual capital, an IP plan will allow you to minimize the risk of infringing on the rights of others.

Developing a plan will allow you to identify and eliminate potential issues at the outset. If your branding could create potential trademark issues, the best time to address it is before you have invested time and money to develop your brand. Similarly, if a competitor has a patent that potentially implicates your business, learning about it at the outset will allow you to tweak your product or service to avoid a dispute.

Developing a plan will also help you avoid being sued. Intellectual property lawsuits are on the rise, and large companies or cutting-edge technology companies are not the sole targets. These lawsuits are expensive in money and time. The total bill to defend a suit will run into the six or seven figures. And beyond the out-of-pocket costs, IP lawsuits can require hundreds of hours of time by your company's personnel, distracting you from your primary goal of running your business.

There are no guarantees in life, but developing an IP plan will allow you to significantly reduce the risk that your company will be accused of wrongdoing. This peace of mind (and the decrease in potential fees and expenses down the road) justifies the time and expense involved in developing an IP plan now.

SYSTEMATIZE

As with any planning project, developing an IP plan will allow you to systematize your approach to these issues. Companies that operate without an IP plan tend to make decisions about their intellectual capital on an *ad hoc* basis. The employees who

ultimately have to make the decisions about these issues do not have an established way to approach these decisions or a systematic way to address them. The result is that the entrepreneurs involved have to reinvent the wheel for each decision, costing themselves time and money.

As part of the IP plan you develop for your company, you will create systems to methodically work through IP issues. This, in turn, will make the decisions more routine. As a result, each subsequent decision requires considerably less thought and analysis. Rather than start from scratch for each issue, you will apply the decision-making framework that you established as part of the planning process to each new problem.

Investing the time to create an IP plan on the front end will pay huge dividends in time and money saved over the course of a company's life.

BUILD AN INNOVATION CULTURE

One of the side benefits of creating an IP plan is that it will tend to make innovation a part of your company's DNA. The planning process has a number of benefits for your company's innovation culture.

Taking the time to develop the plan will, in and of itself, cause you and your fellow employees to focus on innovation issues. During the planning process, your company's employees will be focused on IP issues—maybe for the first time in the company's history. This focus will tend to impact company culture, sending the message to your employees that innovation (and protecting innovation) is important to the company's success.

The value is not limited to the planning process itself. The ongoing implementation and maintenance of the processes that you develop during planning will also help to ingrain an innovation culture. As part of the IP planning process, you will

develop systems and procedures to periodically discuss innovation issues with your employees. This ongoing focus will have an impact on your employees, as they will consistently receive the message that innovation is important to the company.

The innovation culture may initially start as a focus on protecting the existing innovations and ensuring that future assets are protected. Over time, however, this culture will tend to build on itself. The repeated focus on innovation will lead your employees to think in terms of innovation during their daily tasks. The result will, in almost every case, be a more invigorated workforce that creates innovations that would never have existed without the culture shift.

Thus, developing an IP plan has the potential to not only capture the value of innovation but also create innovation where none would have existed otherwise.

CENTRALIZED RESPONSIBILITY

Part of the planning process will involve appointing an IP team, including a single point person who is ultimately in charge of your IP efforts. As we will discuss more fully in an upcoming chapter, the purpose of the team is not to create a bureaucracy. Indeed, most thought leaders agree that small businesses and startups are better positioned for innovation precisely because they are more agile and able to adjust. The purpose of the IP team is to centralize decision-making and to ensure that there is a team that is always focused on turning intangible assets into protected property.

Without a designated IP team, many businesses end up letting things slip through the cracks. If you have not delegated the responsibility of handling IP issues to a particular employee (or set of employees), this will generally mean that no one is minding the store. Appointing an IP team firmly

places responsibility for developing your company's IP in the hands of specific employees. Knowing that this falls within their job responsibilities, these employees will take the time to ensure that the necessary tasks get done.

Developing a plan will, thus, create a chain of command and reduce the chances that issues fall through the cracks in your organization.

MAKE IMPORTANT DECISIONS BEFORE THEY'RE URGENT

There are a number of decisions that you will need to make with respect to intellectual property issues. Between harnessing and protecting your intellectual capital and addressing an accusation of infringement by others, entrepreneurs will need to address intellectual property issues as part of their business.

Without an IP plan, you will find yourself in high-stress moments because the IP problems that arise will often be both important and urgent. Your company will need to make decisions while it is facing pressing issues and disputes.

Developing an IP plan, on the other hand, allows you to make a number of important decisions when they are not urgent. As part of the planning process, you will appoint an IP team, develop systems and procedures, and develop plans for how to handle various decisions. Each of these decisions will streamline, and to some extent, automate decision-making in the future. Thus, when faced with an urgent IP task, a company with a plan will simply execute the plan it has in place.

WHAT IS IN AN IP PLAN?

The contents of an effective IP plan are driven by its purposes—to allow you to extract maximum value from your company's innovations and to reduce your company's exposure to a claim of infringement by a third party. Each of these purposes warrants its own plan component.

A PLAN TO HARNESS YOUR ASSETS

Your company's IP plan should include systems and procedures that will help you to harness your assets. To facilitate this goal, your plan will need multiple elements.

Identify your assets: The first element of a plan to harness your assets is a system to identify the intangible assets that your company is producing. If you don't know an asset exists, you won't be in a position to maximize the value of that asset. An effective identification program will include plans to train your employees about what is protectable, plans to facilitate communication between the employees creating assets and those making the decisions protecting those assets, and plans to provide the proper incentives so employees identify protectable assets.

Assess your assets: The second element is a system and method to assess the identified assets. Not all assets are worth protecting, and you will likely have to make decisions about what to protect based on budgetary constraints. Your plan needs to incorporate methods to prioritize the assets that are identified. Once assets are prioritized, you can start with the most important assets and move down the list.

Protect your assets: Your IP plan will also need to include systems for protecting the assets that warrant protection. Protection may include filing for a patent, registering a trademark or copyright, or making sure your company is making reasonable efforts in protecting confidential business information. Creating systems to protect your assets will generally involve creating processes for hiring counsel and making the necessary filings.

Monitor for infringement and enforce your assets: The final element of a plan to harness your intellectual capital is to develop a method to detect infringement and a plan on how to respond. This aspect of your plan will involve making

decisions about how aggressively you intend to police your intellectual property based upon your budget and the value of the individual assets.

A PLAN TO MINIMIZE YOUR RISKS

Beyond developing a plan to maximize the value of your assets, your IP plan should include plans to minimize your exposure to a claim of infringement by others. A plan minimizing exposure should involve elements to reduce the risk of being accused of infringement and minimize the impact in the event you are accused of infringement.

Create clearance and due diligence programs: The first goal of the risk-minimization plan is to avoid an accusation of infringement in the first place. This requires that you adopt systems and procedures to avoid making or using intellectual property that belongs to third parties. The particular procedures that you will need to develop are addressed in future chapters.

Develop a licensing stance: Your plan should also include developing your company's stance on licensing. As a general rule, it will make sense to develop a general policy towards licensing the third-party IP (*i.e.*, obtain authorization for its use) in the face of an accusation of infringement. There are reasoned arguments for multiple licensing approaches, but consistency is generally the best approach.

Develop a plan to respond to accusations of infringement: The final element of your plan will involve developing a procedure to respond to accusations of wrongdoing. This will generally involve considering how to respond if and when you receive a letter accusing you of infringement, developing a plan for responding to a lawsuit, and considering counsel as part of the planning process. Taking these steps in the planning process will reduce the stress that comes with an accusation of

wrongdoing and will allow you to make important decisions when you are not under the stress of a lawsuit.

WHO IS RESPONSIBLE FOR MAKING THE PLAN?

You also need to address the question of *who* is responsible for creating and executing your IP plan. The answer to this question will depend on where you are in the cycle of your business's life.

If you are a solopreneur, the answer is pretty simple. Time to look in the mirror because creating an IP plan is another issue that you will need to handle yourself. On the bright side, creating a plan will be easier for you because you will not need to collect information from multiple sources. You should have all the information you need to create the plan. Similarly, you will not need to weigh the opinions of multiple constituencies. You are it.

If you are an early-stage startup with only a handful of founders and employees, you will likely want to involve the entire team in the planning process. This will ensure that you have complete visibility, allow you to delegate certain tasks, and help you to encourage an innovation culture at your company.

If you are running a larger business, you should appoint an IP team. I recommend that your IP team consist of a mix of technical and business-side employees, that you appoint a chief IP officer, and that you strongly consider retaining outside IP counsel to guide your team. From your perspective, the beauty of the process is that you will have delegated the task to others. This will allow you to continue to focus on driving your business forward, while the team you appoint will focus on making sure you are maximizing the value of your assets and minimizing the risks you face from third parties.

HOW DO YOU DEVELOP AN IP PLAN?

Developing a plan does not have to be overly complex. As an entrepreneur, you have certainly taken the time to develop plans to address other aspects of your business. You can develop an IP plan using many of the same techniques.

