

2021 EDITION

INTELLECTUAL PROPERTY CULTURE: STRATEGY AND COMPLIANCE

SELECTED TEXT:

CHAPTER 3 MAKING THE CULTURE

CONTAGIOUS: INTELLECTUAL PROPERTY WITHIN
AN ORGANIZATION

ERIC M. DOBRUSIN
RONALD A. KRASNOW

Contributing Authors

DANIEL P. ALEKSYNAS
KRISTEN L. PURSLEY

LEXISNEXIS IP LAW & STRATEGY SERIES



LexisNexis

Intellectual Property Culture: Strategy and Compliance

2021 Edition

Select Text: Chapter 3 Making the Culture Contagious: Intellectual Property within an Organization

Eric M. Dobrusin

Ronald A. Krasnow

Daniel P. Aleksynas

Kristen L. Pursley

We hope you enjoy this sample chapter. Please consider ordering the full edition of *Intellectual Property Culture: Strategy and Compliance* by calling 800.223.1940 or by visiting www.lexisnexis.com/ORDER-IPculture.



QUESTIONS ABOUT THIS PUBLICATION?

For questions about the **Editorial Content** appearing in these volumes or reprint permission, please call:

Deneil C. Targowski at (908) 673-3380
Email: Deneil.C.Targowski@lexisnexis.com
Outside the United States and Canada, please call (973) 820-2000

For assistance with replacement pages, shipments, billing or other customer service matters, please call:

Customer Services Department at (800) 833-9844
Outside the United States and Canada, please call (518) 487-3385
Fax Number (800) 828-8341
Customer Service Website <http://www.lexisnexis.com/custserv/>

For information on other Matthew Bender publications, please call

Your account manager or (800) 223-1940
Outside the United States and Canada, please call (937) 247-0293

ISBN 978-1-6633-1690-5 (print)

Cite this publication as: Rel (2021A)

Intellectual Property Culture: Strategy and Compliance § [sec. no.] (Matthew Bender, Rev. Ed.)

Example:

Intellectual Property Culture: Strategy and Compliance § 3.01 (Matthew Bender, Rev. Ed.)

Because the section you are citing may be revised in a later release, you may wish to photocopy or print out the section for convenient future reference.

This publication is designed to provide authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. Matthew Bender and the Matthew Bender Flame Design are registered trademarks of Matthew Bender Properties Inc.

Copyright © 2021 Matthew Bender & Company, Inc., a member of LexisNexis. All Rights Reserved.

No copyright is claimed by LexisNexis or Matthew Bender & Company, Inc., in the text of statutes, regulations, and excerpts from court opinions quoted within this work. Permission to copy material may be licensed for a fee from the Copyright Clearance Center, 222 Rosewood Drive, Danvers, Mass. 01923, telephone (978) 750-8400.

Editorial Office
230 Park Ave., 7th Floor, New York, NY 10169 (800) 543-6862
www.lexisnexis.com

MATTHEW  BENDER

Dedication

To Franklin, Jackson, Shari, Ellie, Charlee and Neva Mae
—Eric M. Dobrusin

To Ellen, Ben, and Jack
—Ronald A. Krasnow

To Mom, Dad, Emily, Bridget, Tamara, Blake, Dylan, and Nathan
—Daniel P. Aleksynas

To Jason, Ryan, Austin and Breslyn
—Kristen L. Pursley

Contents

ACKNOWLEDGMENTS

CHAPTER 3 Making the Culture Contagious: Intellectual Property within an Organization

§ 3.01	Processes and Basic Questions to Keep in Mind
§ 3.02	Communication Is Key
[1]	Introduction
[2]	What Information IP Counsel Communicates
[3]	Classes of Information
[a]	Introduction
[b]	Publicly Available Information
[c]	Published Patents and Patent Applications
[d]	Published Papers or Conference Presentations
[e]	IP Resource and Training Materials
[f]	Training Materials
[g]	Explanations of IP Processes
[h]	Form Documents
[i]	Information about IP Counsel’s Work
§ 3.03	What the Business Side Should Communicate
[1]	Introduction
[2]	Information about Inventions
[3]	Invention Disclosure Form
[4]	Planning and Strategy Communication
[5]	Communicating IP Metrics and Budget
§ 3.04	The Rest of the Company Should Also Be Communicating
[1]	Introduction
[2]	IP Process and IP Leadership
[3]	An IP Committee
[4]	Defining an IP Policy
[5]	Making Filing and Maintenance Decisions
[6]	Making Enforcement Decisions
[a]	Introduction
[b]	Identifying Goals: A Cost—Benefit Analysis
[c]	Patent Litigation Facts of Life
§ 3.05	How Companies Can Keep Costs Down
[1]	Good Recordkeeping

Contents

[2]	Literature Libraries, Product Archives, and Prior Users
[3]	Patent Watches
[4]	Translations
[5]	Prosecution of Patent Applications
[6]	Maintenance Fees and Annuities
Table of Cases	
Table of Statutes	
INDEX	

Acknowledgments

Special thanks go to Norm Sims and everyone at The Dobrusin Law Firm, PC, and Rex Jackson and others at Symyx Technologies, Inc. and Relypsa, Inc. who have pitched in when it has mattered. Matt Gallaway and his team at Oxford University Press were instrumental in bringing together the First Edition, and we owe a tremendous amount of gratitude to Deneil C. Targowski, Andrew Stein and Jenifer Swirnoff for their work in this 2015 Edition.

We were lucky along the way for the input and suggestions of Mark Fischer, Mike Fitzpatrick, Dominique Gimbert, Hal Sornson, Norm Sims, Peter Bawden, Rob Owen, Blake Synnestvedt, Ken Mazich, Brendan Keenan, Ed Harrison, Erin Willigan, Felix Wolf, Martin Faehndrich, Paul Stone, Derek Minihaue and all of our clients and colleagues for the collective wisdom and experiences, which helped guide and inspire the teachings of this book.

Of course we could not have tackled this project without the support and love of our families and good friends, to whom we owe a big debt of gratitude. Thank you Ellen, Ben and Jack and to Shari, Franklin and Jackson. Thank you also, Mom, Dad, the late Nana Ruth, Stacey, Michael, Megan, Amanda, Sheila and the late Burt.

CHAPTER 3

Making the Culture Contagious: Intellectual Property within an Organization

- § 3.01 Processes and Basic Questions to Keep in Mind
- § 3.02 Communication Is Key
 - [1] Introduction
 - [2] What Information IP Counsel Communicates
 - [3] Classes of Information
 - [a] Introduction
 - [b] Publicly Available Information
 - [c] Published Patents and Patent Applications
 - [d] Published Papers or Conference Presentations
 - [e] IP Resource and Training Materials
 - [f] Training Materials
 - [g] Explanations of IP Processes
 - [h] Form Documents
 - [i] Information about IP Counsel's Work
- § 3.03 What the Business Side Should Communicate
 - [1] Introduction
 - [2] Information about Inventions
 - [3] Invention Disclosure Form
 - [4] Planning and Strategy Communication
 - [5] Communicating IP Metrics and Budget
- § 3.04 The Rest of the Company Should Also Be Communicating
 - [1] Introduction
 - [2] IP Process and IP Leadership
 - [3] An IP Committee

- [4] **Defining an IP Policy**
- [5] **Making Filing and Maintenance Decisions**
- [6] **Making Enforcement Decisions**
 - [a] **Introduction**
 - [b] **Identifying Goals: A Cost—Benefit Analysis**
 - [c] **Patent Litigation Facts of Life**

§ 3.05 **How Companies Can Keep Costs Down**

- [1] **Good Recordkeeping**
- [2] **Literature Libraries, Product Archives, and Prior Users**
- [3] **Patent Watches**
- [4] **Translations**
- [5] **Prosecution of Patent Applications**
- [6] **Maintenance Fees and Annuities**

§ 3.01 **Processes and Basic Questions to Keep in Mind**

Strong IP cultures tend to exist in organizations where leaders set and follow consistent processes and motivate others to do the same. IP is not a short term investment and thus a longer term consistent message is important. While the first and second chapters explained the overview and some basic tools to set up the intellectual property culture, this chapter focuses on the processes that can make an organization’s IP culture “hum.” IP values can be spread throughout the organization by adopting certain basic practices and implementing frameworks for intelligent decision making, which will enable an organization to recognize not only that it has valuable IP, but also to prioritize, understand, and establish realistic goals for its IP. Such processes will not only shorten decision making, which is especially critical to the success of many IP endeavors, but should also empower decision makers with an enhanced sense of control and overall satisfaction.

Open and candid communication within an organization—including the sensitization of organization personnel to IP issues—is usually a good first step toward making sound and satisfying IP decisions that are in the long-term best interests of the organization. They will also lead to a consistency that enhances confidence in the processes within the organization.

PRACTICE TIP 3.1: Framing IP Issues with Consistently Asked Questions

In an effort to help frame IP issues for internal discussions, and for

communicating with the advisors of an organization, we offer the following basic questions, and challenge you to ask them when next faced with processing an IP issue:

1. To what extent is the subject technology, or will the subject technology be, commercialized by the organization (or one of its licensees), by a competitor of the organization, or both?
2. Given that the objective of the organization is to profit from its technology, what is the business model that the organization plans to use to make money from the technology? (e.g., Is there, or will there be, any viable licensing interest in IP that covers the subject technology? Will proprietary products be sold? Will collateral goods or services be offered? What other ways (e.g., services, replacement parts etc.) can you make money from the technology?)
3. What realistic goals toward achieving the business model are attainable by seeking to protect the subject technology?
4. Is there other IP already owned by the organization that can be used to achieve such goals, without unnecessary redundancy?
5. Is there an alternative reasonable means to attain such goals apart from the action sought to be taken according to the decision?
6. Will the actions identified in this analysis involve a reasonable use of the resources of the organization?
7. Are the answers to any of the above questions impacted by the inevitable passage of time that will occur during the procurement and maintenance of any IP (after all, typical patents last on the order of 20 years, and trade secret protection potentially longer, during which a typical industry undergoes multiple economic cycles)?

§ 3.02 Communication Is Key

[1] Introduction

A successful IP culture generally needs to be a team effort. For the team to make satisfying decisions the team needs to be informed. A culture of intellectual property demands that personnel have access to information about the organization's intellectual accomplishments, as well as that of the industry at large. Unfortunately, the very nature of intellectual property, being intangible as it is, makes its existence very much a mystery to the typical worker. Unlike machinery or other capital resources that can be observed and operated on a shop floor, IP does not spit out parts every few

seconds. IP does not transport parts from one end of a plant to another. To the uninitiated organization, for instance, a patent is just a paper filled with pages of verbose legalese, an element of speculative science fiction in the form of the mythical “alternative embodiment,” and a bunch of nice-looking drawings that may not even mirror the inventor’s CAD generated originals. The patent may not seem of much value to the organization because personnel do not understand it.

Accordingly, one of the first steps toward establishing a healthy IP culture is to establish the IP as an important asset, especially to the leaders of the organization—and properly communicate the value of the IP. IP can have whatever face an organization puts on it. Communication about IP is important because it sets the tone for how seriously IP matters are taken by the organization.

Communication is important also to define those situations in which IP should be used or protected. Communication helps to establish a knowledge base that will guide inventors to know when to contact counsel. For example, frequent communication and training will help to induce the technical community to initiate contact with counsel to start the process of patenting a particular technology. Frequent communication on these types of issues will also help avoid the hard feelings that may fester with inventors who expect that the organization should actively be doing something about his or her work. Communication also sends an important unspoken message from senior management to inventors by demonstrating that the organization values the technical contributions inventors are making. The availability of counsel to listen to ideas of inventors and to share with inventors how inventions fit within the bigger picture of the organization can go a long way to enhance inventors’ esteem. Needless to say, communication will also help assure that a quality patent application that serves the needs of the organization can be prepared and filed quickly, which is even more critical now that the United States has moved to a “first-inventor-to-file” system.

