STRATEGIES FOR STRUCTURING AND IMPLEMENTING AN IP MANAGEMENT PLAN

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I. INTRODUCTION

More and more, Intellectual Property (IP) rights are becoming recognized as extremely valuable and flexible financial corporate assets. As a result, a strengthened appreciation of IP assets and their role in traditional corporate and business transactions has been building over the past ten years. The effects of this shift in perspective is playing itself out in all aspects of business, including the composition of the labour force, insurance coverage, and corporate and risk management. As an example, it is noteworthy that there has been a recent emergence of insurance companies that only provide IP insurance, such as Insure NewMedia and Intellectual Property Insurance Services. These companies provide IP related insurance policies that reimburse litigation expenses, cover awards of damages, and reimburse for loss of value of the asset itself in the event of an unfavourable outcome of litigation. Indeed, the effect of losing IP assets or violating the IP rights of another party can have profound implications for a business.

However, while more and more business owners are becoming more concerned about their IP rights and those of their competitors, a substantial number of businesses are not taking full strategic advantage of their IP assets to establish competitive advantage and increase corporate profits. In a recent Statistics Canada study of manufacturers involved in new-product development, of companies who reported sales from such new product developments, only 25% of them said that they were using any form of IP strategy in their business planning processes. Interestingly, the 25% of companies who responded in the affirmative, accounted for over 50% of the employment attributed to the sample. This indicates that larger companies (i.e. the big employers) are the ones making management of their IP assets a corporate priority.[1] It is clear that, if an enterprise wishes to become or to stay competitive in the emerging knowledge economy, they must strategically build and manage their IP assets.

This paper will focus on the considerations that come into play when designing a corporate IP management plan and is an attempt to provide an overview in devising and implementing strategies of an efficient IP management plan. Every IP management plan requires a clear understanding of the company's core business, it's competitors and the

[1] Simmer R., Goring J., and Irvine, S., "Managing Intellectual Property to Maximize Profit and Minimize Risk," *PATSCAN @ The University of British Columbia*, http://www.library.ubc.ca/patscan/ip.html.

general marketplace. One critical tool for beginning the process towards the development of an IP management plan is an IP Audit. An IP Audit provides the process for achieving a clear understanding of the business' core business, its technology, brand names, copyrighted works, and confidential information. Once an audit has been conducted, a strategic IP management plan can be developed. There are several factors to keep in mind when putting together an IP management plan, namely company size, the IP budget, obtaining corporate buy-in, building IP management skills, and encouraging internal IP development and identification. Once an IP management plan is in place, day to day IP asset management can be undertaken which involves the protection of existing IP rights, the strategic strengthening of IP rights, taking a global view of IP and last but <u>not least</u>, managing the cost of IP!

II. THE FIRST STEP – AN IP AUDIT

An IP audit is a mechanism to uncover and catalog the IP rights of a business, to determine the quality and scope of those IP rights, and to identify existing and potential IP disputes with others. Very often, an IP audit is conducted in conjunction with a financial valuation of the IP assets. The appropriate scope of an IP audit depends on the specific goals and needs of a business, as well as the time and resources available.

In determining the appropriate breadth and depth of an IP audit, the following factors should be initially considered:

- the importance of various IP assets to the enterprise.
- business goals and how an IP assets fit within these goals.
- past experiences associated with company and competitor IP assets.
- the general nature of the competitive landscape.
- degree of legal activity in the sector – are competitors litigious?
- jurisdiction – is the business local or international? Do business transaction(s) have international scope?
- logistics – how physically accessible are R&D facilities, production plants, official and internal documents? What kind of accountability exists for individuals directly involved in the IP creation?

The need for an IP audit can be propelled by changes in management, IP law, business direction, profitability, or marketing strategy. For example, a new case decision expanding or clarifying the scope of protection afforded by an IP right may necessitate review of existing products for possible infringement of the rights of others. Generally, IP audits are typically conducted when:

- management mandated for a new or existing business.
- in support of a stock offering for a business.
- in contemplation of acquisition, merger, investment or lending.
- the possible acquisition of a third party business unit or product line.
- Proposed acquisition or licensing of an intellectual property portfolio.
- in conjunction with a proposed marketing portfolio.