PLAN WITH YOUR BUSINESS IN MIND

The most important aspect of the planning process, other than actually creating the plan, is to constantly remember that the plan should be a tool for your company's overall business success. Creating an IP plan is not about protecting every last intangible asset. Indeed, attempting to formalize protection for all of your company's potentially protectable intangible assets would be a costly plan (and would create significant management headaches).

Rather than seeking to protect all possible intangible assets, the purpose of creating an IP plan is to ensure that the intangible assets that *are important* to your business are protected. This means taking into account your company's objectives, values, and resources. During the planning process, you (or your team) should always be considering the relevance of assets to your overall business.

As with many decisions you face as an entrepreneur, decisions about how to handle IP issues often involve cost-benefit analyses that consider the time and money involved in protecting assets and the value that the assets bring to your business. You should obviously be willing to spend more time and money to protect intangible assets that are crucial to your business (*e.g.*, your brand name and your critical innovative products).

Don't let the process of planning take on a life of its own. Use the planning process to further your business objectives.

Always remember that this is a business-strategy process, not a legal undertaking.

STEP 1: START WITH AN AUDIT

Developing a plan has to start with taking stock of where your business stands currently. Your business certainly has some intangible assets, and some of those assets have likely been converted to protected intellectual property along the way. You also may have set up some systems or procedures to guide your IP decision-making.

No two businesses are the same, and developing a plan for your business requires an honest assessment of where it currently stands.

The best way to take stock of your current position is with an IP audit. Don't let the name scare you off; an IP audit is a relatively painless experience that you can complete quickly. This process requires you to answer a series of questions related to your IP planning to date, the systems you have in place, and the steps you have taken to protect your intangible assets.

The process for conducting an IP audit is set out in more detail in the next chapter.

STEP 2: FIX ANY GLARING ISSUES

During the course of the IP audit, you may discover major issues that warrant immediate correction. Did you fail to run a trademark clearance on your brand name (or a major product name)? Are you using copyrighted material without the proper license? Do you have holes in the chain of title for any of your assets?

Depending on your particular circumstance, there may be issues that turn up that need to be addressed right away. Although developing the overall plan is important to your

business, you have to put out any existing fires before taking the time to create the plan. Thus, if you discover significant gaps or issues, correct them. Don't wait.

STEP 3: DEVELOP A PLAN FOR THE FUTURE

Once you have fixed any glaring issues that you uncovered as part of your IP audit, it is time to create the systems and procedures that you will use on an ongoing basis to harness your assets and to minimize your risks. The planning process will generally focus on developing communication protocols, standards for assessing potentially protectable assets, systems to prioritize the various assets, and general procedures for obtaining the necessary protection.

The planning process will also involve creating systems and procedures to minimize your exposure to IP owned by third parties. This will include developing procedures to vet your products, brands, logos, and slogans against existing patents and trademarks. It also involves creating procedures to ensure that your employees are not infringing copyrighted material or using trade secrets from prior employers. Finally, the plan should include procedures that address what you will do if and when your company is accused of infringing IP held by others.

CHAPTER 3

IP AUDITS

The first step in creating an IP plan is to audit your company's current state of affairs. Conducting an IP audit will provide you with a report card of sorts that helps you understand where your company is performing well and where it needs work.

You can conduct your own IP audit with pen and paper or any word-processing program. At Klinck LLC, we have developed an IP audit form to guide you through the process and ensure all the relevant metrics are assessed. If you would like to download a copy, you can do so at www.klinckllc.com/IPAuditForm.

I break an IP audit down into five parts: (1) identifying existing procedures, (2) identifying relevant personnel, (3) assessing your employment agreements, (4) assessing your IP portfolio, and (5) assessing your risk-avoidance practices.

IDENTIFY ANY CURRENT PROCEDURES

Entrepreneurs should begin any IP audit by asking what procedures and/or systems they already have in place related to their intellectual property. To some extent, this provides a bit

of a catchall category to make note of any important systems and/or procedures your company has already adopted.

During this initial stage, you should identify whether you have any of the following:

- systems or procedures to identify innovations occurring within the company
- systems or procedures to assess and prioritize any innovations or other intangible assets you identify
- systems or procedures to obtain and/or perfect your company's legal rights in the assets
- systems or procedures to identify any potential conflicting patents or trademarks that could create issues for your company
- systems or procedures to ensure that your employees are not using copyrighted material without a license
- systems or procedures to ensure that new employees are not using trade secrets from their prior employment
- training you have in place for your employees related to intellectual property and/or innovation
- policies calling for the periodic review of innovation and/or intellectual property issues

The importance of these procedures will vary from company to company, depending on your industry and the extent to which your company is creating and selling products. If you can identify a good reason why your company does not have one or two of these systems, procedures, training, and/or policies in place, it may not be a major issue. If your company does not have any of the procedures, systems, training, or policies however, that is likely a significant red flag that your company is in desperate need of significant IP planning.

IDENTIFY RELEVANT EMPLOYEES

It is also important to identify the key players involved in your company's innovation and its IP decision-making. One of the major oversights that prevents companies from harnessing the value of their intangible assets is a lack of communication between the people involved in creating the assets and the people responsible for protecting the assets. In large corporations, this occurs when the in-house lawyers are not fully engaged with the relevant parties. For smaller companies, this occurs when the executives are not fully aware of what is being created.

To remedy the lack of communication, part of your IP audit should involve identifying the employees responsible for creating intangible assets, the individuals charged with protecting these assets, and the communication that is occurring (or not) between these two sets of employees.

Begin the process by identifying the creators. For inventions, this will normally include the members of the product-development teams. It might also include other management officials who are creating business methods. For trademark and copyright issues, this will often involve the marketing team. Trade secrets could come from any number of places, including the product-development team and the sales team, which is creating customer lists and other data compilations.

After the creators are identified, you need to determine who is responsible for making the decisions about protecting the assets. Do you have an employee who serves as the chief IP officer? If not, is there a team charged with the task? For most entrepreneurs who are reading this book, I suspect the answer is that there is no one within the company that is charged with these decisions. Instead, the decisions are made on an *ad hoc* basis when they happen to rise to the level of top management.

Finally, identify the modes of communication that connect the creators and the deciders. Does your company have a regular reporting process in which the creators share important innovations with the deciders? If not, there are almost certainly opportunities that are being missed.

ASSESS EMPLOYMENT AGREEMENTS

Another aspect of any IP audit is to consider the extent to which your employment agreements and your agreements with independent contractors have the necessary provisions to protect your intellectual property rights.

DO YOU HAVE WRITTEN AGREEMENTS?

The first step is to analyze whether you have written agreements in place for each and every employee and independent contractor who works for your business. As a matter of employment law, you do not need employment agreements. The law implies all sorts of terms to employment in the absence of a written agreement.

The law falls far short, however, on issues related to intellectual property. Thus, you should have written agreements with every employee who is involved in any aspect of creating intellectual property (whether through invention, brand development, or creation of creative work) and with every employee who has access to confidential information. Similarly, if you work with independent contractors (*e.g.*, outside designers), you should have agreements in place with these contractors as well.

If, during the course of your IP audit, you note that you do not have written agreements with your employees, correcting that issue should go to the top of your “to do” list.

DO THE AGREEMENTS INCLUDE ASSIGNMENT CLAUSES?

The vast majority of intellectual property rights can be transferred *only* through a written document. This is true for patents, trademarks, and copyrights. For inventions, without a written agreement, the employees who qualify as inventors are the sole owners of the invention and any patent issued to cover that invention.

With trademarks and copyrights, there is sometimes room to argue that the work was conducted *for hire* and thus belongs to the company. Without a written agreement, however, employees may be able to argue that they retain rights to the material.

Thus, the written agreements you have with your employees should include a statement that they agree to assign, and are assigning, to the company all rights to any works created during the course of their employment. These statements are assignment clauses.

There is magic language that needs to be included in the agreements to ensure that the transfer is effective. During the IP audit stage, the goal is merely to collect the agreements and make a note of whether they contain assignment clauses. During the IP planning process after the audit, you will correct any insufficient language (often by working with an attorney to ensure the agreements have the necessary language).

DO THE AGREEMENTS HAVE CONFIDENTIALITY CLAUSES?

To protect your trade secrets, your written agreements should also include confidentiality and non-compete clauses (to the extent they are enforceable by state law).

From an intellectual property standpoint, the goal here is not to make it impossible for your employees to leave your company and work elsewhere. Full non-compete clauses that

would prevent your employees from plying their trade elsewhere are dicey (and may not be enforced depending on the circumstances), and I won't comment on the business wisdom of including such clauses considering the impact they will have on your ability to recruit top-tier talent.

From an intellectual property standpoint, you need to assess whether you have provisions that expressly prevent your employees from using any confidential information your company has collected and/or created should they leave the company. These more targeted clauses can be important to prevent a claim that the information was not actually held in confidence. Thus, during the IP audit, note whether you have confidentiality clauses.