Communication also is important to establish respective roles of members of the team that administers the organization’s IP function. It humanizes what could otherwise be a cold and impersonal process. Communications from certain individuals (such as in-house counsel) can also show personnel the role played by that individual, including what his or her work produces, and why that work is important.

PRACTICE TIP 3.2: Keep Messages Simple and Understandable

Survey most clients, and they will express overall satisfaction or dissatisfaction with their counsel simply on the basis of whether the counsel communicates intelligibly with the client, in terms that the client will understand. For lawyers, this means non-lawyer-speak. It often requires the lawyer to adopt a “chameleonesque” vocabulary consistent with the audience. For example, the lawyer will speak intelligently in business terms for business persons, scientific terms for scientists, marketing terms for marketers, or sales terms for salespersons. It may even require the lawyer to confess ignorance and seek to have audience members elaborate about their respective roles in the organization.

[2] What Information IP Counsel Communicates

Counsel needs to distinguish between two types of information, namely information that the entire company can and should see, and information that is restricted to a limited subset of people.¹ Opinions on this vary widely, but overall the information made available companywide sets the tone for the IP culture at your organization. Lack of information tends to create fear, uncertainty and doubt. People want to feel that they are “in the know”. Every organization must, therefore, determine for itself the extent that its IP information should be accessible. For example, a tightly controlled information culture may create an “us-and-them” feeling to those who have access to less information. However, being too open may create a feeling that the organization does not truly care about protecting its most sensitive information, which may lead to improper disclosures or lack of control over company information.

[3] Classes of Information**[a] Introduction**

The following list helps to identify classes of information that IP counsel are commonly called upon to communicate in the course of fulfilling their roles in the organization, along with some possible approaches to handling such communications. The classes of information for IP counsel to consider are:

¹ The discussion here assumes that appropriate measures will be taken to preserve the communications as confidential and subject to applicable attorney client privilege.

- Publicly available information
- Published papers or conference presentations
- IP Resource and training materials
- Explanations of IP processes
- Form documents
- Information about IP counsel's work

[b] Publicly Available Information

As a baseline, publicly available information can be made available by counsel to the entire organization. This can be done by establishing databases, intranet websites, computer network files, or even old-fashioned bulletin boards.

[c] Published Patents and Patent Applications

Published patents and patent applications can be listed in a directory or otherwise summarized so that personnel can readily access pertinent information. Each organization will have its own set of preferred information that will facilitate searching. For instance, some organizations maintain tabulated databases that include a representative image or summary of the patent document. Other information might include the number (e.g., patent number or publication number), names of some or all inventors, title, internal product or process nicknames, associated commercial programs, relevant filing dates, publication dates or patent grant dates, and possibly even a link to a copy of the patent document (e.g., a pdf file, a searchable text file, or both). It will take relatively little effort to create such a compilation and to train personnel of its existence and how to use it. Having the compilation in a format that is consistent with other files the organization keeps will make personnel more comfortable using it. Bear in mind, as a general proposition, relatively few persons within an organization take the time to develop skills for searching patents on the Internet. Faced with the choice of finding it themselves or dialing the phone number of counsel to find it, most people will opt for the latter.² In a perfect world not only will this information be captured within the organization, but there will be a “go to” person (preferably other than counsel) familiar with it, who can assist with locating pertinent documents.

² This information can be found for free at freepatentsonline.com as well as google.com, uspto.gov, epo.org, and others.

[d] Published Papers or Conference Presentations

Like patent documents, there is relatively little down-side in making these types of documents available on a widespread basis (without commentary or editorializing). By their very nature, they are not confidential,³ and it is often in the best interest of organizations that these documents be publicly disclosed for purposes of IP laws and practices.

PRACTICE TIP 3.3: Approve Papers and Presentations Before Making Them Public

In many industries, tremendous emphasis is placed on publishing, presenting at trade shows, or both. It is important that members of an organization communicate any possible publication to counsel in advance of publication for at least two significant reasons. First, with only limited exceptions, the publication or presentation will foreclose any patent rights for what is published or presented. Second, counsel needs an opportunity to review the content to assure that the content and the subject of any patent application are consistent, to assure consistency in disclosure of prior art, and to avoid unnecessary statements that could be distorted by an adversary in the context of litigation. *See Appendix 8: Policy and Form for Review and Approval of Information Prior to Public Disclosure.*

These documents are publicly available and should be made available to the entire company for all to see. Presentations in particular are hard to find on the internet and, thus, the organization will appreciate seeing what others are presenting about the company or its technology.

A note of caution, as a precondition for publication, a publishing journal may demand transfer of copyrights to the journal. Work-made-for-hire or other contracts⁴ may necessitate such transfers by the organization. Upon transfer of rights, unless certain rights are reserved, then technically the

³ It is important to distinguish between private presentations (e.g., presentations shown to a limited audience) and public presentations. This discussion does not advocate widespread dissemination of private presentations. Access to those should be addressed on a case-by-case basis.

⁴ 17 U.S.C. § 101 (1999).

organization may have divested itself of the right to copy the article, even if limited to internal distribution.⁵

[e] IP Resource and Training Materials

This particular class of information is valuable to circulate widely within an organization. The more people who access and review this information, the more your IP knowledge base grows. This class of information includes several categories.

[f] Training Materials

To successfully cultivate an IP culture, training up and down the organization is valuable. Presentations made by counsel at internal training meetings can be made available as Webcasts or podcasts simply by recording the sessions and uploading them to an IP server. Training materials and information will then be available to employees around the globe for reference at the training session, to those who cannot attend a training session, as well as to those who simply want to refer to them at their own convenience. To assist in developing training materials, **Appendix 15: IP Amoeba** is useful as a basic slide for helping explain portfolio development. **Appendix 16: Patent Risk Hierarchy Analyzer** similarly may help to explain patent risk management.

[g] Explanations of IP Processes

In a number of instances, specific explanations should be prepared to help personnel better understand the processes employed by the organization for its IP, or to otherwise contemplate and answer most frequently asked questions. For example, an organization chart can be made available to illustrate the persons through whom an IP decision must be processed. Another illustrative explanation might be one that tracks the process of patenting an invention, from the initial idea, to documenting the idea in an invention disclosure, to filing an application, and even through to the expiration of any patent. **Appendix 5: Simplified Cradle-to-Grave Time Line for Illustrative Non-Pharmaceutical Consumer Product with Moderate Product Life** illustrates how such events could be correlated with events in a product life cycle.

⁵ Many companies use a license from the Copyright Clearance Center (www.copyright.com) for internal distribution of copyrighted articles and the like. Such licenses include most common scientific publications and are useful to avoid any liability for internal distribution of the type discussed here.

PRACTICE TIP 3.4: IP Disclosure: Frequently Asked Questions

The following are among the more common questions that members of an organization will ask. Developing and posting answers to these questions should help to conserve valuable resources.

1. How do I submit an invention disclosure?⁶
2. To whom do I submit an invention disclosure?
3. How soon will I know if the disclosure is approved for patenting?
4. Will I receive any extra compensation if this idea is patented?
5. If the organization decides not to patent my idea, can I get the organization to waive its rights so I can patent on my own?
6. When do I mark patent numbers on patented products?
7. How do I properly notify others of any IP right I may have?
8. How should I mark confidential information before I give it to people outside the organization?
9. How do I submit a presentation or paper submitted for approval prior to presenting or publishing?
10. Does the company keep a list of trade secrets and how can I add to that list?
11. How do I contact the IP department to ask a question?
12. What should I do to report a potential infringement of our IP?
13. What should I do if someone outside the organization accuses the organization of infringement?
14. What should I do if I discover a patent belonging to someone else that looks relevant to my technology?
15. How can I search databases to see if someone else has IP rights that relate to what I am doing?

Although some of these questions appear to be general legal advice, most of them will be specific to each company. In addition, none of this information is, or should be, a secret inside a company. The internet contains a large volume of information on intellectual property, how-

⁶ See Appendices 4A–4B.

ever, much of this information is not entirely accurate or does not provide information that is tailored for a particular company. By providing the appropriate information in the correct format, personnel get the information that they should have.

[h] Form Documents

Certain basic forms can be made available to personnel on an unrestricted basis. Examples may include the invention disclosure form (*See Appendices 4A–4B*), public disclosure request form (*See Appendix 8: Policy and Form for Review and Approval of Information Prior to Public Disclosure*), and contract or licensing request forms. Each of these forms is used to request services. In addition, forms that might be provided by the IP group include laboratory notebook practices and procedures (*See Appendix 7: Sample Lab Notebook Usage Guidelines Policy on Use of Research and Development Notebook (Sample Liner Page)*), standard nondisclosure agreements (*See Appendices 1–3*), standard copyright use agreements, and other standard agreements that protect or relate to IP.

[i] Information about IP Counsel’s Work

This category of information is borderline for companywide disclosure, as it often encompasses sensitive information, such as filing decisions and reasons for them, status reports, assessments of patentability or patents of others. Some organizations might elect to treat some or all of this information as sensitive and, consequently, restrict access to only those with a need to know. Others may regard the need to foster an open IP environment, with complete access to this information, as imperative to make all persons within the organization feel included in the culture.

There are also two key types of information that will help the organization understand what counsel is doing and that their requests are being handled (and not ignored).⁷ First, counsel’s pending workload and priorities can be explained, such as in a status report. Paralegals or administrative assistants can handle task lists and predict when counsel will respond to requests. In addition, the pending patent docket and deadlines can be made available. Eighteen months after filing (six months for designs filed under the Hague Agreement), most patent applications are published, so counsel’s work is

⁷ One of the most common complaints by clients about counsel is the lack of responsiveness to requests for advice. Telephone messages or emails are not returned for long periods of time (e.g., weeks), which leads to a feeling of being ignored. If counsel is busy, that level of effort needs to be explained to people in the organization.

publicly available, in any event.⁸ Second, internal organization action on IP requests can be made available. For example, if the organization is submitting many invention disclosures, but decisions on filing are not communicated (e.g., reasons not to file) then the pace of invention disclosures will almost surely drop.

PRACTICE TIP 3.5: Intra-Organization Communications

The following table specifies a range of communications that organizations will commonly encounter in the course of establishing a healthy IP culture. *Active Communications* refer to those communications that are actively shared with and among personnel, such as face-to-face, by phone or video-conference, net meetings, or e-mail strings. *Passive Communications* refer to those communications that can be maintained in a preselected location (e.g., in a library or on a computer network) for retrieval by personnel at the convenience of such personnel. Due to their sensitivity, *Restricted Access* communications should be made to a smaller group of individuals within the organization on a “need to know” basis and with expectations that the communication is not shared outside the group. *Unrestricted Access* communications, in contrast, are less sensitive and can be shared throughout the organization with appropriate measures to safeguard privilege or confidentiality.

	<i>Restricted Access</i>	<i>Unrestricted Access</i>
Active Communications	<ul style="list-style-type: none"> –Drafts of patent applications –Opinions of counsel –License negotiations –IP Strategies –Budgets 	<ul style="list-style-type: none"> –Presentations –Workshops –Award presentations –Patent grants –Patent/literature databases
Passive Communications	<ul style="list-style-type: none"> –Filing decisions-IP meeting minutes 	<ul style="list-style-type: none"> –Invention disclosure forms –Confidentiality agreement forms

⁸ Patent prosecution documents for published applications are available at the USPTO, WIPO and EPO websites. Empowering employees with training to search the Patent Application Information and Retrieval (PAIR) database of the USPTO to access the record of pending applications could save countless administrative hours. See, <http://portal.uspto.gov/pair/PublicPair> (affording access to published application information; access to unpublished applications is also possible via Private PAIR).