Indeed, an IP audit is a critical part of the overall corporate due diligence associated with the transactions for each of scenarios. Also, an IP audit is of great benefit once the proposed transaction has occurred. Once a clear understanding of a company's IP assets has been obtained, it is then possible to properly define workable policies, guidelines and resources to best develop, protect and exploit them.

A. Define Your Core Business

The first goal of an IP audit is to consider all potentially relevant IP assets that relate to a business. Before actually investigating and confirming ownership of IP assets (see B and C below), it is critical to assess the nature of the business, potential expansion plans and the core technology of the business.

The business plan, other business description, or business offering documents will usually identify the primary products and/or services of the business. However, secondary or support products or services should also be considered, and, thus, associated hidden value or uncontemplated risks may be involved. All products, processes and services, no matter how insignificant they might appear, should be considered before starting to conduct an IP audit.

It is <u>critical</u> to understand the core business of the business in order to properly assess the importance of the company's IP assets. For example, it is possible to have maintained a large amount of documentation on a patent portfolio that on the surface would indicate that the portfolio is in order (i.e. patents have issued, maintenance fees have been paid and are in force, etc.) However, a closer inspection of the actual technology covered by those patents can reveal that the (initially very strong and impressive appearing) patent portfolio has very little to do with the company's present and future products. Accordingly, in the case where an IP audit is being performed in respect of a technology-based company, it is recommended that IP counsel with the appropriate technical background (i.e. electrical, software, biotechnology, etc.) be retained in order to ensure that a proper overall assessment of the IP assets can be obtained.

B. Gather Information On All Intellectual Property Rights

Once the fundamental aspects of the business have been considered, the identification of a business's IP assets is the next critical step. Only when IP assets have been identified and catalogued, is it possible to form a comprehensive understanding of their value. As part of this process, it is important to consider which stage of evolution the business is at. For example, the business may be a mature company with a mature and static technology, a mature company with ever-changing technology, or an emerging company that is just beginning to realize the financial benefits of its technology.

Practically speaking, a list should be prepared to enumerate all IP assets associated with the business. IP assets typically fall into the following categories:

- patents
- trade marks
- industrial design
- copyrights
- confidential information

C. Confirm Ownership of Intellectual Property Rights

In order to formally identify a business's IP assets, it is necessary to conduct IP ownership and status searches to verify that the IP assets are in fact owned by the business and are not encumbered or have not become abandoned due to a failure to pay maintenance fees or for some other reasons. If a business does not aggressively monitor, protect and maintain intellectual property rights, it may be required by a third party IP owner to pay license fees, to stop using the protected IP rights, and/or be forced into expensive and time consuming litigation over disputed IP rights.

First, it is necessary to obtain a complete and detailed inventory of the business' IP assets. In addition to obtaining a detailed listing of all applications and registrations for patents, trade marks, industrial designs and copyrights, efforts should be made to obtain copies of any other materials which might qualify for intellectual property protection yet which may not have been registered. This information may require a search of the business's files, or may be obtained by conducting interviews with various legal advisors, officers and employees (technical and non-technical) associated with the business.

Second, all IP-related agreements to which the business is a party to, should be obtained and examined to ensure that ownership of IP assets has been properly conveyed to the business. In addition, copies of any actual or threatened claims by third parties (e.g. infringement claims, etc.) with respect to intellectual property, a list of key employees involved in the development of intellectual property, and any written agreements relating to their employment should also be obtained.

Finally, title to recordable rights (patents, trade marks, copyrights, etc.) should be verified through government office searches. Searches should be conducted at the appropriate government offices (including PPSA searches and searches at Canadian and foreign intellectual property offices) to verify the ownership and status of the rights being acquired. Any licenses, assignments, government rights, and liens (secured or unsecured) also should be verified by searches. In addition, any new intellectual property interests arising from an investment, acquisition or sale should be recorded in appropriate federal and state/provisional offices. Ownership interests in foreign countries require separate title searches, as well as separate assignments or other legal instruments for perfecting rights in those foreign countries.