DO YOU HAVE INDEMNITY AGREEMENTS?

Agreements with third-party contractors who are serving in a creative role should also include non-infringement and indemnity clauses.

A non-infringement clause should generally state that the contractor represents and warrants that he or she has the legal rights to the products and services being provided. To use a simple example, your agreements with a designer should include an express provision that the designer has all the necessary rights to the images and design elements contained in the finished design. These rights are then transferred to you upon completion as a result of the assignment clause. The goal is to ensure that the designer is not providing you a design with an unlicensed image that can create liability for you in the future.

The indemnity clause should require the third-party contractor to be responsible for defending you in any lawsuit alleging infringement stemming from that contractor's work. Such a clause will often not be worth much because the

contractor will likely not be in a financial position to fulfill the obligation, but it is worth including in any event.

During the IP audit, you should note whether your agreements with outside contractors have the necessary provisions.

ASSESS YOUR PORTFOLIO

After you have assessed your employment agreements, it is time to move on to assessing the state of your existing intellectual property portfolio. The goal during this stage is to catalog all of the intangible assets of your business and assess whether you have taken steps to convert these intangible assets into protected intellectual property.

THE ASSESSMENT METHOD

The goal of the assessment is to determine whether your business has any valuable intangible assets that it has not yet taken the appropriate steps to protect. To achieve this goal, I recommend taking a three-step process.

First, you need to list all of your potentially protectable intangible assets. The types of assets that you should include are set out below in the sections about each type of intellectual property. During this audit procedure, your goal is to be as all-encompassing as possible. In other words, you want to identify each and every potentially protectable asset. In many cases, you will ultimately decide that certain assets do not warrant the time or expense to protect, but you cannot make that assessment until you have identified all your intangible assets.

Second, determine how important each of the potentially protectable assets is to your business. We are all constrained in how much time and money we can devote to any process, so applying a significance value to each asset will allow you to prioritize your tasks once the audit is complete. You can make

this significance ranking as complex or as simple as you like. Some entrepreneurs may want to use a one to ten rating, while others may want to simply use a yes/no approach. For most entrepreneurs, the sweet spot will likely be using a three-tier approach: critical, important, and not important.

Finally, note what steps have already been taken to protect the asset and/or convert it into protected intellectual property. This will include listing whether you have filed for protection (in the case of patents, trademarks, and copyrights), whether you have a monitoring regime in place, and whether you have taken steps to maintain the confidentiality of your trade secrets.

The mechanics of creating the list do not need to be complicated. You could conduct the audit using any three-column chart (whether in PDF, word processor, or spreadsheet format). You can download the form we use at Klinck LLC by visiting www.klinckllc.com/IPAuditForm.

The assessment will differ slightly between each of the forms of intellectual property, so the following sub-sections outline how the audit should be performed for the various forms of IP.

PATENTS

As described in the intellectual property overview, patents are available to protect an inventor's rights in a new and useful invention. Patents are available for a wide array of inventions, including any new method, machine, product, ornamental design for an article of manufacture, or plant. You can also obtain patents for improvements on existing inventions.

You should list every potentially protectable invention you or your employees have created as a part of your business. Products and machines will generally be easy to identify. You should list any product or machine that you have created that is different from anything else in the market.

Methods are a bit trickier and might not be obvious without looking. Have you or your employees created innovative ways of doing business? If so, those methods might be protectable by a patent. The courts have been making it harder to obtain (and defend) these types of patents, but it is still possible to patent a business method. During the audit process, think carefully to identify any new and innovative business methods you have created.

Ornamental designs are also an important consideration here. You can file for a design patent to cover a new ornamental design for an article of manufacture. In other words, if you have a particular design for a product, it might be protectable. Thus, consider adding any unique design elements that you have developed for the products you offer to your list.

Once you have compiled your list of inventions, you should note any steps you have taken to protect them. This will involve listing whether you have filed for a patent application and what the status of the application is. For any important inventions for which you have not filed an application, you should also note the date that you first disclosed the invention or offered it for sale. There is a one-year bar that denies you the ability to get a patent, so the dates can be crucial for helping outside counsel prioritize any patent filings.

TRADEMARKS

As described earlier, trademarks are used to protect the trade names, slogans, and other branding information that you use in commerce.

During the audit process, you should identify all trade names your company uses, including the company name, the names of all products, the names of any services (or service packages), and any other names your company uses to do business. This process is not complex, but it is important to be

thorough. Make sure to be careful not to miss any of your products or offerings.

You should also look to identify any marks and slogans that you use. This would include your logo, product logos, and any one-line phrases used to market the product. The logos will be easy to identify, but the slogans will not always be obvious. Generally, slogans will be things that you include on labeling or that appears regularly in your sales, marketing, or advertising copy. If there is a phrase or slogan that you are using repeatedly, it is probably worth adding to the list.

Trademarks obtain common-law protection immediately, but there are more robust protections for registered marks. Thus, during the audit, you should identify whether you have taken any steps to register the marks.

COPYRIGHTS

Any creative work is protected by copyright. A copyright is automatic as soon as a work is in fixed form, but registering a copyright has certain advantages. Thus, during an IP audit, the goal is to identify the extent to which you have registered copyrights for important creative works.

Attempting to compile a list of all works that are subject to copyright protection would be nearly impossible. Your website copy, marketing material, sales material, videos, webinars, slide decks, any drawings, and any other creative work is subject to copyright protection. Just reading the list likely makes your mind spin. Trying to compile a complete list of all these creative works is unnecessary and could consume your time for weeks.

Rather than attempt to compile a complete list of creative works, you should attempt to identify all of the creative works that you can envision wanting to protect if you came across an infringer. This will likely include a significantly smaller

universe of work. Every entrepreneur must decide how broadly to protect the company's copyrighted matter.

Once you determine how broadly you would seek to enforce your copyrights, you should create a list of all potentially enforceable works. Then, you should note whether you have filed to register these works.

TRADE SECRETS

Trade secrets protect confidential information that has commercial value. In cataloging these potential assets during your IP audit, you should look to identify any category of confidential information that has value to the company. Some common examples include recipes/formulas, customer lists, and data compilations. The potential categories to be protected as trade secrets are nearly limitless, so you should try to identify any confidential business information that has value.

In assessing the steps that you have taken to protect trade secrets, you should assess the extent to which access to this information is limited to those who need access to it and the extent to which those employees are required to maintain its confidentiality.

ASSESS THE RISKS

In addition to assessing the status of your portfolio, the IP audit will assess whether you have taken the relevant steps to minimize the risks of being accused of infringing others' intellectual property. This process involves assessing your company's systems and procedures and searching for potentially problematic rights held by third parties and the steps you have taken to ensure that your employees are not crossing the line.

THE ASSESSMENT METHOD

The goal here is to assess the extent to which your company has taken reasonable steps to reduce the chance that it is infringing the intellectual property owned by third parties. Unfortunately, assessing the risks is not nearly as easy as assessing the steps taken to protect your portfolio. There simply are no sure-fire ways to check for all potential threats from third parties.

As a result, your audit will focus on the extent to which your company has taken common-sense steps to limit risks. Specifically, your audit will involve analyzing whether you have taken steps to ensure your key assets (across the various types of intellectual property) do not infringe on easily identifiable IP rights held by competitors.

PATENTS

Patent infringement issues can pose some of the most significant threats to a business. Unfortunately, patents also pose the most difficult task in risk assessment and minimization. The United States has issued more than nine million patents, and approximately two million of those patents remain in force at any given time. There is obviously no way to review anywhere close to all of the patents in force.

During an IP audit, I recommend analyzing the extent to which you have completed two tasks: (1) have you had a patent attorney conduct a search of the relevant art (*i.e.*, related inventions or publications), and (2) have you analyzed your competitors' patent portfolios?

The first category of search is a relatively simple inquiry during the IP audit phase. All you need to do is ask yourself a simple yes-or-no question: Have you had a patent attorney or search firm conduct a patent search?

The second category requires a bit more consideration. To complete this phase of the audit, you should list your direct competitors. Then note whether you (or someone on your behalf) has conducted a search to determine whether that competitor holds any relevant patents.

If you have not conducted any search of your competitors' patent holdings, the answer will be a simple "no." If you have conducted some review, you should note the extent of the review. Have you searched your competitors' websites and products to look for patent markings? Have you had a patent attorney (or search firm) identify relevant patents?

Note the steps you have taken to search for relevant patents in your audit worksheet.

TRADEMARKS

It is considerably easier to conduct an audit of your trademark clearance procedures. Specifically, you need to note any procedures or steps that you take to ensure that your trade names, logos, product names, and slogans do not infringe on trademarks held by others.

In assessing your risks, you should repeat the list of trade names and related marks that you created as part of assessing your IP portfolio. This list should include a comprehensive list of all the potentially important trade names that you are using, which will serve as a good measure of your risk avoidance.