- Invention disclosures submitted for consideration
- Status reports
- Training materials
- Newsletters
- Policy manuals

§ 3.03 What the Business Side Should Communicate

[1] Introduction

Successful communication in a healthy IP culture is a two-way proposition. While IP counsel desirably communicates certain information to help foster client confidence, there are several categories of information that the business side of the organization needs to actively communicate to counsel for them to do their jobs effectively. The specific type of information will vary from organization to organization and will depend upon the nature of the business of the organization and its intellectual property philosophy.

Examples of information to encourage the business side of an organization to communicate to counsel include invention activity information; critical deadlines for disclosures of ideas or samples to third parties; product development plans; product strategies; market information and key competitors for each relevant product; goals and objectives of the organization for its IP; specification of results that would be deemed a success; the status of any negotiations undertaken by the business independent of counsel; changes of personnel within the organization; notification or awareness of products or relevant patents to competitors; any scheduling constraints that might impair the ability to communicate with counsel; and the IP budget and how it fits into an overall organizational budget.

[2] Information about Inventions

When considering processes for gathering and communicating information about inventions, many techniques exist. However, two basic approaches, the “top-down” approach and the “bottom-up” approach, are commonly used to communicate invention information from the businesses to IP counsel. Both of these approaches will need to work within the underlying premise that there are typically three different categories of personnel who, by virtue of their duties, are best situated to recognize the occurrence of an invention and the need for communicating information about the invention to initiate the patenting process. The first category includes inventors or other members of the technology community (e.g., scientists, engineers, technicians, or the like). The second category generally will include

mid-level and even some senior-level managers, who on a daily basis have knowledge of the organization's business plans and strategies and are positioned to recognize how best to position the invention for fulfilling the organization's overall strategic objectives. The third category includes personnel having responsibility for administering some IP function. This could be counsel or a paralegal, a patent liaison, an intellectual asset manager, or another IP advisor as will be discussed in a later chapter.

The bottom-up approach is exemplified by situations in which those working on the invention are motivated enough (e.g., by awards, recognition, training, or discussions with others) to the need for patenting and to other IP issues that they, not their managers, initiate the invention disclosure process. The bottom-up approach, where it exists, is a barometer of a healthy IP culture.

In contrast, the top-down approach is the more likely approach in the early stages of establishing an IP culture. In the top-down approach, it will be up to managers, the persons responsible for the IP function, or both, to more actively seek out inventions within the company or to encourage patenting. For example, a manager who says, in effect, "this product or process is critical to our success so we need to make sure we can practice and protect it" illustrates one way to implement the top-down approach. The manager is showing IP leadership and communicating a critical organization need, driving the rest of the organization to fulfill that need. In another type of top-down approach, an intellectual property professional recommends the filing of an invention disclosure form as the result of having access to product development information, or key sales. For example, the manager may also regularly "make the rounds" within the department and identify if any impending activities (e.g., public disclosures) may require immediate patenting attention. Yet another aspect of the top-down approach, managers may seek to foster "out of the box" creativity and ingenuity.

On this last point, some of the best products, and intellectual property surrounding those products, result from a manager allowing a scientist or engineer taking a risk on an experiment or product development that is not approved in the same manner as other projects, often referred to as a "skunk-works." It may also be the result of an experiment gone bad.⁹ In some situations, it is in the best interest of IP counsel to support those skunk-works activities, so that they can be properly protected. Such

⁹ An example of one famous invention that resulted from what might have been characterized as a failed experiment or "bootlegging" project is the Post-It® Note. *See*, http://en.wikipedia.org/wiki/Post-it_note (accessed November 22, 2007, and July 22, 2017).

activities by counsel should be encouraged by senior management so that counsel will be relied upon by the organization's inventors, encouraging trust among IP personnel and inventors. Supporting inventors to pursue their ideas helps IP personnel build that trust. This does not mean that corporate budgets should be disregarded, but when IP personnel are too tightly aligned with management as compared to scientific endeavors, they run the risk of damaging communication lines with inventors. These communication lines are critical, and IP counsel should support even possibly unsanctioned projects or experiments (with activities such as prior art searches, expedited invention review, communication with senior management, etc.).

PRACTICE TIP 3.6: Skunk Works and Bootlegging

To foster creativity and out-of-the-box free-thinking, some companies invoke “skunk-works” operations or adopt “bootlegging” policies. In the former, companies will assign a particular group of personnel to an advanced development program for a particular technology (which may even be kept secret within the company). The individuals within the group commonly will be relieved of certain of their day-to-day reporting and administrative responsibilities so that they can devote more energy toward the development. The original Skunk Works® was formed during World War II, within Lockheed, and led by Kelly Johnson. Johnson espoused fourteen rules for the Lockheed Rules of Operation, two of which illustrate the operation's flexibility:

“4. A very simple drawing and drawing release system with great flexibility for making changes must be provided.

5. There must be a minimum number of reports required, but important work must be recorded thoroughly.”¹⁰

“Bootlegging” is a variation on skunk works operations and frequently involves unplanned research undertaken “bottom-up” within an organization, commonly without the necessary authorization of management. Commentators trace the term back to 1967, as coined by K.E. Knight in *A Descriptive Model of the Intra-Firm Innovation Process*, *The Journal of Business*, (1967) Vol. 40, at 478–496. The bootlegging model is regarded as a valuable process for fostering innovation. See Augsdörfer, “Path Dependency in Unplanned R&D,” *Arbeitsberichte—Working*

¹⁰ <http://www.lockheedmartin.com/us/aeronautics/skunkworks/14rules.html> (accessed November 22, 2007, and July 22, 2017).

Papers, ISSN 1612-6483 (2004), as posted at http://www.fh-ingolstadt.de/ABWP_04.PDF (accessed November 22, 2007). As can be appreciated, in recognition of the value that innovation can bring to a firm, the firms that encourage skunk works or bootlegging generally will also have a healthy IP culture in place.

[3] Invention Disclosure Form

The invention disclosure form (*See Appendices 4A–4B*) is a key document for communicating a request for legal services.¹¹ Two important reasons motivate the submission of an invention disclosure form: first, to initiate the process of patenting by informing decision-makers of invention circumstances, and formally requesting the preparation and filing of a patent application on an invention; second, to document an idea prior to disclosure or collaborating with another organization, and, thereby, corroborate prior inventorship and ownership rights. In this context, the invention disclosure, if employed properly, has the potential to avoid or resolve many potential inventorship or ownership disputes without litigation or alternative dispute methods (e.g., arbitration or expert determination). Inventors can use the invention disclosure form as documentation beyond notebooks or other documents. The fact that an invention record is an invention disclosure form leaves no doubt as to who considered the idea to be their own.

Considerations that apply to this form will be specific for each company, however, taking out the legalese and inserting easy-to-understand concepts should be encouraged; after all, nonlegal personnel are reading and filling in the form. The form typically breaks down into three categories of information: business, technical, and legal. Business information should convey the importance of the invention to the market, product, or company. Technical information should include the potential breadth of the invention, specific examples as well as the closest prior art. Legal information will include information necessary for determine patenting, including possible disclo-

¹¹ Note that Invention Disclosure documents are of a type of document that could be considered attorney-client privileged, provided they are handled properly. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000). They could, therefore, not be discoverable during litigation, unless that privilege has been waived. To avoid an opponent arguing that the privilege that has attached to Invention Disclosure has been waived, it may be prudent to restrict access to these forms once they are completed and submitted for review. Therefore, while IP personnel may want to communicate pending matters for the Patent Committee or other sanctioned corporate functions where privilege will be maintained, posting such completed forms on a corporate intranet may prove to be an undesired use of the forms.

sure, possible sale of the invention, where the work was done (e.g., which countries), and its use in any commercial setting.

Though the information sought is for creating a legal document, replacing key IP terms can keep legalese to a minimum and avoid having nonlegal personnel provide legal opinions for which they lack qualification. For example, avoid “inventor” and use “contributors or submitters” instead; avoid “on-sale” and use “quoted” instead; avoid asking for the “first written description” or the “best mode” and instead ask for documentation showing the invention.

PRACTICE TIP 3.7: The Risk of Common Words or “People Say the Darnedest Things”

Patent litigation often hinges upon complex debates over the meaning of one or two particular words. This makes it difficult to believe in the possibility of “smoking guns” in a patent case. However, parties will often spend millions of dollars seeking the one or two nuggets that are likely to inflame a jury to the point that a verdict one way or the other is almost assured. As part of the establishment of any IP culture it could prove valuable to sensitize personnel to the risks they run for the organization by the words they speak and, even worse, the words they commit to writing. Below is a sampling of terms that novices to IP should strive to eliminate from their vocabularies.

“infringe”	“enable”
“invention”	“obvious”
“best mode”	“inventor”
“conceived”	“offered for sale”
“reduced to practice”	“prior art”
“equivalent”	

One key feature of invention disclosure forms is information about prior art, as well as a prior art search by the submitters. One approach, particularly in the United States, is to focus on the invention, with the belief it is the job of the Patent Office to find prior art. This approach has proved effective in many environments and may be suitable for a host of inventions, such as for very narrow incremental improvement inventions, for inventions where the attorney knows the prior art well, or inventions where the patentable scope of the invention is not critical.

Another approach is to ask invention-disclosing employees to do at least some search of the prior art. With patent prosecution standards tightening around the world and patenting costs sky-rocketing, awareness of close prior art during the drafting of a patent application can be particularly valuable to help articulate distinguishing features. The USPTO has actively sought to heighten the burden upon patent applicants to improve submissions by more rigorous prior art analysis.

Inventors can improve the efficiency of the patent application process by performing some searching themselves and also by providing information about otherwise difficult to find prior art, such as presentations of which they are aware, products on the market, or prior products that may no longer be on the market and for which information is not readily accessible to counsel. Product brochures, catalogs, or manuals are particularly helpful in proving the state of the art for products that have been sold publicly prior to the invention.

PRACTICE TIP 3.8: Foreign Filing License

For inventions made in the United States (and in a number of other countries including China), a foreign filing license is required before filing the application abroad. Failure to do so, or to seek a retroactive foreign filing license, could jeopardize the validity of the patent and subject the party filing to penalties. 35 U.S.C. §§ 184 through 188. **Chapter 12: International Flavor** addresses this in greater detail.

Ten Tips for Improving the Written Record in Invention Disclosures

1. Avoid use of unexplained internal codes, designations, abbreviations, or acronyms; an attorney or agent reading the unexplained terms will be unfamiliar with them.
2. If a disclosure refers to test standards, they should be carefully explained. It should not be assumed that a test performed within one division of a company is uniformly applied throughout the entire company. For example, some companies employ different measures on a country-by-country or region-by-region basis.
3. When a specific universal test method (e.g., ISO, ASTM, SAE, or the like (exists or is used)), reference to it by its proper designation will help reduce the drafting time of the attorney or agent.
4. Avoid the submission of incomplete or unexplained test data. If a patent that makes reference to experimental data is ever enforced,

litigation attorneys will use a great deal of energy to attack the data. By helping the attorney or agent to fully understand and explain the data, the vulnerability of the patent to such attack can be reduced.