There is a problem, however, with conducting up to date searches at Canadian and foreign intellectual property offices. Generally, there is a "look back" period of several months during which time assignments or documents granting security interests may have been filed with the respective intellectual property offices and not yet recorded. Such documents would not be locatable by the search and accordingly, it is not possible to be certain that the records at the intellectual property offices accurately reflect the current title status. This is problematic since an assignment or other relevant document that may have been filed during the look back period may have priority over a later transaction even though the later transaction was prior to the recording of the assignment.

D. Compile Unregistered Intellectual Property Assets

For IP assets that are not identifiable as an issued patent, a registered trademark or a registered copyright, detailed listings and explanations also should be gathered. Such assets or rights may include trade secrets, know-how, common law trade names, trade dress (unique appearance), trademarks and unregistered copyrights.

For each of these, the inventors, authors and uses of the rights should be identified and the dates of first use recorded. In some businesses, these rights can be at the heart of a business and never should be ignored. Often, the dates of creation of first use are critical in protecting and preserving the rights. As one example, dates and evidence of use of common law trademarks are important to preserve superior rights over a later user.

E. Intellectual Property Asset Valuation

Not all intellectual property rights may be of significant value to a business. Therefore, it is necessary to scrutinize all aspects of the business, consider what intellectual property is key to the successful operation of a business, and consider the validity and scope of the intellectual property. Mature products and services often are the most important source of the current financial state of a business. However, a changing market demands that much more due diligence be performed in order to understand any future product changes or improvements that are being implemented or planned. The more important the rights are to the future vitality of a business, the more scrutiny will be necessary.

It is nearly impossible to determine the exact quantitative value of a particular IP asset due to numerous considerations that will affect its value, some of which are impossible to predict or quantify. Those unfamiliar with IP may mistakenly assume that a registered patent, for instance is an asset that may be easily and broadly enforced or sold for value. It is often the case, however, that patents are obtained on narrow improvements in technology that may have little or no value to third parties. Also, patents and trade marks may be subject to validity challenges that would not be immediately apparent to those conducting general ownership and status searches of the register.

Some considerations that should be borne in mind include: the strength of the rights in the marketplace (e.g. scope of patent claims or distinctiveness of trade marks); whether rights extend to jurisdictions that represent important markets (e.g. United States, Europe, or Asia); the probability that unregistered rights will be successfully registered in the future and enforceable against third parties; and whether rights have been licensed or sub-licensed to other parties.

Another important consideration is the level of competitive activities and third party ownership of IP. Accordingly, the IP assets of close market competitors should be scrutinized. This will provide a map of hazardous areas, as well as areas ripe for development, and thus ensure the ability to carry out relatively unobstructed product improvement and subsequent sale in the market.

While some businesses may choose to compete in the market without obtaining patents or aggressively protecting trade mark rights, a competitor in a market may be working toward reducing the competitive advantage of a business by securing substantial patents, trade marks or other intellectual property rights. It is quite common for at least one player in a multi-firm market to follow such a strategy in an attempt to force competitors to either take licenses or stop making or using the proprietary technology. Such tactics are frequently successful in securing a superior competitive position and should be anticipated.

F. Security Interests in IP Assets

As discussed, IP assets can be an extremely valuable commodity for businesses of all sizes and types. Accordingly, it should be no surprise that we see IP assets as the subject of security interests in commercial transactions. An IP audit should take a look whether such transactions have transpired in the past and their current status. It is also a good idea to analyze whether it is an appropriate tool for future transactions, especially in light of judicial uncertainty. While, like most types of property, the value of IP assets can form the basic collateral of a secured financing, there are certain facets of IP that can influence the quality of security interest transactions.