To assess the risk, you should identify the extent to which you have (or someone on your behalf has) searched the federal trademark database, conducted an internet search for the relevant words and phrases, and conducted a full-blown trademark search.

COPYRIGHT

Assessing your copyright clearance is also a relatively straightforward, albeit time-consuming, audit task. The goal is to identify all creative material you are using and to analyze the extent to which you have the necessary licenses.

Begin the process by analyzing all photos and other images that are included on your website and other media. Identify each photograph and image, note its source, and confirm that you have the necessary license.

Conduct a similar analysis for any music included on any videos you have produced, any videos or similar material you did not create, and any other creative works that you are using.

Beyond looking at individual works, your assessment should include the extent to which you have adopted procedures for clearing copyright issues on an ongoing basis. Thus, you should note whether you have a procedure to ensure that your employees obtain the necessary licenses for any images or other matter prior to their use.

TRADE SECRETS

Assessing your risks with respect to trade secrets poses a particularly difficult task. Ultimately, your risk of being sued for trade secret theft will be the result of activities of employees who join your company from a competitor. During the IP audit, the goal is to assess the extent to which your company has developed procedures to prevent new employees from using any confidential information they bring from a competitor (or at least identify any such activity).

During the audit, note whether your company requires new hires to expressly agree not to use any confidential information learned at their prior employer. Similarly, note whether you

have any procedures to monitor potential improper use of trade secrets (*e.g.*, use of customer lists by sales personnel).

CHAPTER 4

BUILDING AN IP TEAM

One of the most important steps in developing an IP plan is to appoint the team that will be charged with developing and executing the plan. Entrepreneurs inherently understand the value of teams and will often create teams for any number of tasks, including finance, sales, marketing and promotions, and product development. An IP team is similar to these other teams but unique in that it will draw together a diverse group of employees from multiple parts of your business.

WHAT WILL THE IP TEAM DO?

The IP team serves as the hub for handling intellectual property issues within your company. This group will be responsible for developing the initial IP plan, executing the plan, and continuing to update the plan over time.

At the outset, the IP team's primary role will be to resolve any pressing issues identified during the audit and to develop the company's IP plan. In many cases, this will be a multiple month process, as there are likely to be a number of tasks to be completed.

After the IP plan is developed, the IP team will shift its attention to the ongoing execution of the plan and tasks

associated with keeping the plan up to date. The IP team will look at the following tasks:

- communicating with the creators to make sure they are up to date about new developments
- making initial cost-benefit analyses to determine whether to seek protection for new innovations
- handling ongoing efforts to avoid infringement of third-party IP
- managing the ongoing monitoring programs to detect infringement
- making recommendations regarding potential enforcement actions

As this list demonstrates, the IP team will continue to serve an important role in your IP management on an ongoing basis. The IP team will effectively be the group within your company that is responsible for handling all IP issues throughout your company's lifecycle.

WHY SHOULD YOU APPOINT AN IP TEAM?

Creating an IP team has a number of advantages for your business and has the potential to accelerate your progress towards harnessing your company's intellectual capital and reducing infringement risks from third parties.

First, creating a team ensures that there is a group of employees who will always be thinking about IP issues relevant to your business. In companies without an IP team, often no employees are focused on the company's IP issues. The result is an *ad hoc* approach where IP issues are addressed on a one-off basis, if at all. Put simply, without an IP team, any planning you do is likely to go by the wayside as soon as the plan is put down on paper.

Second, creating a team will avoid overloading any single employee. If, rather than appointing a team, you chose to

appoint a single employee to be in charge of IP issues, that employee would likely become overwhelmed with the task (or would need to devote near full-time attention to the task). Appointing a team ensures that the task is achievable.

Third, appointing a team will allow you to bring members of the relevant constituencies together on a regular basis. My recommendation is to create a team that includes members from various groups within your business. This short-circuits the lack of communication between creators and deciders that occurs in many businesses. Your IP team will, ideally, force the various constituencies to come together to discuss IP issues on a regular basis.

Finally, appointing a team will have positive effects on your other employees. Among other things, the appointment of a team will signal to your employees that the company is serious about innovation. This will, in turn, help to foster an innovation culture within your company. The creation of the team will also allow you to clearly instruct employees on whom to approach with questions, comments, and suggestions. Your employees will no longer be left to wonder who to approach with an IP issue (or idea).

WHO SHOULD BE ON THE TEAM?

The team should be made up of a cross-disciplinary group of employees from the relevant teams within your business. This will generally include at least one employee that is business-focused, one technical team member, and one member of your marketing team. In addition to appointing a team, you should choose one member to serve as the chief IP officer.

APPOINT A CHIEF IP OFFICER

Every team needs a captain, and your IP team is no exception. You should appoint a member of the team to serve as the company's chief IP officer. To be clear, this does *not* need to be an official title. The purpose is simply to appoint a single person who is ultimately in charge of the process.

Appointing a team leader ensures that the team stays on task and completes its work. Specifically, the employee who is appointed as the team leader is ultimately responsible for the success or failure of the team. Thus, appointing a team leader will create an additional layer of accountability. Appointing a team leader will therefore bring accountability and a single point person to make sure that nothing falls through the cracks.

Given the role played by the chief IP officer, I recommend appointing a business-side employee to this position. Your chief IP officer will ultimately be responsible for leading your team's efforts and creating an overall direction for the IP team. This overall steering function is best performed by an employee who is cognizant of the company's overall business objectives, rather than an employee who is enmeshed in a single area (*e.g.*, product development).

The selection of a chief IP officer has the potential to create tension amongst employees if you are not careful in choosing your team members. Should you choose senior product-development or marketing officials for your IP team, you will need to appoint a similarly senior business-side employee to serve in the role of chief IP officer. If the chief IP officer is relatively junior or lacks authority, that employee will have difficulty taking charge of a team that includes more senior team members. Ultimately, this is a team-dynamics issue, rather than an IP issue, but I raise it to ensure that you consider it when developing your team.

INCLUDE AT LEAST ONE BUSINESS-SIDE EMPLOYEE

Regardless of whom you choose as the chief IP officer, you need to include at least one business-focused employee on the IP team.

Your IP plan should be framed in view of your overall business goals. Technical employees tend to be focused on the innovations without considering the value (or lack of value) these innovations may have to the business. Similarly, marketing employees will tend to believe that every slogan or catchphrase is the best thing since sliced bread.

Business-side employees, on the other hand, tend to be focused on the big picture. As a result, these employees can provide guidance to the IP team on the competing costs and benefits of seeking protection for each potentially protectable intangible asset. An IP team that does not include a business-side employee will be prone to overprotect assets without considering the costs and the overarching business goals.

INCLUDE AT LEAST ONE TECHNICAL TEAM MEMBER

To the extent that your company develops products or services, you should include a member of the technical product-development team on the IP team.

Your product-development team will be a source of considerable innovation in your business. Indeed, the vast majority of inventions that are potentially patentable will come directly from the product-development team. These technical employees will be creating new and useful products, machines, and designs that will likely warrant protection.

Including at least one of your technical, product-development employees on the IP team will ensure that your team is aware of any ongoing innovation efforts. Moreover, this

employee will be able to help the remaining members of the team understand the technical side of any new inventions.

INCLUDE AT LEAST ONE MEMBER FROM MARKETING

To the extent you have an in-house marketing team, you should include at least one member of the marketing team on the IP team. Your marketing team will be responsible for branding material—a natural source for trademarks. This team will also be responsible for creating promotional material and other creative works that are subject to copyright protection.

If the IP team does not include any marketing members, it increases the chances that the team will not be aware of branding initiatives and creative works. By including a marketing employee, you can be ensured that the team will know about the development of these intangible assets and can, in turn, integrate these developments into the IP planning process.

CONSIDER OUTSIDE COUNSEL

You should also consider whether to include outside intellectual property counsel on the team. If your company can bear the expense, I highly recommend getting IP counsel involved in your planning process from the outset.

Outside counsel can be invaluable in helping your IP team create and execute an IP plan. Intellectual property attorneys have dealt with these issues before and, as a result, can immediately spot trouble areas and opportunities. If you take the time to choose a good outside lawyer at the outset, the IP plan your team develops will almost certainly be stronger than if it was developed exclusively by in-house personnel.

Adding IP counsel at the outset will also have benefits down the line. The counsel you add will gain first-hand knowledge of your company, will become familiar with your company's

technology, and will understand your company's business goals. This knowledge will allow your counsel to make better, more cost-effective decisions as they arise in the future.

Most entrepreneurs are reluctant to involve counsel out of concern about the costs involved. This is a legitimate concern but one that can be managed. Every case will be different, so it is impossible to predict the exact costs for your company. That being said, most attorneys will be willing to engage on terms that will work for your budget.

For companies on a truly shoestring budget, it might be feasible to retain a lawyer who is available as a sounding board for a couple of hours a month. Even this availability can be beneficial (assuming your IP team uses the allotted time wisely). Although an attorney will not be integrally involved in the initial planning process, a commitment of only a couple of hours per month should be ample time to review your IP audit results and provide feedback on where the team should focus its initial efforts.