5. Avoid poor drawing quality. The Patent Office has strict rules governing patent drawings. Seldom is the case in which drawings prepared by an inventor will suffice to meet the requirements of the Office. Drawings generally require preparation by professional patent draftspersons.
6. Avoid the use of color-coding. The Patent Office rules require black-and-white submissions except in unusual situations. In addition, it is inevitable that in the life and travels of the disclosure document, it will be photocopied or transmitted electronically and the colors will be converted to black and white format or look different on different monitors. The significance of important information that is communicated by inventors through colors, but which is received by the attorney or agent in black and white, is at risk of loss.
7. Provide at least one or more (a) generic descriptions of products; (b) technical data sheets; and (c) known patents covering the products, when identifying the products by their trade name. This greatly reduces the amount of time spent by attorneys and agents, who are unfamiliar with the products, to elicit sufficient information to appropriately describe the product in a patent application. It is often helpful to make a general description about a functional aspect of an ingredient or element and immediately follow it with a specific example. To illustrate, a description might say “the composition will include an impact modifier, such as a thermoplastic elastomer (e.g., an ethylene copolymer having characteristics such as “XXX™” available from Company X).
8. Provide the invention disclosure and any accompanying supporting materials to the attorney or agent in electronic format. A portion of the expense of drafting a patent application is due to labor-intensive word processing. Inventors can control these expenses by providing intelligible, word-processed documents or other electronic data that the attorney or agent can employ.
9. Conspicuously identify any events that may impose a deadline for filing and make sure that, when transmitted to the attorney or agent, all important facts are communicated to the attorney or agent. In addition, it is often the case that an invention disclosure will spend

several months within an organization between the time it is prepared by the inventor and the time it is transmitted to an attorney or agent. It is important for the inventor or the person who transmits the disclosure to make sure that no recent events have transpired in the interim, which would impose a filing deadline.

10. Provide “layperson” descriptions of the invention and the features believed to constitute an advancement over the prior art.
11. Tell the invention’s “story”. Why was there a need? Why had no one previously provided this solution? Is there any reason that you presumed this solution would not work? Did you try other solutions that did not work?

[4] Planning and Strategy Communication

In addition to gathering the intellectual property of an organization, it is valuable to place it in the context of the business and plan for possible future issues. Thus, persons charged with the responsibility for administering IP should be included in product development and strategic planning, especially if the organization has an IP strategy the success of which is tied in any way to the success of any product or organizational strategy. One simple way to achieve such communication is to invite IP counsel to meetings for product development or strategic planning, and to articulate for counsel the areas in which the organization shall require legal advice from counsel.

These meetings also offer an opportunity for businesses to communicate where they are spending their resources. Such expenditures demonstrate key efforts that may need protection from competitors or freedom to operate. For example, it may be that the research and development group has spent most of its time to identify a particular additive for its formulations that dramatically reduces the costs of manufacture and avoids warranty recalls. Chances are a competitor is also focusing on solving that problem. It is helpful for counsel to understand the problem solved so that counsel can anticipate the direction a competitor may take, and seek protection to keep the competitor from doing so.

To the latter point, businesses also should communicate market information and key competitors for each protected product or process. This communication can allow the patent prosecution attorney to obtain claims that are commercially relevant. In particular, much patent prosecution takes place in a vacuum, where the attorney or agent must amend the claims to avoid the prior art and where the decisions of which claim elements can be added is simply not communicated (or, worse, unknown). Communicating

market information can take place a number of ways, but including IP professionals in product shows as well as marketing plans helps them connect to the overall business.

[5] Communicating IP Metrics and Budget

For IP professionals to perform their roles satisfactorily, it is essential for the business to define and communicate expectations and a budget available to meet such expectations.

Organizational expectations can be communicated with reference to some form of “metric.” For present discussion purposes, metrics are regarded as performance indicators that are measurable (preferably objectively). When these metrics are properly chosen and communicated to counsel, not only will the metric help drive the business, but it will also help direct the course counsel follows. Choosing the correct metrics is critical, and may even be used for as a measure for incentive compensation for in-house counsel.

There are a variety of metrics. Strictly number based metrics include, number of patents obtained, number of invention disclosures received, number of patent applications filed, number of foreign filed applications, cost per application or patent, etc. However, frequently numbers alone do not tell the story of the impact that IP has on the organization. Useful metrics are also discussed in **Chapters 2 and 8**.

For example, an organization might perform an IP metric of comparing the sales margin of patented products versus unpatented products. They might track the patent protection to products (helping them know which patents have value and which might not) and then adjust factors for products that operate in different markets (so that the comparison is fairly based). In this manner, they might show the patented products command a higher incremental margin as compared to unpatented products. This metric can be used to set goals for the IP group (every business wants products with higher margins).¹² Businesses like these metrics because it gives them a goal for IP professionals to meet. In particular, internal metrics can be more valuable than external metrics¹³ because internal metrics have more complete

¹² See Dan Alderman, Remarks at Strategic IP Leadership Conference, Valuing and Promoting IP in your Organization, Hosted by Kimberly-Clark Corporation (April 12–13, 2007), “How IP Metrics Drive Business Decisions.”

¹³ There are many external metrics today that purport to measure IP value. The Patent Scorecard, created by the Patent Board, has developed over 50 different metrics (See also <http://www.patentboard.com> (accessed July 12, 2011)). See also, OTR™ Score at <http://www.oceantomo.com/OTR/> (accessed July 22, 2017). Care must be taken, however, when examining any published IP metric. Metrics are often based upon surveys, and it is often

information (including confidential information such as costs, revenues, and patent mappings for individual products), and internal metrics are executed by those who understand how the technology will be used in the market. They understand how the value will be created or maintained.

No communication process would be complete without a discussion of the budget. IP expenditures are a metric of sorts, in that they can be easily measured and compared. Regrettably, whether or not the budget is met also tends to be a primary source of discontent for clients, without regard to the actual benefits derived by the organization from the intellectual property. In establishing a healthy IP culture, open communication about the IP budget is important. Elements of the budget desirably are explained and analyzed against the needs of the organization for the budgeted period. IP budgets vary depending on the technology and size of the organization. One commonly used measure is the IP budget as a percentage of the R&D budget. One survey by the Intellectual Property Owners Association showed that more than half of the organizations had an IP budget between 1% and 5% of the R&D budget, and about one fifth of the organizations were in the 5% to 10% range. In this survey, very few organizations had an IP budget that was less than 1% or over 10% of the R&D budget.¹⁴

PRACTICE TIP 3.9: Foreign Patenting: Market and Litigation Theories

Because patents are territorial, each country in the world can charge for a patent to be sought or enforced in its country. Many countries view patents as a source of revenue (including the United States, where millions of dollars regularly had been diverted from fees paid to the USPTO for the general fund). Patenting costs can be significant if an invention is truly to be protected around the world. Thus, businesses need to work with the IP professionals to determine a strategy to manage the costs. One commonly practiced theory is the market theory, which has two variations: (1) patent protection is obtained seeking to cover the majority of the market for the product and (2) patent protection is obtained only in those countries where a competitor must manufacture or sell in order to survive in the business. Obviously, to

difficult to compile data from a statistically significant amount of survey respondents. Additionally, each organization generally has its own needs and interests, which are unique to it, and from which it is difficult to extract generalizations when it comes to IP.

¹⁴ 2011 Intellectual Property Owners Corporate IP Management Benchmarking Survey.

practice either market theory, detailed market information from the businesses is critical. Another theory is the litigation theory, where patent protection is obtained only in those countries where the company is willing to actually go into court and obtain an injunction or damages. There are many countries where no enforcement will be actually undertaken because of a reputation of the country as corrupt or as having an ineffective judiciary. Thus, obtaining patent protection in those countries may simply be a waste of money. This will be the subject of additional discussion in later chapters, such as **Chapter 12: International Flavor**.

§ 3.04 The Rest of the Company Should Also Be Communicating

[1] Introduction

Organizational functions other than research, development, manufacturing, and legal frequently play an important role (whether direct or indirect) in the generation of IP and in extracting value from IP. It is important to engage these functions in the IP process. For example, sales and even accounting can communicate key information to assist the IP process, including providing competitive IP information, information about key lost sales (or key sales made and why they were made), analyst opinions, publicity, tax consequences of certain actions, as well as internal recognition.

In this regard, human resources (HR) can and should be involved in employee (inventor) awards, recognition at (and planning of) company IP events, and overall reinforcement of the message sent by management about the importance of intellectual property to the organization. Human resources departments should also consider intellectual property issues upon hiring and during exit interviews to assure proper agreements are in place. Investor relations can and should be involved in helping investors understand why the company is taking certain IP action, as well as providing feedback regarding investors' level of agreement to those actions. Marketing can be involved, in addition to the obvious trademark issues (e.g., proper marking on promotional material, brand management) by helping the IP group understand which features of a product cause it to sell or not sell. IP counsel can possibly use this information to tailor claim elements during prosecution and provide for the greatest commercially significant claim scope.

In a culture of IP, everyone in the organization can and should provide information to the process. Communication throughout the organization is the lifeblood of this process and lines of communication must be opened and facilitated by coordinated efforts of the business and counsel.

[2] IP Process and IP Leadership

An organization's intellectual property process will desirably have a defined workflow for handling inventions, trade secrets, outside disclosures, or other treatment of proprietary material. Ideally, an organization will have a cradle-to-grave process (or combination of "sub-processes") that establish a consistent and reproducible path the organization can follow to make its IP decisions.

In the sections that follow, our discussion turns to how, with the aid of the preceding communication guidance, an organization can define its IP processes. Our discussion addresses not simply a workflow for those decisions, but also the establishment of a leadership entity (an IP Committee) or at least an individual with responsibility for administering the processes.

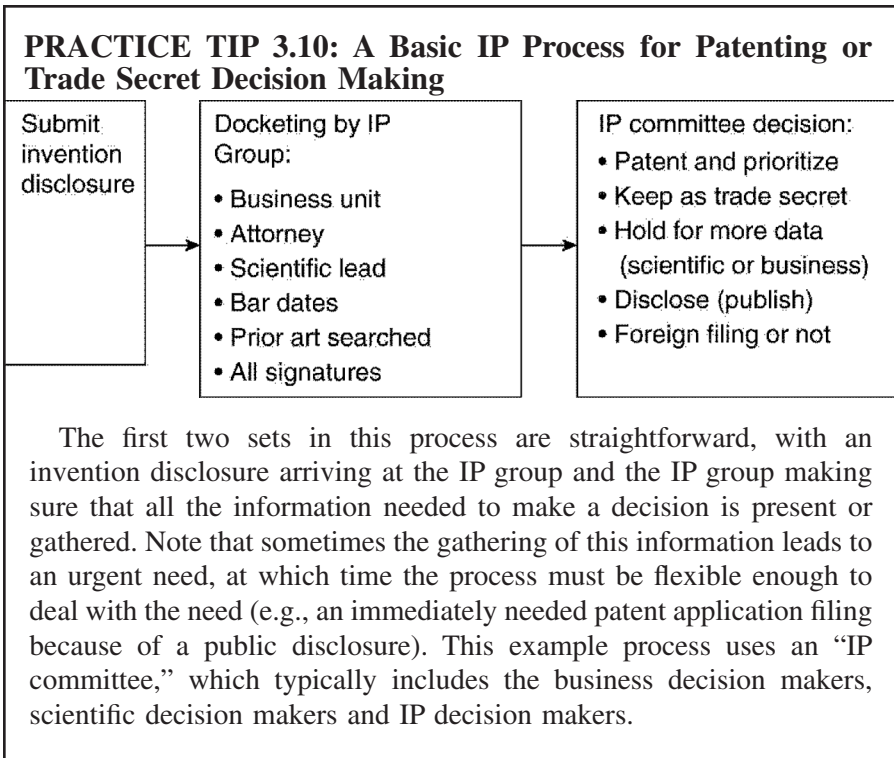
Decision making as it concerns the intellectual property of an organization cannot be reduced to formulaic decision trees, the pursuit of which will inevitably lead to the right decision. Factors affecting satisfaction of an organization with its decisions are ever changing, and often random. Indeed, many organizations fail to recognize that the particular processes that they establish do not best serve all the needs of the organization, most of which will be influenced by dynamic considerations such as budget, commercial significance, management review, scientific "sex appeal," fit to corporate goals, speed of process, IP team buy-in, and combinations of these factors, all of which influence the exact process.¹⁵

One of the initial considerations in establishing IP processes is to select appropriate persons, having both correct background and authority within the organization, to make the correct decisions. For example, a scientist may refrain from submitting an invention disclosure because she spoke with a scientist member of the IP team, who expressed a belief that the idea is old and unpatentable. However, the scientist did not consider all of the factors that go into a legal determination of patentability, as would have been done by IP counsel (with the assistance of the scientist). Also the opinion of patentability might not reflect the opinion of one of ordinary skill in the art.