In Ontario, the primary statute governing the taking of security in personal property including intellectual property is the *Personal Property Security Act* R.S.O. 1990, c. P.10 (the PPSA). The PPSA requires two elements to create a valid and enforceable security interest: attachment and perfection. Attachment is when the secured party acquires possession of the collateral or the debtor has executed a security agreement containing a description of the collateral sufficient to enable it to be identified, value is given and the debtor obtains rights in the collateral. Since, IP is not capable of physical possession, a security agreement must be signed by the borrower containing a description of the collateral.

Perfection occurs when the security interest attaches, all steps required for perfection under any provision of the PPSA have been completed, regardless of the order of occurrence. As noted, since IP assets are not capable of possession in order to perfect a security interest, the secured creditor must register a financing statement in the personal property registry. Interestingly, IP is a federally regulated matter and its interaction with the provincial legislations is unique. The scope of this paper does not allow for a thorough discussion on the fine intricacies of the interaction for each type of IP with the PPSA. Rather, it is sufficient at this point to note that there are particular provisions in the federal legislations of the *Trade Marks Act*, the *Copyright Act*, and the *Patents Act* that discuss the priority and enforceability of the security interests in trademarks, copyright and patents.[2]

[2] The *Trade Marks Act* – section 48(3): The Registrar shall register the transfer of any registered trademark on being furnished with evidence satisfactory to him of the transfer and the information that would be required by paragraph 30(q) in an application by the transferee to register the trademark.

There is also the dilemma of know-how, trade secrets, and knowledge in the minds of individuals. How does the lender contain and protect the integrity of the information once the enforcement process has begun, or even before. There is, of course, non-disclosure or non-competition agreements, but these arrangements may not be practical and are often unenforceable in certain circumstances.

Considering the lack of clarity whether the federal legislation was intended to apply to the creation of security interests in IP, it is prudent to perform registrations under both statues. Should there be circumstances where a secured lender prefers only to register under the PPSA, they must be made aware of the limits and should understand the consequences of registering under only the provincial law.

III. BUILDING AND IMPLEMENTING AN IP MANAGEMENT PLAN

After completing an IP audit, some companies stop, believing that the audit results and actions taken in light of the audit will stand for sometime. However, it is important to establish a "living" IP management plan which takes off where the IP audit leaves off and looks ahead to the future IP developments of a business. It must be

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The registration of a trademark is not essential to the validity or effectiveness of the assignment, so this section merely amounts to a recordal procedure. Nonetheless, it is prudent to register assignments by way of security.

The *Copyright Act* – section 57(3): Any grant of an interest in copyright, either by assignment or license, shall be adjudged void against any subsequent assignee or licensee for valuable consideration without actual notice, unless the prior assignment or licence is registered in the manner prescribed by this Act before the registering of the instrument under which the subsequent assignee or licensee claims.

It is not clear whether this provision was intended to include assignments by way of security. There are different views as to its interpretation and scope of this paper does not allow for a thorough consideration of these competing views. It is a good idea that registrations be effected under both the federal and provincial regimes.

The *Patents Act* – section 51: Every assignment affecting a patent for invention, whether it is one referred to in section 49 or 50 is void against subsequent assignee, unless the assignment is registered as prescribed by those sections, before the registration of the instrument under which the subsequent assignee claims. Section 50(2) states that every assignment of a patent, and every grant and conveyance of any exclusive right to make and use and to grant to others the right to make and use the invention patented, within and throughout Canada or any part thereof, shall be registered in the Patent Office in the manner determined by the Commissioner.

Again, as with copyright, it is not clear whether the granting of a security interest, or an assignment by way of security is of a sort which must be registered according to section 51.

understood that a management plan is a "living" document that is periodically reviewed and updated to accord with ever-changing markets, business goals, and competitive activities.

An "IP asset management' team should be assembled and each member should be charged with the development and management of the IP management plan. The IP asset management team should be overseen by a senior executive. The team members should come from a variety of disciplines, backgrounds and roles within the company and collectively understand the company's business, future business development plans and general marketplace trends and activity. The team members should also be committed to participating in this activity and understand that it is part of their responsibilities as decision makers in the business.

