The intellectual property, security and cyber arenas provide great opportunities for every business. However, each of these areas has its own unique risks which must be understood by both counsel and C-level officers. Intangibles like copyrights, trademarks, patents, trade secrets, domain names and brands are valuable company assets. These assets comprise the intellectual property (“IP”) of a company.

Companies that fail to appreciate and exploit their IP waste resources, and risk losing goodwill in the marketplace. Lackadaisical supervision of IP affects a company’s ability to prevent third parties from unauthorized use, copying of its valuable assets, and the ability to defend itself, in the event a third-party claims your company has infringed on its IP. To protect and maximize the value of your IP, it is essential to keep an accurate inventory and have in place a system of internal controls over the creation, protection, management and exploitation of IP. This article outlines 20 best practices to protect this valuable property.

WHAT?
#1 At its simplest, an audit is an inventory of assets, analysis of ownership and value, identification of procedures for protection, and analysis of compliance with procedures for protection.

WHY?
#2 Understand the reasons for an “Audit.” Employees are more mobile than ever and loyalty seems to be a remnant of the past. The law protects the vigilant. Loyalty seems to be a remnant of the past. Employees are more mobile than ever and risk losing goodwill in the marketplace. Lackadaisical supervision of IP affects a company’s ability to prevent third parties from unauthorized use, copying of its valuable assets, and the ability to defend itself, in the event a third-party claims your company has infringed on its IP. To protect and maximize the value of your IP, it is essential to keep an accurate inventory and have in place a system of internal controls over the creation, protection, management and exploitation of IP. This article outlines 20 best practices to protect this valuable property.

HOW?
#5 Select the right team for the audit. This should include trusted personnel, legal counsel, and the right technical and security team that understands your business and IP. Choose people who understand the law in this area so that they are capable of identifying issues. You should consider using outside counsel to maximize the chance that the attorney-client privilege will protect the company if problems are discovered that need to be addressed by the company. Train the team and create a road map for what will be reviewed in the audit.

#6 Select the areas of IP for the audit. At a minimum, trademarks, copyright, patent and trade secrets should be included.

TRADEMARKS
#7 For a trademark audit, inventory all of the trademarks, service marks, trade names, and company names that your company uses. Analyze how each of these marks is being used. Look not just at the marks you believe your company owns, but look at all material that is being presented to the public. This now includes advertising, websites, mobile apps, LinkedIn, Twitter, or any other new cyber-marketing tool in vogue. Don’t forget to review letterhead, business cards and other traditional marketing materials. Look for any words, phrases, pictures/logos used to identify the company. Look through offices, stores, waiting rooms and the marketing department. Review and enforce the procedures to ensure that the company’s marks are being used in conformance with the company’s policies.

#8 Analyze any trademark licenses, and any more license agreement such as a software license agreement which often contain trademark licenses. Does the use of each mark conform to your company’s standards? Should any of the marks be retired? Is your company using any marks licensed
from a third party correctly? Has your company licensed any of its marks to third parties and are they using the marks correctly?

#9 Evaluate the registrations and the maintenance procedures. Are all filing deadlines recorded for both federal and state registrations, if applicable? Are there any new marks that need registered? Are there any registered marks that are no longer in use that can be allowed to lapse?

COPYRIGHTS

#10 Copyright protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and pictures. Copyright infringement is a strict liability claim, and statutory damages and attorney’s fees can be recovered if infringers. Consider whether your licenses cover the patents that you want them to cover and whether the licenses are being enforced. In contrast, analyze whether you are paying unnecessary licensing fees when you do not infringe.

#11 Two primary keys to a successful copyright audit are to determine whether the company owns the copyrights on material that it believes it owns, and whether the company is improperly violating someone else’s copyright.

#12 Inventory all filed copyrights of the company. Review any materials that should have copyright registrations filed and consider the benefits of filing. Check whether there are any security interests in the copyrighted works.

#13 Check whether the company has confirmed in writing that it has rights to use all media used on its website. If music or televisions are used in public areas, confirm that all appropriate licenses have been obtained. Work with IT to confirm that all of the company’s software is properly licensed for the company’s actual utilization and deployment. Ensure that a viable procedure is in place for ongoing monitoring of copyright compliance.

PATENTS

#14 Patents give an owner a right to exclude others from making, using, or selling the invention in the country in which the patent is obtained. The term of protection is generally limited. For example a utility patent is limited to 20 years from the date of filing. A patent audit evaluates your IP and products and also evaluates your competitors’ IP and products.

#15 Use the patent audit to improve your patent strategy by determining whether your patents/applications are designed to block competitors.

#16 Once all of the patents are compiled in the audit, carefully review the substance of the patents. Are the patents/applications too narrowly focused? If so, you may be able to fix applications and improve future strategy. Consider the commercial and R&D appeal of each patent. Determine if it makes sense to continue to maintain certain patents. If the patent does not cover your product, or block a competitor, stop paying fees.

#17 Review the company’s process for evaluating invention disclosures to determine what to patent. Analyze other products to spot potential areas your products might be infringing other’s patents. If caught at the R&D stage, you can design around to avoid potential infringement. This will also guide you as to the patentability of your products. Such analysis may also alert you to infringers. Consider whether your licenses cover the patents that you want them to cover and whether the licenses are being enforced. In contrast, analyze whether you are paying unnecessary licensing fees when you do not infringe.

TRADE SECRETS

#18 Trade secrets can be defined simply as valuable information not known or easily ascertainable. Trade secrets can be maintained indefinitely if reasonable efforts are taken to maintain secrecy. Identify the company’s important trade secrets.

#19 Review and implement security measures to protect the trade secrets. This includes both physical and cyber security. Limit and monitor access to trade secrets. Train employees to understand the value of trade secrets and the importance of maintaining secrecy. Review contracts that include non-disclosure and covenants-not-to-compete for enforceability and coverage. Fix any problems that are uncovered. Confirm that your company is in compliance with all of its non-disclosure agreements with third parties.

INSURANCE COVERAGE

#20 Finally, take time to review whether the company has any insurance to cover potential third-party claims for IP infringement. If there is coverage, take time to review the nature of the coverage. Review the General Liability Policy, Errors and Omissions Policy, Riders and Endorsements, Media Liability Policy and Cyber-Risk Policy. Does the company have coverage for copyright infringement? False advertising claims? Claims for patent infringement? If there is no coverage, analyze the risks with your insurance professional and make a reasoned decision whether obtaining coverage is worth the costs in light of the risks.

PRACTICAL TIP

IP assets are central to the economic success and growth of businesses. Thus, it is important for businesses to protect and maximize those assets. By reviewing and implementing the best practices guidelines outlined above, businesses can go a long way towards ensuring that they are getting the most value out of their IP portfolios, and that their hard-earned, valuable assets are protected.

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