If your company has the resources to retain counsel, you should consider doing so. The expense involved will generally be repaid multiple times as a result of the guidance the attorney provides.

HOW SHOULD THE TEAM OPERATE?

Having chosen your IP team, you may wonder how the team should operate. Ultimately, there is no magic here. The team should decide for itself, within your business's culture, how it will operate. At the outset, the team will obviously have a full plate creating an IP plan from scratch. During this phase, the team will almost certainly be engaged in regular, ongoing discussions with the individual members completing tasks during the process.

After the flurry of the initial planning phase, the work of the IP team will decrease significantly. Once the plan is in place, the team's work will relate to executing and updating the plan. At this point, there may be a tendency to lose focus. Although the amount of work to be done is not as significant, the IP team should strive for consistency. The team should meet (whether in person, by phone, or by WebEx) on a regular basis. This will ensure that the team is able to consider new developments, review and update policies to changing needs, and avoid the tendency of going dormant.

Ultimately, your team will decide how it will operate within the structure of your business. The only requirement is to ensure that the team continues to serve its purpose.

CHAPTER 5

A PLAN TO HARNESS ASSETS

After correcting any glaring deficiencies, the first goal of your IP team will be to develop a plan to harness your intellectual capital. This chapter sets out an overview of how your team should go about developing this plan.

Broadly speaking, there are four elements to an effective plan to harness your intangible assets:

- 1) systems and procedures to identify potentially protectable assets
- 2) systems and procedures to assess whether to seek protection for these assets
- 3) a system for obtaining protection for worthy assets
- 4) systems and procedures for monitoring and enforcing the assets you choose to protect

Notably, the planning process is all about creating systems and procedures, not about making any final decisions.

DEVELOP SYSTEMS TO IDENTIFY ASSETS

Your company cannot harness what it does not know it has. Accordingly, the first element of an effective plan to harness your intangible assets is to develop systems and procedures to identify potentially protectable assets. You should have already

identified the current assets that fall into this camp during the IP audit process.

During this phase, the goal is *not* to actually identify assets; the goal is to *develop systems and procedures* to ensure that assets created in the future will be identified on an ongoing basis. This will largely be a matter of creating awareness and building a fulsome communication chain from the creators to the deciders. By creating awareness and opening the lines of communication, your IP team should be able to ensure that it can identify all of the significant innovations occurring at the company.

CONSIDER TRAINING PROGRAMS

A company will never succeed in building a robust intellectual property program without the active participation of its employees. Your employees are innovating on a daily basis and are unquestionably creating potentially protectable intangible asserts. Unfortunately, unless your company is different than most, these employees have no idea they are creating potentially valuable assets. As a result, these employees don't take any steps to protect the assets or to inform anyone in management of their existence.

A successful intellectual property program must address this major stumbling block. Luckily, the very act of beginning the IP planning process will likely have some effect (especially in small companies). Your employees will undoubtedly hear about the intellectual property planning initiative, which should raise their general awareness in and of itself.

General IP planning will not completely solve the problem, however, because it will not provide all employees with a working knowledge of the various types of intellectual property protection available to the company. Thus, you should strongly consider adopting training programs to

educate your workforce on the various forms of intellectual property and the forms of innovation that are potentially protectable.

The training does not need to be complicated; all that matters is that your employees receive some form of training to ensure they are familiar with basic intellectual property issues.

CREATE COMMUNICATION CHANNELS WITH CREATORS

Creating training programs to build awareness for intellectual property issues will not work if your company does not also take the time to develop open, easy channels of communication between creators and deciders. The creative employees within your company need to have easy access to inform the IP team about new innovations that potentially merit protection.

If you adopt the plan I played out for creating your IP team, you will be halfway to the goal. If you follow the plan set out in the previous chapter, your IP team will include members from the various groups that are creating potentially protectable intangible assets. These individuals will serve as a ready conduit between the creators and the deciders.

Product-Development Team: The product-development team will be an obvious source of potentially valuable IP. Each new product may contain novel, non-obvious inventions or improvements that are patentable. Similarly, certain products (*e.g.*, software) will create copyright interests. In light of the role this team plays in creating valuable assets for your company, it is crucial to maintain open lines of communication between the product team and the IP team.

Depending on your company culture, a plan to ensure regular communication between the IP team and the product team might take the form of a formal written document that must be provided on a regular schedule or might involve informal discussions that are prompted by a reminder on the IP

team's calendar. Regardless of the form, your IP team should develop a plan for regular communication with the product team.

Marketing Team: Your marketing employees will also create significant, potentially protectable, intangible assets. In the course of creating marketing copy, these individuals will create material that is protected by copyright and will likely create words, phrases, and logos that are potentially protectable under trademark law.

Communication between your IP team and the marketing team will be easier to facilitate because there generally will not be a reason to take action until after the promotional material goes public. Thus, the material created by the marketing team will likely come to the IP team's attention relatively easily.

Sales Team: Your sales team will also likely be creating potentially protectable intangible assets. Among other things, your sales team is almost certainly developing sales funnels, databases of leads (that are likely segmented based on interests), and customer lists. Each of these pieces of information might be protectable—either as a trade secret or potentially under copyright.

As with the product team, the particular process to facilitate regular communication between the IP team and the sales team will need to mesh with your company's overall culture.

Business Team: Your IP team should also maintain regular communication with the general business-side employees. These employees may create some potentially protectable intellectual property, but this is not the primary purpose of regular communication. Communication with the business team is primarily about ensuring that the IP team is fully aware of major company initiatives. This insight will help the IP team to identify areas to keep tabs on with respect to the other teams.

CONSIDER INCENTIVES

To facilitate communication, it might be worth considering whether to offer incentives for employees related to their reporting of potentially protectable IP. Whether to adopt incentives will be an issue that will depend, in large part, on your company culture.

If you decide to include incentives, my recommendation is to tie any incentives purely to reporting the innovations to the IP team. Although it might seem logical to tie the incentives to reporting an asset that ultimately obtains protection, tying the incentive to the result can create tension should the IP team ultimately decide not to pursue protection. The goal is to give employees a strong incentive to report information up to the IP team to ensure that your handpicked team will be able to make the best decisions about how to harness your assets.

As an alternative to an incentive, you might consider including each employee's cooperation with the IP team as an element in the employee-review process. This might be more fitting for a company culture that still needs to reiterate the importance of communicating with the IP team. By explicitly making this part of the employee review process, you will continue to build innovation into your company's overall culture.

DEVELOP AN ASSET ASSESSMENT PLAN

The IP plan also needs to include systems and methods for assessing the intangible assets that are brought to the IP team's attention. The simple fact is that not all of the assets warrant protection—at least not if obtaining the protection will require the expenditure of company resources but will not provide worthwhile benefits. This is true regardless of your company's size. Even the largest companies will decide not to seek

protection for large swaths of the intangible assets their employees create.

Beyond eliminating assets that would not warrant protection under any circumstances, the assessment procedures will allow your IP team to prioritize the other intellectual property so that you can choose how to spend your (likely) limited budget for obtaining IP protection. Without a systematic way to assess your intangible assets, your company will likely end up spending money to protect lower-priority assets and then lack the resources to protect higher-priority assets.

CONSIDER VALUE TO YOUR BUSINESS

In assessing potentially protectable assets, the IP team must consider the value of the asset to your business. As noted earlier, your company's business objectives are core aspects of the IP planning process. The IP planning process should always serve your broader objectives. It is important to ensure that the tail does not wag the dog. Thus, the prioritization process should heavily weight the value of the various assets to your business.

In a world with unlimited resources, it would be worth seeking IP protection for every asset whose potential value, whether to your business or to a partner down the line, exceeds the costs of obtaining the protection. Few of us live in that world, however, and money will almost always be a limiting factor. With that in mind, your plan should focus on developing and harnessing the assets that have real value to your company right now. Indeed, the value of the asset to your business will often be the overriding factor that will trump all other considerations.

Assets that are crucial to your overall business objective will almost always warrant protection. Thus, you should

unquestionably register trademarks for your business name, your important product names, and even marketing slogans that are core to your brand identity. Similarly, it will generally be worth seeking to patent a new and revolutionary product or service that will be the lynchpin of your business for the foreseeable future. This will be the case even where there are serious hurdles to obtaining and/or enforcing the patent. The fact is that the upside of obtaining the patent will justify the costs even in the face of uncertainty for such a core offering.

Given financial constraints, most startups and small businesses won't seek to protect assets that do not bring significant value to the company. This is a decision that each company must make for itself, but you will serve your company better by making the hard choice to eschew protection for non-essential assets to ensure that your company has the resources to protect the core, crucial assets.

CONSIDER VALUE TO THIRD PARTIES

But what about assets that would have value to third parties? The short answer is that an asset that would have immediate value to others and that you could sell has value to your company. For these categories of assets, the IP team will have a relatively straightforward, albeit not always clear, analysis to perform: If the company could sell or license the asset for greater than the cost of obtaining IP protection for that asset, then the asset warrants protection.