In general, the development of an IP management plan provides the opportunity for team members to follow up on issues that were raised in the IP audit. The team members should address critical dates of all types of arrangements, and actively implement the IP management plan. During the development of an IP management plan, the team members need to be aware of the various factors that will impact the final result as discussed below.

A. Size Dependent Strategies

As would be expected, there is no single formula for designing and implementing an IP management strategy. However, one critical factor to consider when devising an IP management plan is the size of a company and the stage of business development. For example, small companies need to adopt certain "light footed' and "highly targeted" strategies to deal with the costs associated with obtaining and maintaining IP protection for their IP rights. In contrast, larger companies with more resources available need to focus their energy on effectively managing large IP portfolios.

Young Companies

Companies that are born out of a single ground-breaking invention should allocate significant resources to obtain protection for the core technology. The relatively high cost associated with of obtaining proper IP protection (e.g. patent protection) for certain key technology needs to be balanced against the probability that obtaining such

IP protection could prove vital to the company's attractiveness to investors, ability to secure market share, and long term growth prospects.

However, most new companies do not center around a single invention but rather around incremental changes or advances to existing inventions that provide a significant competitive advantage in the marketplace. In such circumstances, these companies should invest in good business practice to foster the progress, adding onto the company's IP portfolio where appropriate, while minimizing the risk of third party infringement claims by remaining aware of third party competitive activities (e.g. patenting activities).

Growing Companies

In growing companies, critical IP issues are often brushed aside to deal with the day to day affairs of the business. The months preceding an initial public offering of stock provides a good opportunity to revisit IP issues. One advantage of using the initial public offering as an IP milestone is that much of the investigation is required in any event as a part of the initial public offering due diligence and, if attractive, will serve as a efficient marketing tool. It should be noted that at this stage, these companies are vulnerable to infringement and misappropriation claims from third parties. Thus, it would be a good idea to prepare for the public offering process as early as possible by initiating the process of obtaining protection for IP rights and formulating strategies for dealing with anticipated IP disputes.

Established Companies

Finally, established companies have unique IP concerns. This is especially true if the company is multi-national. In such a case, it can be necessary to consider the establishment of a separate holding company as the owner of the organization's worldwide IP. If a company has a large IP portfolio, deadweight IP may be a problem and it would be a good idea to identify how to priority IP assets with a view to "pruning" IP assets which no longer make sense to maintain. It is critical to periodically revisit the goals of a business's IP protection strategy, in order to shift the inquiry from whether an aspect of IP can be protected, to whether any obtainable protection is beneficial to the overall goals of the company.

B. The IP Budget

When allocating a budget within the IP management plan for IP-related activities, stakeholders must consider not only the costs associated with the plan but also the anticipated benefits from doing so. The legal side of managing IP assets is often viewed by businesses as a burden to the broader business operation. This view is often because the benefits of enacting and maintaining legal safeguards are not immediately seen, nor are there clear numerical valuations for such activities.

However, substantial value can be obtained through proper management of IP assets. For example, the cost of drafting and negotiating an aggressive licensing contract with a third party may be nominal when compared with the potential risk of litigation in the future. As another example, the cost of crafting and prosecuting a broad patent application that issues to patent and acts as a market barrier to competitor companies could be a small percentage of the profits that may be reaped while market domination is maintained.

Accordingly, a straight forward cost-benefit analysis can be utilized to develop an IP management budget. Specifically, given that the cost of filing, prosecuting and issuing a U.S. patent application is approximately $25,000 and takes roughly two to three years from filing, a company could decide to only pursue patents for inventions that have market values that justify such costs and that will need protection for a longer than one or two years. The company's IP management plan could include an explicit review process for all inventions, under which technical and business managers along with outside patent counsel evaluate each invention to determine if patent protection is cost effective.