¹⁵ For example, the process to approve a presentation or publications (*see Appendix 8: Policy and Form for Review and Approval of Information Prior to Public Disclosure*) before it is publicly disclosed (and hence may destroy patentability outside of, or even within, the United States) is a decision that many organizations do not balance well. Small companies tend to be too free with this type of decision making, meaning that IP may be lost due to lack of control (e.g., a scientist wanting to present their "cool" new data, but not telling IP counsel about the presentation). Many large companies tend to be too restrictive or too conservative in their IP process, in many cases stifling the scientists and engineers who are excited by and want to share their work (and increasing their scientific reputations in the process).

What is potentially more distressing in such situations is when a competitor or customer ultimately patents the same technology.

Another important consideration in establishing IP processes is the “need for speed.” The process desirably will avoid unnecessary paperwork and approvals that will hamper prompt filing. The race to the Patent Office is particularly crucial in a “first to file” system, a form of which the United States has now adopted, in which the date when an invention was made is irrelevant, even if prior to that of competitor, if the competitor filed its patent application first. Further, it cannot be overlooked that if this process is too slow, personnel within the organization will tend to avoid it.



[3] An IP Committee

Much has been said so far about the persons charged with administering an organization’s intellectual property function. In this section, an IP Committee concept is introduced as one such leadership body.¹⁶ Typically, an IP

¹⁶ Some organizations do not like the name “Committee” because it connotes a

Committee will consist of representatives from select functions of the organization, such as some or all sales, marketing, engineering, and finance personnel.

Surprisingly, organizations differ in their philosophy toward including IP counsel (whether in-house or outside counsel) as part of this committee. Some organizations believe they can manage their costs by excluding counsel. Others exclude counsel because they do not like the generally cautious approach that counsel brings to discussions. On the other hand, many of the most successful IP cultures share the common feature that IP counsel is included on the IP committee, or at least is always kept apprised of the decisions of the IP committee in a timely manner.

The precise composition of the group is organization-specific. It is useful to have the perspectives that many of these representatives will bring. However, the larger the group, the more risk that the committee will become hampered in its ability to act, inasmuch as even the simplest of tasks (such as scheduling meetings) will be bogged down by conflict.

Once selected, the IP Committee ought to be charged with some or all of the following tasks:

- Developing and overseeing an IP program and processes;
- Establishing measurable goals for the IP of the organization;
- Defining strategies for achieving the IP goals;
- Monitoring the progress toward achieving the goals and modifying strategies needed to achieve the goals;
- Meeting regularly (and frequently) as a committee for administering and assuring compliance with the company's IP program and processes;
- Helping assure the organization respects the valid and enforceable IP rights of others of which it is aware;
- Educating employees and agents about IP issues;
- Apprising employees and agents about known IP rights of others;
- Assisting to preserve records for establishing prior art, a prior user defense, inventorship contribution, independent development, or other purposes related to helping assure the continued right of the organization to conduct its business;

bureaucratic organizational structure. The term is used loosely in this discussion. If it makes more sense, use a substitute word, such as "Team."

- Helping to assure compliance with marking and notice requirements imposed by IP laws;¹⁷
- Maintaining regular and continuing communications with company management concerning IP;
- Reviewing invention disclosures and original works and approving or rejecting disclosures for patent and/or copyright registration applications;
- Preparing recommendations to management for enforcement of IP rights;
- Preparing recommendations to management for licensing or other acquisitions of IP rights;
- Identifying trade secrets and develop strategies for maintaining them;
- Monitoring competitive technology and patenting;
- Maintaining regular and continuing communications with outside IP counsel; or
- Monitoring the fees incurred by Company in the process of carrying out the purposes and responsibilities of the IP Committee and exploring reasonable low-cost alternatives to manage the fees; and otherwise establishing and fostering a healthy IP culture within the organization.

As to the conduct of the IP Committee, it is expected that it will hold regular periodic meetings with a frequency appropriate to the innovation cycle of the organization. That is, the more the organization innovates, the more regularly the IP Committee ought to meet. These meetings should follow an agenda established in advance with relevant materials (e.g., invention disclosures, patents, prosecution proceedings, etc.) circulated for review in advance. Minutes, or some other written summary (ideally under the auspices of the attorney-client privilege), should be kept to record decisions. In addition, the IP Committee should also review broader goals and strategy on a regular basis (e.g., yearly or more frequently).

PRACTICE TIP 3.11: IP Committee Meeting Minutes

Many sensitive topics are often discussed at IP Committee meetings,

¹⁷ See 35 U.S.C. § 287.

and the risk that harmful admissions may be recorded in the minutes is particularly acute. One benefit to including IP counsel in meetings of the committee is that minutes (or even notes taken during the meeting) that address sensitive topics may encompass communications that qualify for protection against disclosure during discovery under the attorney-client privilege. To this point, it is helpful for committee members who keep minutes or take notes at these meetings to clearly identify the communication as “Attorney-Client Privileged” and to identify the participants at the meeting. It may also prove to be good practice to have only a single person keeping record, to help reduce the risk of inconsistencies.

From a process viewpoint, there are some dangers in using an IP Committee. The committee may fail to meet. The committee may fail to make reasoned decisions. The committee may fail to make any decisions, such as by repeatedly asking for more information (thus, pushing decisions to future meetings or alternate decision-making processes). Insufficient time for the meeting may be allocated, with the effect that only some and not all important issues are addressed (which increases the risk that inventions to be considered for patenting will accumulate and fail to get properly protected). Individual members of the committee may become overwhelmed with other responsibilities, fail to show up at meetings, become bored, or simply lose interest (with the effect that certain invention disclosures cannot be discussed and decisions taken). Committee members may fail to prepare for the meeting so that the agenda of the meeting becomes obsolete from the outset. These are just a sampling of the problems that can cause dysfunction of the IP Committee and which have the potential, if not monitored, to grind the IP process to a halt.

If an IP Committee proves dysfunctional or irrelevant, one possible alternative is to attempt the administration of IP by a designated “IP Advisor” (See also, **Chapter 4: The Role of Counsel**) An IP Advisor can effectively serve as a facilitator, who brings scientific, business, and IP together in a single person for a group or division. The role can be a fulltime or part-time job and desirably is filled by a scientist or engineer with at least a rudimentary understanding of intellectual property laws. The advisor typically will also be selected on the basis of his or her understanding of the patent portfolio and prior art, the technology being created or developed, and relevant business aspects of the organization. The advisor can help establish priorities with IP counsel and will, of course, also be charged with the important function of assuring communication within the organization.

The formation and use of IP Committees also finds valid application in technology ventures that involve two or more organizations, such as situations in which joint developments are being undertaken. Anyone who has ever negotiated a joint development agreement will attest to the agony that the parties experience in trying to reach a fair agreement about issues such as ownership of rights that arise during the development, who bears the cost of prosecution, who bears the cost of maintenance, and who bears the responsibility to assure freedom to practice the technology. The negotiation exercise will generally become contentious, as well-intended attorneys attempt to contemplate and reconcile all possible “what if” scenarios, all the while breeding hostilities and testing the patience of the parties. Though it is desirable to have answers to all these questions in place before the development commences, practical considerations sometimes dictate that the development proceed without all contingencies addressed. Instead, one approach that some organizations have followed is to try to resolve the most likely scenarios by agreement in advance, but to leave some of the lower likelihood scenarios to be addressed by an IP Committee, if such scenarios ever do come to fruition.

PRACTICE TIP 3.12: Freedom to Operate, Prosecution, and IP Evaluation/Valuation Processes

Among the many intellectual property processes within an organization are three, in particular, that tend to get overlooked by firms that become too focused upon simply making decisions to file patent applications for their inventions.

One process is that which ought to occur when a firm becomes aware of the IP rights of another that may affect the firm’s ability to commercialize its technology. This is referred to as a “freedom to operate” practice and typically involves monitoring competitive patents and determining whether the claims of the patents pose an obstacle to the firm.

The second process involves ongoing review of the portfolio of the firm to help assure that the protection sought or obtained covers the technology of the company or its competitors. It also helps to assure that patents obtained for the company are good and will be respected by competitors. For example, one such process might involve assembling a team that includes a technical person, a business person, and an attorney, who collectively can assess technical questions, assure reason-

able scientific accuracy, and interrelate the IP with the business of the firm.

Finally, a process for evaluation of intellectual property that is created ought to be in place so that IP assets can be appropriately deployed, and if not used by the organization, licensed, sold, or otherwise discarded. Technology marketplaces exist for the exchange of technology (such as www.yet2.com; *See also* <http://www.oceantomo.com/auctions/>).

[4] Defining an IP Policy

Helpful to the administration of any IP function—whether through a committee, an advisor, or some other administrative authority—is a constitution document and specifically what is referred to herein as an IP policy document.¹⁸ An “IP policy” can be an effective document to frame the decisions an organization needs to make and set guidelines for how individuals in the organization ought to behave. However, like any policy, it is only as good as the enforcement of that policy. Policies that are not followed are only damaging to the organization. Any IP policy that is adopted must be one that can realistically garner compliance throughout the organization.

An organization that seeks to define IP policy should consider setting forth at least two items, namely, a vision for creation and a vision for enforcement.

In defining policy for creating intellectual property, an organization is often best served by establishing a basic vision and expressing it in broad terms. One such policy statement might recite to the following effect:

Organization regularly engages in design and development of proprietary methods, designs, compositions and other technology resulting in valuable, patents, trade secrets or in other intellectual property rights owned by Organization. Organization may seek to protect trade secrets or other intellectual property by continuing to hold the technology as trade secrets, by registration of copyrights or by patenting as the law permits. Organization expects others to respect its valid and enforceable intellectual property rights and trade secrets. It is likewise the intent of

¹⁸ Some organizations cringe at the use of the term “policy.” Some view the use of “policy” as requiring senior management ratification, which the IP Committee wants to avoid. Some view the use of “policy” as requiring that the organization must follow the mandates of any such policy or face sanction. For the organizations that simply cannot accept the adoption of a “policy” concerning IP, then perhaps the organization would be better served by implementing the principles of a “policy” as “IP Guidelines” instead.

Organization to respect the valid and enforceable intellectual property rights and trade secrets of others.

Another possible IP policy vision can be more business model specific:

It is the policy of Organization to promote the adoption of its technology across all fields through licensing and, to that end, Organization protects its intellectual property, and seeks to license-in complementary technology.

Both policies help to frame the decisions that an organization will make with respect to its process of IP.

On the enforcement side, one sample policy statement may recite:

Organization shall enforce its valid and enforceable Intellectual Property rights in a manner reasonably consistent with the purpose and intent of this Policy, but with the recognition that the decision to enforce must be made by management of Organization and must take into account the entirety of the circumstances surrounding a possible violation of an Organization right. Under all circumstances, Organization shall employ its Intellectual Property in a lawful manner.

Again, an alternative is an enforcement policy that reflects the organization's business model. For example:

It is the policy of Organization to enforce its valid and enforceable intellectual property against direct competitors in the field.

In the end, corporate policy should promote ethical behavior to get strong and appropriate IP decisions. Strong corporate policies lead to a stronger IP system for all.