Of course, the analysis can get even cloudier when it is not clear whether you will be able to obtain the desired IP protection. I expect that most entrepreneurs will be able to run an expected-value analysis to determine the value to attribute to this risk.

Even assets that may not have an immediate value to others may have an obvious value in the future. These types of assets

create a more difficult question. The answer lies in prioritization. To the extent that protecting one of these assets would tie up resources and thereby prevent your company from protecting a currently valuable asset, your team should decline to protect the future valuable asset.

Put simply, your focus should always begin with assets that will have immediate value to your company. If, and only if, the company has the resources to protect a broader class of assets, may it be worth seeking protection for an asset that will have value for others.

CONSIDER CHANCE OF OBTAINING PROTECTION

Beyond considering the value of the asset, you should consider the likelihood of your company obtaining the desired protection. Put another way, the IP team needs to consider, for example, whether the company is likely to be able to obtain a patent or to register a trademark. If you have a budget that would allow it, this would involve having an IP attorney conduct searches to assess your potential protectable assets. Companies that can't afford to have counsel review IP protection opportunities still have avenues to analyze the opportunities.

Patents: To assess whether an invention is likely patentable, the IP team should consider a number of factors. First, the team should consider the extent to which the invention relates to an abstract idea (as opposed to a concrete invention). Although weighing whether an invention relates to "patent-eligible subject matter" is not an exact science; the more abstract an invention, the more likely it is that it will run into difficulties at the patent office. Thus, inventions that relate to more concrete inventions will generally have an easier time obtaining a patent.

Second, your IP team should consider how innovative the invention is. This is not for the purpose of assessing the invention's worth or making any judgments about how good it is. Instead, the goal here is to assess the novelty and non-obviousness of the invention. To obtain a patent, you will need to demonstrate that the invention is different from what came before it and that it was not obvious in light of what was known in the past. Without conducting a full search of publications and prior patents, it is hard to assess these elements. However, your IP team can create a shortcut by analyzing how innovative your invention is. Inventions that are truly revolutionary are likely to meet the requirement for being novel and non-obvious. Inventions that merely combine known elements from related products, on the other hand, will face a much steeper climb.

Finally, your IP team should consider the technical legal requirements. Most notably, the team should confirm that the product had not been offered for sale (or otherwise publicly disclosed) more than a year before the filing of the patent application. Any such disclosure would prevent your company from obtaining a patent.

Trademarks: To assess whether you are likely to obtain a trademark, your IP team should conduct searches of publicly available sources to determine whether your desired mark has already been taken or are similar to marks already registered. If you are on a budget, focus your trademark search on two sources. First, the team should conduct a search of the federal registry. You can conduct this search on the U.S. Patent and Trademark Office's website (www.uspto.gov). The registry allows you to conduct simple and advanced searches. The search process can be time consuming, but it will allow you to identify any registered trademarks that are similar to your mark. Obviously, you would prefer to see fewer results (ideally

none). Finding some related marks will not necessarily be fatal to your chances in getting a trademark, but the more marks that you find that are close or identical to yours, the harder it will be to obtain a trademark.

Second, your IP team should use the most widely used, free tool that is available—Google. Run a search for the term you are considering trademarking and review the results. Your team obviously won't be able to review all of the results, but they should go multiple pages deep into the search results to confirm that the mark is not obviously being used by others.

Copyrights: The availability of protection is not a consideration for copyrights because you can always register your copyrights.

Trade Secrets: For trade secrets, the fundamental question for assessing your ability to protect your asset (*i.e.*, your information) relates to whether it meets two elements. First, the information must be confidential. Thus, to the extent the information has been publicly disclosed, you will not be able to protect it. Your IP team should also assess the extent to which the company has already taken reasonable steps to protect the information.

Second, the information must have business value. Regardless of its confidentiality (and even if your company takes significant steps to keep it confidential), information that does not have business value will not be protectable under trade secrets law.

CONSIDER COSTS OF PROTECTION

The IP assessment also requires consideration of the costs involved. Costs will be a particular consideration when deciding whether to patent an invention. Even a relatively simple patent will cost a considerable sum to obtain (likely \$10,000 or more). For most small businesses, and especially

startups without a solid cash flow, the expense of a patent application will be a major consideration. If your IP team has deemed that obtaining a patent is a priority for business reasons and has also concluded that the company will likely obtain the patent, it will generally be worth your while to find the money to fund the patent application.

For copyrights and trademarks, costs tend not to be a major consideration given that registration generally involves nothing more than the filing fees.

As for trade secrets, in most cases, costs will also not be an issue. In some cases, however, costs may come into play. Specifically, maintaining the confidentiality of a particular trade secret will require investment in additional resources (*e.g.*, special software to maintain confidentiality). These expenditures will rarely be significant enough to outweigh the benefits of protection, but it is an issue worth noting. Ultimately, this will be an issue that will have to be addressed on an *ad hoc* basis in spite of all the planning your team will have done.

DEVELOP A PROTECTION PLAN

The IP plan should also include systems and procedures that direct how to proceed when the IP team concludes that an asset should be protected. In other words, the plan should set out how your company will go about seeking the necessary protection. This is one of the simpler parts of the planning process. The primary decision that must be made relates to hiring counsel.

There are books that describe how inventors (and companies) can patent an invention and/or obtain other forms of intellectual property by themselves. I cannot express how strongly I believe it is a mistake to take this course. In my practice, I routinely come across patents that an inventor

obtained without the assistance of counsel. Invariably, these patents have a number of flaws that make them considerably less valuable than they would be if a patent attorney had handled the prosecution. These flaws decrease the value of a patent by, for example, making it more narrow than necessary or more difficult to enforce due to unclear language. While the inventions that a patent covers may not necessarily be of a legal nature, the process in obtaining a patent (including its drafting and back-and-forth discussions with the patent office) is inherently a legal one. Thus, whether to obtain the help of counsel is an important consideration.

Aside from the flaws in these patents, I have often found that inventors who handle the patent process themselves often take considerably longer to obtain their patents. Because the life of a patent is measured from the date of the filing, *not* the date a patent is ultimately issued, the added time spent in the patent office when an application is handled *pro se* (*i.e.*, on one's own behalf) can limit the useful life of your patent. This not only results in an inefficient patent application process, but also a costly one for your wallet and your business strategy.

In the context of trademarks and copyrights, the application process is less complex, but you still risk making an error that could limit the value of your rights or that could require you to pay an additional fee.

Assuming that I have convinced you of the need to hire counsel to handle these matters, the obvious question is when to hire counsel. My general recommendation is to make the decision during the planning process. By vetting counsel at the outset, you will create a ready process that can be executed without delay when it is time to seek IP protection. If you take the time to find counsel at the outset, your IP team will simply need to call your chosen counsel to start the process when it is time to obtain the protection.

DEVELOP A MONITORING AND ENFORCEMENT PLAN

Beyond developing systems and processes to obtain protection for your intangible assets, your company's IP plan needs to address what will happen *after* you obtain protection. This portion of the plan needs to address how your company will monitor for infringement and what it will do to enforce its rights when it discovers infringement.

MONITORING PLAN

The first portion of the monitoring and enforcement plan is to develop systems to detect infringement of your rights. There are many choices that need to be made at this stage, including choices about how closely you care to monitor your assets and how you will go about conducting the monitoring.

The decision regarding how closely you care to monitor your assets will be driven, in part, by how aggressive you intend to be with your enforcement regime (discussed in the next section). Some large companies (general design-based companies) are super-aggressive in their enforcement efforts. An aggressive enforcement regime requires a rigorous monitoring mechanism that will catch even minor infringements.

Other companies that have a more balanced approach to enforcement choose to take enforcement actions only against major infringements. For these companies, there is no requirement to adopt a monitoring system that will detect each and every infringement. Instead, these companies need a means to detect major infringements. That being said, these companies might opt for a more robust monitoring system so that they are at least aware of infringing activity. They can then adjust their enforcement regime based on the extent of the infringement they detect.

Your IP team will need to decide how robust your monitoring mechanism needs to be based on your company's culture and likely approach to enforcement. Once you decide how aggressive your monitoring will be, the question will turn to developing the proper procedures to monitor for infringement.

The most obvious element of a monitoring scheme is to engage in competitive-market intelligence. Your company should adopt a mechanism to monitor your competitor's market activities on an ongoing, systematic basis to detect any signs of infringement. Engaging in competitive-market intelligence is a wise business practice for its own sake, and, once your company begins to consciously think about its IP rights, it will become second nature to include an IP aspect to this monitoring.

The monitoring mechanisms do not need to be complex. Your team should set up mechanisms to receive your competitors' marketing material, press releases, social media posts, and other important announcements. Similarly, your team should set up automatic notifications from public sources (*e.g.*, Google Alerts). The team then simply reviews these sources as they come in looking for signs of infringement.