C. Establishing Strategic Alignment

A business must match its newly established inventory of IP assets to its strategic objectives. Generally, a business's strategic objectives include the types of products or services on which the company intends to focus its resources, the markets it intends to serve, and the return on investment it requires in order to satisfy shareholders. One way to align IP management with a business's strategic objectives is to organize and divide IP assets into three categories and device three independent strategies.

One important category comprises techniques, inventions, and ideas that are essential to a company's products and services and which fall within the markets that the company is committed to serving. Included in this group are IP assets already protected, IP assets in need of formal protection, and a small group of IP assets that are strategically left unprotected (i.e. as trade secrets) and therefore unknown to competitors. For such core IP assets, licensing to third parties can generate substantial revenues in addition to a business's main business.

Another category of IP assets represents those IP assets that may have potential value to the business. That is, these kinds of IP assets may include products or services that the company is considering discontinuing or expanding into. These kinds of IP assets may also be byproducts of a discovery in the lab that developed as an unexpected consequence of a work in progress. Further, if a business wants to participate in a marketplace that contains many other IP owners, it may be strategic to obtain some narrow IP rights in that field in order to provide the means for cross-licensing with third party IP owners. In the case of cross-licensing, both parties benefit from the IP assets at issue while reducing the risk of litigation costs.

Finally, there are IP assets that are either obsolete or of no value to the company and are also of no interest to competitor companies. As discussed, the relative importance of IP assets to a business must be monitored to ensure that resources are not wasted in association with IP assets that are of no strategic value (e.g. patents having extremely narrow protection or which relate to an obsolete technology). Corporate IP owners often lose touch with the practical value of IP assets and are not able to strategically prioritize classes and fields of IP assets (either existing or potential). For example, a technology company with a large portfolio of patents can easily become unclear about the specific scope of each patent, and the associated business unit, importance of each patent in relation to competitive patents, etc. Without this information, it is not possible to cut costs by "cutting loose" patents having extremely narrow protection or which relate to an obsolete technology or to ensure that appropriate resources are allocated to maintaining and enforcing important patents having appreciable scope or which represent "barriers" to competitive activity (i.e. first category of IP mentioned above).

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D. Building IP Management Skills

As discussed before, it is critical to recruit IP management team members from different areas of a business. Each member should have a unique background and expertise to allow them to contribute to the implementation process. In most companies, co-operative working relationships are established between technology departments and corporate counsel. However, it is also important to ensure that there is sufficient IP expertise within the management team (i.e. individuals who can "bridge" the gap between technology experts and management or legal experts).

A business can build IP management skills internally with the cooperation and assistance of outside IP counsel. This way, a business can take advantage of the internal resources they have, the knowledge they have accumulated, the background information unique to the specific company, as well as knowledge as to the "state of the art" in the relevant industry. Typically, and depending on their size, business appoint their own IP coordinator or IP department, i.e. either single person or a team of people, as appropriate. While some or all of these people could be registered patent and/or trade mark agents, in most cases the "IP department" generally functions as an interface between outside IP counsel and in-house inventors and management.

E. Motivate Internal IP Development and Identification

The best way to motivate internal IP development by employees is to provide education regarding basic IP concepts, emphasize the business' commitment to IP, and disseminate the company's IP management policy (or at least extracts of the plan in an "Employee IP Handbook") to employees and other stakeholders as appropriate.

As discussed above, this can be the responsibility of in-house personnel with the assistance (where needed) of outside counsel. Most outside counsel will be pleased to attend at your facilities and provide an informal seminar and Q&A to bring up employees to speed on IP issues. In addition, many businesses provide employees with financial incentives to generate IP, such as providing bonuses for technology identified and which is ultimately filed as a patent application and/or issued as a patent.

Typically, once employees are provided with a clear indication that their employers are committed (i.e. "serious") about IP assets and a reasonable understanding of basic IP concepts, employees realize that IP can be an important part of their role in the business and become motivated to identify new developments.