[5] Making Filing and Maintenance Decisions

Technology can be evaluated along a number of different lines prior to making a filing or maintenance decision. Not all lines will apply to all organizations, but you should choose those evaluation lines that apply and weight them accordingly.

Each of these factors—business, technological and patent significance; technical and business maturity—will play out in a straightforward manner. For example, a decision not to file is easy for an immature technology that is supposed to enter a mature market with many patents already in the field. The technology obviously needs to be worked on more before it can be protected, or likely marketed, without heading into the IP of someone else. Conversely, a technology that is mature and entering a new market without many competitors preferably should be heavily protected to protect its market. Also, there may be a large incentive to patent in areas where there

is no significant prior art, but little incentive to patent where an organization's existing IP portfolio already protects the technology.

PRACTICE TIP 3.13: Factors in Filing and Maintenance Decisions

<i>Factor</i>	<i>Description</i>
Business Significance	Relevance of the technology to the strategic goals of the organization
Technological Significance	Rate the significance of the technological features of the invention considering, for example, customer needs, commercial feasibility, and extensibility
Technical Maturity	Rate where in the research and development cycle the technology stands
Business Maturity	Rate the relative maturity of the business or market that the technology will enter
Patent Significance	Rate the relative closeness of the prior art and whether there is existing organization IP that already protects the technology

Once the evaluations are performed, the typical decisions of the IP committee or advisor include whether to file a patent application and set a priority or deadline for IP counsel to complete this task. For example, if an invention disclosure is submitted for documenting ideas prior to meeting with a third party, such invention disclosures should get high priority. The IP committee may also decide to keep a particular invention as a trade secret (e.g., it is valuable and not easily discoverable from sold products or services).

One important decision is whether to publish the information of an invention disclosure. Publication creates prior art to others and should stop others from patenting the same invention as disclosed. The decision to publish involves practical questions of who will create the publication and where will it be published. Competitive concerns can also arise by promptly publishing current work; so organizations may try to find obscure publications in which to publish such information. One increasingly popular method is to publish on a Web site. Web sites may offer cheap publication costs and immediate publishing that establishes prior art. The United States' accession to the Hague Agreement may also provide additional opportunities to facilitate publication. A reputable Web company should be chosen so that the

prior art database will not disappear in a few years, which would defeat the purpose of publishing the information. As those in the patent field may recall, IBM published its “Technical Bulletins” for a long time in an effort to keep others from patenting the same technology. These were always hard to search and find, which could prove valuable to some or disastrous to others. An example of a framework that illustrates some considerations that go into filing decisions is provided at **Appendix 9: Categorizations of Inventions for Prioritizing Filings**.

PRACTICE TIP 3.14: Preparing to Launch a New Product

Independent of securing copyrights and trademark rights, the following are among the measures that a business may take as it prepares to launch a new product.

- 1) File one or more patent applications for the new product
 - a. Budget permitting, try to cover:
 - i. The core technology;
 - ii. The particular version of the product being launched (if different from the original version described when applying to protect the core technology);
 - iii. Possible design around versions that a competitor may seek to make)
 - iv. The ornamental design features of the product (e.g., its housing; any unique structural configurations that are not driven by the performance of a particular function; user interfaces (in some instances), packaging in which the product will be supplied, etc.)
- 2) Prepare sales documents to address such considerations as conditions upon which any license to use the product are granted, any warranty disclaimer (e.g., a disclaimer of a warranty of noninfringement such as may arise under UCC § 2-312), circumstances that may void a warranty, limitations of liability, indemnities desired from customer (particularly if the product is in a field known to be litigious);
- 3) If the product incorporates any software, then prepare an End User License Agreement;
- 4) Set up a virtual patent marking website and mark the website address on the product if practicable (or at least on packaging);

- 5) Assure that any manufacturing and distribution agreements with third party service providers include appropriate indemnities, transfer of intellectual property rights;
- 6) Review instruction manuals, advertisements, product literature or the like to help assure that the products are marketed in a manner that helps to avoid an accusation that the business is inducing infringement of a third party patent; and
- 7) Sensitize sales and marketing personnel to potential intellectual property issues.

[6] Making Enforcement Decisions

[a] Introduction

As discussed elsewhere in this book, there are many considerations and much work that goes into making an enforcement decision. But whatever the considerations, there are always going to be times when IP must be enforced. A cost—benefit analysis modified by the risk of winning or losing is basic to making the enforcement decision.

[b] Identifying Goals: A Cost—Benefit Analysis

The first and most important question to ask when making an enforcement decision is: what does the organization want to accomplish? The litigation must be placed in the context of a business goal, and a value must be placed on that goal. Possible goals of enforcement include financing, market exclusivity and protection of a product on the market. The objectives of any enforcement can be wide and varying, even among different members of an organization. For example, does the organization want an injunction to stop a competitor? Does the organization want to obtain a cross license under the technology of the competitor? Does the organization want a grey cloud (e.g., a cloud of uncertainty over a technology or organization)?¹⁹ The objective must also be realistic. For example, it serves an organization little if it litigates, obtains an injunction, but is not able to itself manufacture the subject technology. That organization would probably be better served by licensing the competitor and deriving royalty income.

In terms of value, this cost—benefit analysis does not simply mean the largest damages award that an organization might win if it succeeds in the

¹⁹ Any assessment should be guided by compliance with applicable competition and patent laws and regulations.

litigation. It ought to take into account the value that is realized by demonstrating to other competitors that an organization is serious about its IP and will pursue infringements.

On the cost side, there is the cost of the litigation (attorney fees, experts, etc.). In addition, there is the potential cost to reputation by enforcing and losing. There are always four major issues in patent litigation—validity, enforceability, infringement, and damages. Counsel will have to review each issue with management as well as show the financial and strategic considerations and benefits (litigation budgets, litigation counsel chosen and why, initial litigation strategy, etc.). Patent litigation requires some feel for, or understanding of, what arguments will win, and why they will win and how they will win. Answers to these questions will help management believe in the case when the going gets tough.²⁰

Part of the cost consideration is whether certain “crown jewel” patents are going to be placed into dispute. After all, if such patent is lost, market entry by competitors is almost certain. Ideally, in the course of the analysis, multiple patents will be possible candidates for enforcement, each having its own risk considerations.

Other costs that organizations often overlook (and come to regret after it is too late) include the costs of distraction any organization will incur by dedicating the time of its members to supporting the enforcement effort, instead of performing their ordinary business function. Moreover, in the course of litigation in the United States, the organization will be forced to divulge sensitive information during an intensive discovery process. Closely guarded costing and pricing information is vulnerable to disclosure to competitors and customers.

It will also do an organization well to identify what alternative means are possible in lieu of enforcement. For example, in some industries, a strategic public relations program to apprise others of information about patent grants or other industry-specific patent metrics may defer entry by competitors (this might be as simple as a chronology shared about remaining patent life that compares the patents of different competitors or a summary of key patent features). Perhaps alternative dispute resolution may suffice, or the entry of a suitable business relationship with the competitor.

²⁰ With a motivated adversary, the going will get tough because although one party may think it has the perfect case (clearly valid, infringed patent worth millions in damages and market exclusivity), the opponent is typically not a fool simply out to spend money on litigation. They will have arguments and reasons why they should win, and ultimately a court will decide. Having someone else decide the fate of a party is always tough.

Once these costs and benefits are determined, the cost—benefit analysis can go forward. Both sides in the dispute will do a cost—benefit analysis, most of the time even calculating a net present value (NPV) to the litigation. Net present values are well known in financial circles and measure the cost today of future payments and revenues. These NPVs are then used to determine if the litigation has financial value. This can be taken even further by performing an NPV on each possible outcome of the litigation, including, for example, (1) win case and get treble damages, (2) win case and settle, (3) win case and get less damages than expected, (4) win case but get minimal damages and an injunction, (5) start case and settle just before trial, etc. Each scenario has a value and an NPV, and so the possible values can be calculated. If the litigation itself does not have a positive NPV, even getting an injunction, then the litigation might still be worth the cost, if market perception or reputation for enforcement is necessary. Thus, the cost-benefit analysis can include multiple outcomes and take into account various values.

[c] Patent Litigation Facts of Life

Most patent litigation cases settle prior to trial.²¹ In 2009, there were 2,295 patent cases and 88.6 percent settled (and only 81 were actually tried before a judge or jury). In 2004, there were 2,362 patent cases and 86 percent of them settled. In 2005, there were 2,231 patent cases and again 86 percent of them settled. These numbers are somewhat steady, with the settlement rate being 81 percent in 1986 and 79 percent in 1979 (but with substantially fewer cases brought in these years). There were substantial changes in patent law during 2007 (and 2011), and the reported settlement rate (and future rates) can be affected by these changes; for example, cases where the changes in the law can affect the case and the NPV is close to the settlement rate will more likely than not settle. (See page 137 for additional patent litigation statistics).

Of the cases that go to trial, the popular belief is that the patentee wins about half the time or more. In reality, the statistics are all over the place because of different people's interpretations of a win. For example, is it a win when a patent owner obtains judgment for liability on only one of six patents enforced? Is it a true win if a plaintiff establishes liability but only recovers damages after years of litigation, and in an amount of a small

²¹ From statistics compiled by the University of Houston Law Center under Prof. Paul M. Janicke and available online at www.patstats.org; See, <http://www.patstats.org/Patstats2.html> (as accessed March 21, 2015 and July 22, 2017): the reference further indicates for comparison, an overall civil settlement rate for 2004 of 74 percent. See additional detail at **Chapter 5: Earning Respect for Your Intellectual Property.**

fraction of the attorney fees spent? Is it a true win if the plaintiff drives the defendant into bankruptcy only to have defendant's assets purchased from a larger and more enduring competitor? As can be seen what constitutes a “win” is subjective and varies case-by-case.

Another litigation fact of life is that the cost to litigate is significant. In the United States a simple case will cost at least \$500,000 and more complex cases will cost ten times that amount.²² Legal talent from the largest law firms now cost upwards of \$800 an hour (and the trend is higher, with some lawyers now charging over \$1,000 an hour).²³ The cost to litigate is substantially less in certain foreign countries. For example, in Germany a patent litigation suit can be brought for less than \$500,000 for a very complex case. Of course, the laws are substantially different in other countries; for example, in Germany there is no formal discovery process as in the United States.

§ 3.05 How Companies Can Keep Costs Down

[1] Good Recordkeeping

The lifeblood of intellectual property is what can be proved in court as well as its perceived strength. Because IP is an intangible asset, it is shown by the documents and things that demonstrate its existence and hence its value. Documents, samples, data, etc., must be kept to show the existence of the

²² The American Intellectual Property Law Association reports that the average cost of litigating a patent infringement suit when more than \$25 million is at stake decreased from more than \$5 million in 2013 to \$4 million in 2019. American Intellectual Property Law Association, *Report of the Economic Survey 2019* at 50 (2019). The 2007 report stated that the cost of patent litigation where less than \$1 million is at stake is \$600,000 and the 2007 reported cost of patent litigation where between \$1–\$25 million is at stake is \$2.5 million. According to the 2009 Survey (at I-128–129) when less than \$1 million was at stake, the average cost was \$967,000, and it was \$3.1 million when \$1–25 million was at stake. According to the 2011 Survey (at I-153–155) when less than \$1 million was at stake, the total average cost was \$916,000 and it was \$2.7 million when \$1–25 million was at stake. According to the 2015 Survey (at I-105–107) when less than \$1 million was at stake, the total average cost was \$873,000 and it was \$3.5 million when \$10 million to \$25 million was at stake. According to the 2017 Survey (at I-112–115) when less than \$1 million was at stake, the total average cost was \$627,000 and it was \$2.4 million when \$10 million to \$25 million was at stake. According to the 2019 Survey (at I-141–145) when less than \$1 million was at stake, the average cost was \$725,000, and it was \$5.1 million when \$1–25 million was at stake.