On the patent front, this will involve looking at new product launches to determine whether a competitor's new products infringe any of your patents. The goal here is not to engage in an in-depth analysis that comes to a definitive resolution; instead, the team should be looking for signs that the competitor's new products are similar to your company's patented inventions. If the team concludes that a new product may be infringing one or more of your patents, it may be worth taking a deeper dive with the help of a patent-infringement attorney.

On the trademark front, the monitoring will involve reviewing competitors' announcements and setting up notifications for any priority marks. Alert services are a relatively easy way to obtain information about potential infringement of your marks. With that said, conducting intelligence on your competitors will only take you so far in protecting trademarks because you may not be able to identify all potential competitors and you may not be able to monitor every action of all your competitors.

Copyright monitoring is a bit more difficult to perform in-house, but you can monitor your competitors' websites and promotional material looking for copy that is similar to (or directly copies) yours. Similarly, if you release audio or video content, you can invest in technology to track the use and potential illegal transfer of your material. For a typical startup or small business, there is no need to utilize this technology. These technologies are primarily useful for companies whose business model involves releasing and selling these materials.

Trade secret monitoring will often be a more discrete task. Assuming that you have taken reasonable steps to protect your trade secrets, the most likely source of a theft will occur when an employee who has had access to the information leaves your company and joins a competitor. When this occurs, you should carefully monitor that competitor's activities, looking for signs that your former employee is making use of your protected information.

In addition to in-house monitoring, your IP team may want to invest in the various third-party monitoring programs that are available. I won't recommend any particular service partly because the right service may vary for each company. Your IP team can simply run an internet search for "intellectual property monitoring" and similar terms, and a number of services will pop up. Retaining one of these services may serve

to streamline your monitoring process, but you will need an in-house employee reviewing the results and working with the service.

During the planning phase, the IP team should develop systematic procedures for conducting each of these levels of review. This should include identifying what the company will monitor, who will be charged with the task, how often the assigned employee will engage in the monitoring (*i.e.*, daily, weekly, monthly), and whether the assigned employee will report all findings or only significant infringement activity that is discovered.

ENFORCEMENT PLANS

The second prong of the post-protection aspect of your plan should set out your company's enforcement plans. During this process, you need to set a general philosophy for enforcement, develop plans for what will trigger an action, and consider whether to hire counsel.

Some companies' overall philosophy on enforcement is to be ultra-aggressive in their enforcement effort, going after any infringement they detect. Other companies take a more measured approach, understanding that it may not be possible (or even desirable) to prevent all infringement and opting to pick their battles.

Your IP team will need to make the determination about where along the spectrum your company will sit. There are a number of considerations that can affect this decision.

The primary nature of your protected (or protectable) assets will affect your decision. If your firm is primarily design-based and your IP holdings are generally trademark rights, you should consider being more aggressive in your enforcement regime. Your primary asset as a design-based firm will be your

protected designs. Preventing others from using these designs can provide significant value for your business.

Service companies, on the other hand, will rely significantly less on their IP to create value for the bottom line. Although the brand name and other IP assets will be important, incursions by third parties will not necessarily pose an existential threat to the business. These companies will, therefore, have a different view when it comes to enforcing IP rights.

Manufacturing companies will also present a different situation. Like service companies, manufacturing companies will generally not be drawing their primary value from design-based elements. Manufacturing companies will often have more substantial patent holdings. This will tend to change the analysis. Patent suits tend to be the most expensive form of IP litigation, and it will not always be clear what value the company will obtain at the end of the litigation. Thus, companies with substantial patent holdings will often have to be more judicious in their enforcement mechanisms.

Regardless of your primary business activity, your current market position will often affect your decision. If your company is the market leader in a particular segment, that might warrant a more aggressive enforcement scheme. So long as your actions are legitimate, there can be real advantages in using your IP assets as a means to maintain your status as a monopoly (or undisputed market leader) in the segment.

As with all issues in IP planning, your budget will also help shape your overall enforcement philosophy. IP enforcement is not free—even with the growing number of lawyers willing to take these cases under contingency-fee agreements. If you have limited resources, you will need to determine how best to deploy those resources. This will often require you to make a decision that you will target only the most egregious infringers. Where money is an issue, your team absolutely must create a

method to prioritize the decision-making on enforcement to ensure that you are focused on the right targets.

As part of developing an overall enforcement philosophy, your IP team will likely need to establish some criteria highlighting what will trigger an action. The trigger could take any number of forms, including reaching a threshold for one of the following:

- The number of times an infringing trademark is being mentioned in various sources.
- The number of sales (or dollar figure for sales) of the infringing products.
- The impact on your business in terms of lost sales.
- The number of prospective customers who mention the infringing product to your sales team during the sales process.
- The number of customers lost to a competitor after a former employee joins that company.

This partial list demonstrates that there is an endless number of ways to slice and dice the potential impact of an infringement.

During the planning process, your IP team should identify the triggers that are most relevant to your business and should attempt to identify a threshold that will warrant serious enforcement discussions. If you are a design-based business, the threshold is likely to relate to the extent of the infringing sales. For a service company (*e.g.*, SaaS companies), the focus is more likely to be on the extent to which a potentially infringing product is coming up in discussions with potential or current clients.

The purpose of creating these triggers during the planning phase is to automate the process going forward. Put another way, by taking the time to set triggers at the outset, your team will be able to avoid having to discuss each individual case of

infringement and avoid making an *ad hoc* decision about whether to enforce. Establishing triggers will allow your team to seamlessly identify cases where enforcement is likely justified and to consider those cases more closely. This will save an immense amount of time down the line.

A PLAN FOR COUNSEL

Finally, though not a requirement, I strongly recommend that your IP team take the time to establish relationships with outside counsel during the planning phase. Building these relationships when there is no immediate issue will allow you to fully vet the counsel you are considering, rather than having to make a decision in the heat of the moment. This will tend to result in relationships that are more fruitful when the time comes to take action.

Many lawyers will offer services that will make them available to your IP team for consultations on a flat monthly fee. Creating these relationships will provide your IP team with the legal support they need. Moreover, the lawyer you choose will begin to build a working knowledge of your company, which will, in turn, make the lawyer more efficient and effective if and when enforcement action is necessary.

Many lawyers will be amenable to an agreement that includes a relatively small monthly retainer in exchange for some level of access during the month (*e.g.*, a monthly retainer of \$500 that will allow your IP team to reach out a certain number of times during the month). Many firms will offer these retainer agreements for fees that are below our traditional hourly fees. The reason is simple—good lawyers understand that there is value in building relationships.

Choosing the right lawyer for your business is equal part art and science. The lawyer you choose will need to have the right experience, will need to have a temperament that matches your

company's culture and enforcement philosophy, and should be someone that you can envision becoming a trusted advisor. The particulars about choosing the right lawyer are beyond the purview of this book, but if you would like to learn more, you can download a white paper at www.klinckllc.com/choosing-your-lawyer.

CHAPTER 6

A PLAN TO MINIMIZE RISKS

Every company also needs a plan to minimize the risk of being accused of infringing IP owned by third parties. IP litigation is no longer solely the province of large corporations and high tech companies. The vast majority of startups will be accused of infringement at some point during their life cycle, and more traditional brick-and-mortar businesses are increasingly facing similar accusations.

In light of this backdrop, there simply is no justification for a company failing to prepare for a potential lawsuit. This preparation should include taking reasonable steps to avoid a lawsuit and developing plans for how to respond if and when a lawsuit is filed. This chapter lays out how your IP team should go about developing this plan.

DEVELOP CLEARANCE PROCEDURES

The first part of your defensive plan should be to implement systems and procedures to avoid infringement in the first place. This involves developing sensible programs to detect and correct any potential infringement that is occurring at the earliest possible time. You should develop procedures to vet

potential issues in each of the four major categories of IP (patents, trademarks, copyright, and trade secrets).

PATENT CLEARANCE

The most difficult element of a risk avoidance program is developing a patent clearance program. The fact is that there is no feasible way to analyze all two million patents that are in force at any given time. Even focusing on patents related to your particular industry will not offer complete peace of mind. In one famous series of cases, a company claimed to own a patent that covered online shopping carts. Thus, any company that sold products online and used a cart feature (*i.e.*, every online sale system) could potentially have been sued. These suits can come out of the middle of nowhere.

Aggravating the situation is the fact that patent litigation is the most expensive form of IP litigation. You will likely need to spend hundreds of thousands of dollars just to win the case. These are sobering facts that should drive home the need to take whatever steps are available to reduce the risk of facing a patent suit.

Although you cannot reasonably search the entire patent database or even a subset that covers your particular industry or technology, it is reasonable to look to see if your closest competitors have any relevant patents. As discussed in the IP audit chapter, this process could start with a review of your competitor's website and products. If your competitors have patents that cover their products, either the products or their packaging should be marked to notify the world that the product is protected by a patent.

Although not all of your competitors will have patents (or markings), most companies will find that at least one competitor has at least one patent. These patents will generally

warrant close analysis because they are likely to be at least tangentially related to your business.