F. Managing Risk Through IP

Generally, IP-related troubleshooting and risk assessment can be distributed across a variety of department, including technology development, legal, marketing, and business units. Added to the composition are external players such as governmental offices such as the Canadian Intellectual Property Office (CIPO), U.S. Patent and Trademarks Office (USPTO) and foreign patent and trade mark offices, business partners, licensees, financial institutions and customers. Since each party is responsible in some way for the development and protection of company IP assets, they are logically well placed to assess potential infringing conduct and more generally to identify potential legal IP related risks.

For example, within the technology development unit, research scientists are in a position to stay up to date on the latest competitive technological developments and to be able to identify any overlaps between competitive technical activities and those of the company. When these individuals identify any potentially troublesome competitive developments either technology or in terms of potential barriers (i.e. issued patents cover the technology) they should report such activities to the IP management team and/or outside patent counsel for further assessment. In addition, if these scientists are kept informed as to the specifics of the company's patent portfolio, then they would also be able to evaluate and report potential infringing activities by competitors.

As another example, since marketing managers are in constant contact with the marketplace and are intimately familiar with the marketing activities (i.e. branding) of competitive companies, they are able to monitor and identify infringing activities as well as potential barriers (i.e. trade marks adopted by third parties) for branding development. It is productive to encourage communication between marketing managers and trade mark counsel in order to identify and avoid potentially costly trade mark related risks in the marketplace.

External IP-related resources can also be used to manage risk. For example, the USPTO provides free patent and trade mark databases (at www.uspto.gov) at which technical and marketing managers (or their designates) can conduct their own competitive searches for patents and trade marks being filed in the name of competitive entities. Specifically, the patent database allows for inventor, patent assignee and subject matter searches and can provide a rich source of technical background information for strategic research planning and licensing purposes.

G. Measuring Success

The success of an IP management plan can be measured to some extend by certain quantifiable results. The quantity and quality of patents, and trade mark and copyright registrations can be evaluated on an ongoing basis. Also, the specific revenues associated with licensing patent and/or trade mark rights to third parties should be recorded. As discussed above, in relation to the IP budgeting process, the market success of inventions should be compared back to the investment amounts associated with obtaining patent protection to "backwards" evaluate patenting choices previously made. Finally, a record can be kept of actual and potential conflicts associated with company and competitor trade marks and patents well as a record of ongoing and resolved IP disputes.

IV. IP PORTFOLIO MANAGMENT

Once you have an IP management plan in place, it is important to ensure that the IP asset management team as well as all employees and stakeholders of a business actively participate in the IP management plan and "bring it to life".

A. Protecting Existing Rights

Using the results of the IP audit, it is possible to determine which IP assets are currently being owned by a business. It is cost effective to have in-house personnel (i.e. either an individual or a team) take responsibility for various associated IP-related tasks. For example, in-house personnel can be officially in charge of maintaining and disseminating the IP management plan and for coordinating the efforts of the IP management team. Also, they can establish in-house filing systems to track prosecution and maintenance fee deadlines for IP assets that mirror those being maintained by outside counsel to ensure timely delivery of materials and maintenance fees. In-house personnel can also be responsible for deciding when to start protecting an IP asset and when to abandon the case (i.e. based on input from the appropriate business and marketing units, etc.)

In-house personnel can also be responsible for negotiating with employees, consultants, suppliers, customers and collaborators to assign rights and to sign confidentiality agreements. They would also fulfill an educational role, informing employees of the need to maintain potentially important inventions confidential while providing full internal disclosure of new inventions for further consideration. Finally, in-house personnel can also conduct IP related tasks such as domain name registrations, initial trade mark clearance searches and competitive patent searching, and the like.

B. Strengthening IP Rights

Diversification in managing and strengthening company IP rights is analogous to the traditional proverb that advises, "not to put all of your eggs in one basket." Indeed, diversification is essential to the long term value of IP assets. A strategic approach to developing IP protection is to seek complementary and supplementary forms of protection. For example, a confidential manual describing a manufacturing process may be protected by both copyright and trade secret laws, and some part of the process may be important enough to warrant patent protection (instead of trade secret protection).