²³ See, Nathan Koppel, *Lawyers Gear Up Grand New Fees* at B1 *Wall Street Journal* (Aug 22, 2007).

right. Thus, recordkeeping is critical to IP.²⁴ The records are important for proving a myriad of facts, such as dates of invention, inventorship, on sale or public use activities, or prior user defenses. In the trademark context, the records establish a date of first use and provide samples. With trade secrets, the records define the secrets and show that they were maintained as secrets.

There are a few basics about corporate records that should be clear to everyone in the organization. First, an organization ought to clearly communicate to its employees that records are the property of the organization. They are confidential and proprietary to the organization, not to the employee. Thus, employees need to create corporate knowledge that is useful to the organization. Personnel ought to be trained to keep records that are legible, complete, and understandable. Abbreviations desirably ought to be avoided without prior definition. Terminology ought to be expressed accurately, precisely, and consistently.

It is also helpful for scientists and engineers keeping records to keep them in a scientific manner so that others can repeat their work. They should keep analytical data tied to particular experiments and in a manner that allows others to understand their work. For example, do not cross out mistakes; put a line through them so that they are still legible and can be explained at a later date. If possible, do not use Post-it® notes or other temporary records that can become dislodged or lost. It is also valuable to excise (e.g., X off) portions of pages not used (so that it will not look like you can go back and fill in a page at a later time). A sample of a format that can be adapted for use in many organizations for laboratory notebooks is provided in **Appendix 7: Sample Lab Notebook Usage Guidelines Policy on Use of Research and Development Notebook (Sample Liner Page)**.

Indeed, records that are kept in a reliable, consistent manner according to established organizational practices are the best records for supporting IP. The reason is that with a long lapse of time common to many patent scenarios, most people will not remember the typical experiment or design or idea or whatever the record is recording. Instead, most people remember the unusual: the experiment that blows up, the spilled yield, or the business deal that was horrible or fantastic. However, most IP records document the usual, not the unusual. Thus, most people do not remember the event, but if they keep the record in the same consistent manner, they can always testify that they kept the record a certain way and the produced record looks like the

²⁴ Electronic recordkeeping is discussed in chapter 2 under “Cooperation Between IT and IP.”

way that they always kept that record. This provides authenticity and makes your records believable and trustworthy.²⁵

Moreover, recordmakers should take into account the breadth of their potential audience. Consider the best-case scenario, in which the IP is so valuable that everyone in the market has to practice it even to stay in business. Thus, there will be a lot of infringers, lots of lawsuits, and lots of inquiries into the records surrounding the IP. The records stand the chance of being reviewed by the lawyers to the case, judges and their law clerks, and even jury members. The records have to withstand this strict scrutiny and appear reasonable under the circumstances. Abnormalities or serious deviations could place the welfare of the IP at grave risk.

In addition to defining standards and expectations within an organization for the manner and circumstances in which records are made, it is also important to assure compliance with any corporate record retention policy. These policies are generally available from counsel and provide for time periods and manner of record retention. For organizations that are newly establishing an IP culture, it is worth revisiting existing document corporate retention policies. It is likely that the organization has a relatively short retention period that may overlook the realities of patent transactions, some of which commonly will span ten years or longer.

It is also important to gather and preserve records surrounding significant milestone events. The records should be contemporaneously dated with the event they seek to prove. For example, if a record depicting the structure of a product part is sought at the time of initial product, then it would be helpful to preserve a hard copy of a drawing dated as the first production date (rather than a later drawing having revisions on it). A sample of the part might be taken from the initial production lot. A dated photo of the part as of the production date might help, as may various other forms of evidence.

[2] Literature Libraries, Product Archives, and Prior Users

A literature library is a collection of publications that are relevant to the technology of an organization. It may include literature that constitutes prior art relative to a technology. It may include literature that discusses or even praises the technology of the organization. It may include literature addressing alternative or competing technologies. It is a simple fact that organizations need to compile these libraries and regularly update and organize them.

²⁵ See also Fed. R. Evid. 803(6).

Similarly, a product archive is a repository of products that have been on the market in the past, including documentation showing the product on sale or publicly used as well as samples of the products. Samples in product libraries allow for historical testing, to find possibly inherent properties of the product (e.g., properties that were not necessarily published in the past). Companies establish these libraries in order to keep a record of the prior art. Documentation ideally is contemporaneous with the event it seeks to prove. Documentation useful in such archives may include dated initial requests for quotes, offers, purchase orders, invoices, shippers, payment confirmation, drawings of parts, initial part samples, test results, photos of parts, tooling records, drawings of tooling, etc. More is generally better.

When entering a new field or selling a new product, an organization often will research the prior art, including publications and existing products, and document that status. These libraries are useful for benchmarking the organization's inventions and citing the most relevant prior art in its own patent applications. These libraries are also useful for easily finding prior art when another organization asserts an otherwise invalid patent against it.²⁶ In some cases, companies can make these libraries available to the public, such as on the internet. This public availability makes the existence of the prior art collection more widely known, such as to patent offices examining the art in your field—patent examiners search the web also.

In addition to corporate libraries containing literature and products, companies also can document prior use of a method of doing business and in particular the sale of a product or method. Under 35 U.S.C. § 273, a prior user of technology may be able to take advantage of that prior use as a defense to patent infringement. Such prior use might also help avoid liability in some foreign jurisdictions. However, it is important under this law to document the commercial sale of a product that resulted from the use of the method.

[3] Patent Watches

A patent watch is a competitive intelligence tool to watch for publication of a competitor's patents or patent applications. The watch also can follow the prosecution of those patent applications to decide whether to take some action.²⁷ Watches can be automated periodic searches for published patents

²⁶ It is a good idea to assure compliance with copyright laws in connection with these libraries. See www.copyright.com.

²⁷ For clarification on the basics, a patent application typically publishes eighteen (18) months after it is filed (six (6) months after filing for design applications filed under the Hague

and patent applications of competitors, including automated searches for key inventors, assignees, or subject matter.²⁸ For a patent application in prosecution, an organization can even format its watch to automatically monitor for office actions or other pertinent activities. Another automated search can be undertaken for citations to a company's own patents and publications, thus allowing it to see who is monitoring and citing its work.²⁹

Maintaining a record of all identified competitive patents and applications will help to reinforce vigilance and continuity within the organization. A wealth of information can be included in these records. An example record is shown at **Appendix 18: Competitive Reports**.

[4] Translations

Intellectual property translations come in many shapes and forms. Some documents provide English translations of portions. For example, in searching the Japanese Patent Office electronic database files, English abstracts are often available, and for some recent prior art, computerized "machine" translations are available as well. In the European Patent Office, the granted claims of a European patent are translated into English, French, and German. In addition, machine translations are often available via a number of websites including the European Patent Office Website and the Japanese Patent Office website. These tools help provide a foundation for ascertaining the relevance of foreign language patent documents. However, as is often the case when prior art (patents or other published literature) exists in a language other than English, organizations invest in translations so that they can better understand what is in the prior art, avoid making incorrect arguments to the patent office, and make more informed decisions about the true patentable breadth of their inventions, or whether there is some other reason to be concerned with the foreign language documents. The investment of a few thousand dollars could avoid tens or hundreds of thousands of misspent dollars later.

Agreement). This is not a patent because you cannot walk into court and enforce the right to exclude anyone from the claims, but instead is a request for a patent. During prosecution, it is more likely than not that the claims will be amended. Thus people watch to see what happens. As mentioned previously, in the United States, activities can be monitored over the internet through the Patent Application Information Retrieval (PAIR) system. *See* <http://portal.uspto.gov/pair/PublicPair>.

²⁸ The USPTO and EPO websites both facilitate automated patent watches. *See* <https://www.epo.org/searching/free.html>.

²⁹ There are numerous companies that will perform such automated searches, including NERAC (www.nerac.com).

On the flip side is the situation in which an organization seeks to patent in most non-English speaking jurisdictions (e.g., countries other than UK, United States, Canada, India, Cyprus, Australia, and New Zealand), for which translations to the national language may be necessary.³⁰ In these instances, organizations must make intelligent decisions because the cost of translations can be very high. First, organizations ought to exercise discretion in choices of countries in which to file. To illustrate, prior to the London Agreement, to translate a patent in each country in Europe could cost upwards of one hundred thousand dollars. It may be that the only likely commercial interest is in Western Europe, in which case a number of Eastern European countries can be eliminated on that basis. Further, for many (if not most) inventions, patenting in all Western European countries may offer little added benefit, particularly if patenting in one or two jurisdictions will deter investment by a competitor in other jurisdictions. For example, it might be decided to patent in France but not Italy or Spain, because exclusion in France will have the practical effect of also excluding in Italy, or because other patents to the organization may exist in Italy that could be used effectively to exclude competitors. Thus, one way to manage translation costs is to invoke a process by which the decision to foreign file is made taking into account the cost of translations and recognizing that the cost to obtain total territorial exclusion cannot be justified when effective results can be obtained by limited territorial exclusion.

Another way to manage translation costs is to include a process for the preparation and review of patent applications that helps to manage the length of the documents. Most translation services will charge per word or line. The cost is, therefore, a direct function of the length of the document. Documents that are kept shorter will be less expensive. Among the ways to keep the document shorter is to limit the number of claims. Another approach is to prepare a separate document for filing in foreign countries that is more targeted to the desired scope sought in those countries. This can help avoid the inclusion of certain redundant text portions or unnecessary written description. For example, a patent might include five pages of description of a product and five additional pages of description of the method of making it. However, it is known from the outset that the product is not likely to be manufactured in a certain country. It may be worth drafting the application to file in that country to exclude the description of the method, and thereby reduce the translation cost in that country.

³⁰ See generally, <http://www.epo.org/law-practice/legal-texts/london-agreement.html> (as accessed March 26, 2015 and July 22, 2017) (addressing the simplification of post-grant translation costs under the London Agreement).

[5] Prosecution of Patent Applications

The prosecution costs from patent to patent can vary widely depending upon the amount of time it takes for a patent application to make its way through the system and be allowed by a patent examiner. However, many of the costs related to obtaining a patent are the same regardless of the path the patent takes through the patent office. For example, all patent applications need to be drafted before being submitted to the patent office. An organization in some circumstances may file an application as a non-provisional application in an effort to finalize the application so that the application is placed in the patent office queue as soon as possible. This approach could reduce overall costs for the application as it eliminates the opportunity of adding new embodiments or ideas into the application, as may be the case if the application is filed first as a provisional application. In the case of filing a provisional application first, it may be more cost effective to draft the most complete provisional patent application possible. This may effectively reduce the burden and cost associated with the eventual filing of the non-provisional application in that the involved parties do not have to spend a substantial amount of time re-visiting and supplementing the application. Regardless of the approach taken, a thorough and well organized application assists in reducing the costs during prosecution for a variety of reasons. Most importantly, a thorough application will hopefully provide substantial support for any teachings necessary to convince a patent examiner of patentability.

The inclusion of examples and test data may also aid reducing overall prosecution costs as they can assist an examiner in understanding the technology as well as provide for specific examples that may be patented at a later time.