Beyond conducting a competitor analysis, you may feel the need to have a third-party search firm conduct a search for potentially relevant patents. There are numerous firms that will perform this service (and a number of lawyers can perform this service as well).

Beyond the challenge of identifying potentially relevant patents, you will need to develop a plan for how your company will analyze these patents that turn up during the search. Patents are not exactly easy to read, and they are certainly not easy to understand. Analyzing whether the patents that you have found pose a threat to your business will likely require a consultation with a patent attorney.

TRADEMARK CLEARANCE

Developing a trademark clearance program is a bit easier than developing a patent clearance program, but it also does not come with any guarantees. Trademarks arise automatically through use, so there is no central location where all trademarks are listed. That being said, you can still conduct reasonable searches for trademarks that could be relevant to your business.

First, you should develop a system to search the federal trademark registry any time you begin to use a new mark, name, or logo. The federal registry will let you find all marks that are registered and even prior applications that were abandoned or otherwise not issued.

Second, you can conduct a Google search to look for evidence that others are using the mark, name, or logo without having registered it. If you manage to get several pages deep in the search results without finding any references to someone

else using the mark or name, you can feel relatively confident that there is not a conflict.

There are search services available that will search the federal registry and other public databases (*e.g.*, state corporation records) as well as search for domain names. Although these searches can automate the process, they will be caveated with a statement that the results are based purely upon the sources searched and do not make any guarantees that the proposed trademark is not already in use.

Similarly, you could hire a law firm to conduct the search, but this will not provide significantly greater assurance than the third-party search services. I can assure you that any attorney you hire will provide a series of caveats a mile long after providing the results of the search. Rather than hire a lawyer to conduct the search, the best use of funds would be to hire an attorney to evaluate any results that you obtain from other searches.

COPYRIGHT CLEARANCE

A copyright clearance program can be very effective so long as you take the time to develop clear procedures. For the vast majority of small companies, copyrights do not represent significant challenges.

For the typical small business, copyright issues would arise most commonly from the use of copyrighted photos, videos, or music on its website or other promotional material. Thus, for the typical business, developing copyright clearance involves establishing procedures to ensure that your company has obtained the necessary licenses for photos, videos, and music that it is using.

TRADE SECRET DILIGENCE

Creating a trade secret diligence program can be a challenge. Trade secret issues will generally arise when a new employee uses confidential information from a prior employer for your company. Thus, your IP plan needs to include systems and procedures to monitor new employees for signs that they are using confidential information.

This is an area that requires particular attention during the IP planning process. Every business is different, so there is no one-size-fits-all approach to developing these monitoring programs. With that said, there are some areas that you should spend time considering.

Many trade secret disputes arise as a result of an employee taking a customer list (or even a lead list) from one employer to another. Thus, you should develop systems to monitor the activity of any salesperson who is hired from a competitor.

Similarly, a product-development employee who comes from a competitor can bring significant risks. Was the employee privy to confidential information at the prior employer's business? If so, there is significant risk that the employee will use trade secrets. You need to develop systems to monitor these employees to ensure that this is not happening. In many cases, your IP team may conclude that the only feasible way to accomplish this goal is to ensure that the new employee is not working on any products at your company that are related to products from the employee's prior job.

Your IP team should think carefully about other areas within your business where employees might be making use of confidential information. The best way to accomplish this is to analyze where your company has trade secrets. Anywhere that your company has trade secrets is an area where you need to

monitor new hires for the use of trade secrets from your competitors.

DEVELOP A PLAN TO RESPOND TO ACCUSATIONS

In spite of your best efforts, there is no way to eliminate the risk of being accused of infringement. Thus, an important aspect of your IP planning is to develop plans for how you will respond to an accusation.

Taking the time to create these plans at the outset will ensure that you will not have to make these important decisions under the stress of a lawsuit. When you have been accused of infringement, you will be under stress and time pressure—a recipe that does not bode well for making the best decisions. During the planning phase, on the other hand, you have the luxury of time and will not be under the strain of the accusation. This dynamic means that decisions made during the planning phase will tend to be more reasoned and thought-out. With this plan in place, responding to an accusation of wrongdoing will be smoother and less stressful.

As part of the planning process on how to respond to accusations, your company will need to develop a licensing stance and develop a relationship with a lawyer.

DEVELOP A LICENSING STANCE

As your company grows, it will tend to receive more attention from third-party IP owners. Some of this attention will be from market competitors, while some will come from companies that have purchased IP assets solely for the value of enforcement opportunities (*i.e.*, non-practicing entities). One important element of your response plan is to develop a general stance that you will adopt with respect to licensing IP from non-practicing entities.

Before discussing the options for a licensing stance, it is worth noting that there are multiple breeds of non-practicing entities. Some of these entities focus on asserting high-quality patents. These reputable, non-practicing entities will generally invest considerable assets in acquiring the patents, will spend considerable time investigating potential infringement by those in the market, will approach the companies that they conclude are infringing, and are prepared to litigate cases through trial and appeal if necessary. Although there has been substantial debate about the merits of IP aggregators, these reputable, non-practicing entities generally do not engage in any dishonest tactics or attempt to abuse the litigation process; they simply stand in the shoes of original innovators but have the resources to enforce their IP rights.

There is, however, a seedy underbelly to IP aggregators. These are the so-called *trolls*. Trolls are companies that buy up IP rights, often at bargain-basement prices, with the goal of accusing scores of businesses of infringement. These trolls often assert low-quality patents against numerous defendants at once without doing much research regarding any individual party. In spite of their bluster, these entities often desperately want to avoid litigating their IP rights. Instead, these entities are banking on the fact that the many companies they accuse of infringement will agree to pay nuisance-value settlements—settlements that are considerably less than the defendant would have to spend to actually mount a defense.

Some companies conclude that the best response to an infringement accusation by one of these less-than-reputable, non-practicing entities is simply to pay the nuisance value to avoid the cost of defending the suit. This is a perfectly reasonable approach and will generally work well for relatively small companies that do not draw regular attention from IP trolls.

While paying these nuisance-value settlements will be infuriating, it is often the best business decision. Notably, this is part of the value of planning. Making the decision, in advance, that paying some nuisance-value settlements is a cost of doing business will prevent you from making an irrational business decision based upon the emotional response to being accused of infringement.

But what about companies that have grown a bit larger and are beginning to attract attention from trolls on a relatively regular basis? Some companies that fall into this category have made the strategic decision that they will not agree to take a license from trolls and will instead litigate. This approach proves expensive at the outset. Over time, however, your company can build a reputation as one that simply will not pay nuisance-value settlements. If you couple your approach with a public relations campaign that stresses this stance, it will eventually lead you to be less likely to be targeted by trolls. These trolls will eventually decide that they should focus on softer targets and will leave your company alone.

Although there are merits to each approach, the key is consistency. Your company will not build a reputation as one that does not pay trolls unless you begin to take a hardline approach to every assertion by these entities. Thus, if you intend to adopt this approach, it generally will need to be an across-the-board decision (at least with respect to assertions by non-practicing entities). Thus, planning is the key.

DEVELOP A RELATIONSHIP WITH COUNSEL

During the planning process, you should also consider building relationships with lawyers who could defend you in an IP lawsuit. If and when you find yourself accused of IP infringement, you will want to have a lawyer that you can trust to handle your defense. The fact is that the advice you will

receive from counsel during the course of defending an IP lawsuit will often be difficult. If you do not have a relationship with the lawyer handling the case prior to the lawsuit, you may be reluctant to accept the hard advice the lawyer provides. If you have taken the time to build a relationship with a lawyer prior to the lawsuit, you will be more likely to take the lawyer's advice and act on it.

CONCLUSION

GO FORTH AND PROSPER

I hope that reading this book has provided useful information on the value of intangible assets and the importance of having an IP plan. I truly believe that you need to develop an IP plan if you want your business to excel, and I have done my best to convince you of the merits of this belief. The statistics don't lie. The most successful companies in the world have developed robust plans to protect their intangible assets, and, as a result, IP represents a significantly greater proportion of these companies' value than is the case with a typical entity. While every company can't be Google or Facebook, you can take lessons from their approach to developing their IP. The key to harnessing your intangible assets is to develop a plan to protect them.

I also hope this book has convinced you that developing an IP plan does not have to be a daunting task. Although creating a plan will take some work, it is not rocket science (at least with respect to most of its elements). There will be issues that you will likely need to consult with an intellectual property attorney, and there are areas where you may conclude that it is simply easier and more cost effective to outsource. As I've attempted to demonstrate in this book, developing an IP plan is

an eminently doable task if you simply decide that it is a priority worth pursuing.

Regardless of how you proceed, the most important thing is simply to take action. Any company that takes action to develop an IP plan will be in a better position than a company that does not take the time to do so.

Go forth and prosper!

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Klinck is also the author of [Patent Litigation Primer: A Guide For Inventors And Business Owners](#).

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