C. Think Globally – Domestic and International Strategies

The current and future markets of a business can be international in character. In such cases, it is important to first investigate the costs and benefits of obtaining international protection for IP assets. Generally, the costs of obtaining patent or trade mark protection in Canada is roughly half the cost of obtaining corresponding protection in the U.S. and even a lower proportion of the costs of obtaining corresponding protection in other foreign countries. These high costs must be balanced against projected potential market success of products and services in foreign countries.

IP searches can be extended to cover various foreign jurisdictions (many international trade mark offices offer free on-line search databases) and formal registrability and patentability opinions can be sought from foreign counsel. It should be understood that while the IP laws of many countries have been largely harmonized under international treaties, national IP laws still differ on various points and foreign counsel is usually used to provide jurisdiction specific advice.

While there has been recent harmonization of international intellectual property laws under international treaties, not all member countries are on equal footing. For example, while all Latin American countries are members of the WIPO, which require member countries to establish certain minimum standards for IP protection, some countries implement these protections more effectively than others. When considering which countries to obtain IP protection within, the broader cultural, economic and political underpinnings of each country must be taken into full account.

D. Managing IP Costs

IP assets can be used to give an enterprise competitive advantage and reap profits – more so if they are artfully cultivated and nurtured. IP assets are similar to tangible assets in that they can be improved upon, sold or licensed to obtain revenue and status, destroyed or abandoned and be subjects of lawsuit actions. Furthermore, there are costs in maintaining these assets, as there are for tangible assets. As discussed above, in order to keep costs in line, there should be clear criteria for which IP assets to obtain, which to maintain and which to license, sell or abandon.

To make the most out of IP assets, it is a good idea to get input from a team of business, legal, and technical experts, both inside and outside the corporate organization. In house personnel should work with the outside counsel, if applicable, to accomplish the following tasks:

- establish and update the business IP management plan on a periodic basis.

- define the circumstances when to act on or protect an IP asset and when to abandon an IP case.

- professional development of employees especially with regard to the need of confidentiality and full internal disclosure of new inventions.

- monitoring new developments as to avoid conflicts with prior IP rights.

- conducting routine tasks such as searches and IP management practices.

- keeping track of due dates, created either by registrations or agreements, as well as governmental procedures.

In arrangements where outside counsel are employed to handle IP rights, the following tips can be used to help keep costs under control:

- thoroughly explain budgetary constraints and ask for the range of options available, including their long term and short term costs.

- explicitly agreeing and holding onto the plan.

- ability to provide an advance or retainer payment especially in situations where disbursements (for governmental fees and the like) would far exceed counsel fees.

- clearly define counsel fees – whether they are for counsel work or government filing fees.

- explore all counsel fee arrangements with counsel and explore setting up creative fee arrangements to keep estimates in check.

- understanding the potential lifetime costs of any action, not just the immediate cost to file. Sometimes it is necessary to prosecute the patent to issuance, adding a substantial amount to the basic cost of $15 000 US to file a patent application.

- "cut loose" patents that are no longer valuable to the business. For example, a single patent held worldwide for the course of its 20 year lifetime (from filing date) will cost an estimated $50,000 to $100,000 to obtain and $250,000 to $500,000 to maintain.

- define criteria when to get rid of such deadweight, as well as which registration or agreement to obtain, which to maintain, and which to license, sell or abandon.

V. LAST WORDS

IP assets are given life as ideas, innovations, compilations, and presentations of information, designs, brands, and licenses. A carefully conducted IP audit and a well thought out and organized IP management plan are valuable IP management tools that can help a business cultivate and optimize IP assets. As IP assets become of every increasing value to businesses, the development, management, and protection of IP assets will continue to impact the bottom line. Organizations that devote the appropriate resources to cultivate and manage their IP assets will be positioned to reap the greatest benefits. Every company stakeholder, from the marketing gurus in the marketing department to the scientists in the technology labs to top management must aggressively participate in IP management.