Patent examiner interviews are also an invaluable tool that may be used to expedite prosecution. In many circumstances requesting an interview with the examiner as soon as possible (or at a later stage if the facts do not support an interview advancing prosecution at an earlier stage) allows the agent/attorney and the examiner to exchange knowledge that is sometimes buried in a lengthy response or misunderstood by one or both parties. Interviews allow for follow-up questions and in-person interviews can allow for demonstration of examples or joint review of figures.³¹ Although the cost of

³¹ At the end of FY 2020, the USPTO workforce was comprised of 8,434 patent examiners, about half of which work full time from home and the remaining half have the flexibility to work part time from home. This practice is referred to as hoteling. In person interviews are more expensive than telephone interview because in person interviews can

an interview may increase the costs for a single response, an interview can be a useful tool to clarify issues at an early stage so that one or more subsequent responses can be avoided. Similarly, opening the lines of communication between the agent/attorney and an examiner may result in an examiner contacting the agent/attorney with suggestions that may lead to a patent. Moreover, the patent office recently implemented a new procedure where examiners are allotted some time to conduct interviews with agents/attorneys “after final” or in other words once prosecution has been closed an interview may be granted that will assist in advancing prosecution.³² Conducting an interview early in prosecution may assist in laying groundwork so that an interview under the after final consideration pilot program is successful and results in a patent without the need for the time and expense of a request for continued examination (RCE).

In an effort to reduce the number of appeals, the USPTO initiated a Post-Prosecution Pilot (P3) Program developed with the goal of improving patent practice post-final rejection but prior to appeal. The existing After Final Consideration Pilot (AFCP) 2.0 program and the Pre-Appeal Brief Conference Pilot program, have been integrated into the P3 Program in addition to an opportunity to present arguments to a panel at a conference. Results from the program have yet to be published, but the USPTO continues to implement and support efforts to improve the quality and speed of the patent examination process. Additional efforts include the USPTO’s monthly Patent Quality Chat which includes a webinar with a 20 minute speaker session and question and answer period following.³³ The USPTO has also instituted a Stakeholder Training on Examination Practice and

only be conducted at a patent office. The addition of satellite offices provides additional locations to conduct these interviews, but with over half of the examiners being located around the United States full time, it can be logistically challenging to conduct in person interviews and a telephone interview may be the only option. Recently, the hoteling program has come under some scrutiny for some examiners allegedly abusing the work at home system. *See* “Patent and Trademark Office doesn’t know if examiners are doing their jobs, watchdog says,” *The Washington Post*, by Lisa Rein, April 14, 2015, available at: <http://www.washingtonpost.com/blogs/federal-eye/wp/2015/04/14/the-u-s-patent-and-trademark-office-doesnt-know-if-patent-examiners-are-doing-their-jobs-watchdog-says/> (last accessed May 28, 2015). *See also*, FY 2020 United States Patent and Trademark Office Performance and Accountability Report, available at: <https://www.uspto.gov/sites/default/files/documents/USPTOFY20PAR.pdf> (last accessed February 8, 2021).

³² After final consideration pilot 2.0 (*see* <http://www.uspto.gov/patent/initiatives/after-final-consideration-pilot-20>) (accessed July 22, 2017).

³³ <https://www.uspto.gov/patent/initiatives/patent-quality-chat#step1> (accessed August 23, 2017).

Procedure (STEPP). The goal of this training is to provide external stakeholders with “a better understanding of how and why an examiner makes decisions while examining a patent application.”³⁴ Training courses are taught by USPTO trainers using the same training materials that would be utilized by Examiners.

The demonstration of “secondary considerations” may also assist in advancing prosecution.³⁵ Documentation in support of such “secondary considerations” may be submitted providing additional evidence or explanation as to why the claims of a patent application are non-obvious. In submitting evidence of secondary considerations it is important that the teachings have a direct nexus to the subject matter being claimed.

In addition, the patent office has implemented several programs to expedite patent prosecution. These programs have been implemented to assist applicants in proceeding quickly through the patent office as well as to reduce the patent office backlog.³⁶ Some examples of these programs are track one prioritized examination, the patent prosecution highway (PPH), and petition to make special. Under the track one prioritized examination, the applicant pays a fee and the patent office will take the application out of turn and quickly examine the patent application.³⁷ While this route will result in a speedy first action on the merits, it does not guarantee that the

³⁴ <https://www.uspto.gov/patent/initiatives/stakeholder-training-examination-practice-and-procedure-stepp> (accessed August 23, 2017).

³⁵ “Relevant secondary considerations include commercial success, long-felt but unsolved needs, failure of others, and unexpected results.” *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) citing *Graham v. Deere*, 383 U.S. 1 (1966). See *Insite Vision Inc. v. Sandoz, Inc.*, 2015 BL 100549 (Fed. Cir. 2015) (Finding the secondary consideration “long felt need” was met by patentee.); *Allergan, Inc. v. Apotex Inc.*, 754 F.3d 952 (Fed. Cir. 2014) (Finding the secondary consideration “unexpected result” was demonstrated by patentee.); and *Power Integrations Inc. v. Fairchild Semiconductor International Inc.*, 711 F.3d 1348 (Fed. Cir. 2013) (Finding the secondary consideration “commercial success” was demonstrated by patentee).

³⁶ In August of 2017, USPTO had a backlog of 539,520 unexamined patent applications. As of December 2020, the unexamined patent application inventory as increased to 602,777 unexamined applications. <http://www.uspto.gov/dashboards/patents/main.dashxml> (last accessed August 27, 2017 and February 8, 2021).

³⁷ The fee for large entity is \$4200, small entity is \$2100, and micro entity is \$1050. <http://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule> (last accessed February 8, 2021). Currently, from the date of filing the track one petition to a first office action is 1.8 months (compared with 15.4 months), and from filing to mailing of a notice of allowance is 6.2 months (compared with 22.9 months). <https://www.uspto.gov/dashboard/patents/special.html> (last accessed February 8, 2021).

application will result in a patent. The Patent Prosecution Highway (PPH) is a program where an Applicant can petition for accelerated examination by leveraging a positive search result from a participating jurisdiction.³⁸ For example, if one of the participating jurisdictions indicated that one or more claims are allowable, this indication of allowance can be petitioned in the United States and can serve as the basis to accelerate examination of the claims that have been indicated as allowable. Currently, the petition is free to enter into the PPH program. In addition to these programs, a patent application can be “made special” by filing a petition and alleging any of the following: that one applicant is 65 years or older;³⁹ that an applicant’s health is in question;⁴⁰ that the application will materially enhance the quality of the environment of mankind by contributing to the restoration or maintenance of the basic life-sustaining natural elements;⁴¹ that the application will contribute to reduction in energy consumption or development of energy resources;⁴² or that the application is directed towards countering terrorism.⁴³ There is currently no fee associated with such petition to “make special” and no penalty if the petition is not granted.

[6] Maintenance Fees and Annuities

Patents and patent applications stay in force only as long as you pay the government to maintain their status as enforceable. In the United States, there are no fees to maintain a patent application (just the filing, search and prosecution fees), but there are maintenance fees due in the third, seventh and eleventh enforceable year of a granted patent. Outside of the United States, it is typical that there are maintenance fees, commonly called “annuities” due each year for the patent application or patent. Generally, the annuities are due every year in every country in which the application is pending. The amount of the fee for maintenance and annuities increases as a patent or patent application ages. For example, the U.S. maintenance fee in 2007 for the third year of a patent is \$930, the seventh year is \$2,360 and eleventh year is \$3910 (*See* www.uspto.gov), exclusive of legal service fees.

³⁸ The current list as of April 22, 2020 includes: Australia, Austria, Canada, China, Columbia, Denmark, The European Patent Office, Estonia, Finland, Germany, Hungary, Iceland, Israel, Japan, Korea, New Zealand, Nordic, Norway, Peru, Poland, Portugal, Russia, Singapore, Spain, Sweden, United Kingdom, United States, and Visegrad.

³⁹ *See* MPEP 708.02II.

⁴⁰ *See* MPEP 708.02I.

⁴¹ *See* MPEP 708.02III.

⁴² *See* MPEP 708.02IV.

⁴³ *See* MPEP 708.02V.

Whereas now in 2017, the third year fee is \$1,600, 7 year is \$3,600, and the 11 year is \$7,400 for large entities. Over the life of a single patent that is maintained in the United States, Japan, and a handful of countries in Europe, it is possible that the total fees paid will exceed \$100,000. Take into account that most companies committed to an IP culture will hold many patents, and it becomes immediately apparent that the cost of maintenance fees and annuities has the potential to be its largest or second-largest source of expenditures.

Therefore, in order to reduce costs, many organizations will implement a process for the periodic review of their patent portfolios to make sure that the applications and patents continue to have relevance in the marketplace. If the IP fails to continue to have such relevance, then it can be abandoned to reduce costs in connection with maintenance fees, some organizations keep costs down by outsourcing the tasks to a fee service instead of their outside counsel.

PRACTICE TIP 3.15: Application of Guidelines to Process of Making Maintenance Fee Decisions

In the introduction to this chapter, seven questions were posited. The following illustrates a decision-making process that applies the questions to the determination of whether to pay a maintenance fee or annuity:

1. Does the organization commercialize the technology in the country?
2. Is there a licensing opportunity that is reasonably likely in the country?
3. Is it realistic that, if an infringement is discovered, the organization will file a lawsuit in the country to protect its right of exclusion?
4. Is there dominant coverage in any other existing IP filings in that country?
5. Is there any patent coverage in any nearby country that can be employed to hamper the ability of a competitor to commercialize within the target country (e.g., would a patent obtained in France be effective to disrupt business of a competitor in Germany)?
6. Has the patent filing identifiably deterred competition?
7. How much money will the payment of the fee require?

8. Is there any contractual obligation to maintain the patent?
9. Is there a deal in progress, or contemplated, by which there will be a transfer of rights in the patent that warrants requiring maintenance of the status quo?

TABLE OF CASES

[References are to sections and footnotes]

A

Allergan, Inc. v. Apotex Inc., 754 F.3d 952, 111
U.S.P.Q.2d 1245 (Fed. Cir. 2014) . 3.05[5] n35

G

Graham v. Deere, 383 U.S. 1, 86 S. Ct. 684, 15 L.
Ed. 2d 545, 148 U.S.P.Q. 459 (1966) . 3.05[5]
n35

K

KSR International Co. v. Teleflex Inc., 550 U.S.
398, 127 S. Ct. 1727, 167 L. Ed. 2d 705, 82
U.S.P.Q.2d 1385 (2007) 3.05[5] n35

P

Power Integrations Inc. v. Fairchild
Semiconductor International Inc., 711 F.3d
1348, 106 U.S.P.Q.2d 1361 (Fed. Cir.
2013) 3.05[5] n35

S

Spalding Sports Worldwide, Inc., In re, 203 F. 3d
800, 53 U.S.P.Q.2d 1747 (Fed. Cir.
2000) 3.03[3] n11

TABLE OF STATUTES

[References are to sections and footnotes]

FEDERAL STATUTES, RULES, AND REGULATIONS

United States Code

Title:Sec.	Text Sec.
17:101	3.02[3][d] n4
35:184 to 188.	3.03[3]
35:273.	3.05[2]
35:287	3.04[3] n17

Federal Rules of Evidence

Rule	Text Sec.
803(6)	3.05[1] n25

UNIFORM MODEL CODES

Uniform Commercial Code

Sec.	Text Sec.
2-312	3.04[5]

INDEX

[References are to sections.]

C

COMMUNICATIONS WITHIN ORGANIZATION

- Generally . . . 3.02[1]
- Active communications . . . 3.02[3][i]
- “Bootlegging” policies . . . 3.03[2]
- Business side of organization
 - Generally . . . 3.03[1]
 - Budgets . . . 3.03[5]
 - Foreign patenting . . . 3.03[5]
 - Litigation theory, foreign patenting and . . . 3.03[5]
 - Marketing
 - Market theory, foreign patenting and . . . 3.03[5]
 - Plans . . . 3.03[4]
 - Strategic planning . . . 3.03[4]
- Disclosure
 - Forms . . . 3.02[3][h]
 - Frequently asked questions . . . 3.02[3][g]
- Enforcement decisions
 - Generally . . . 3.04[6][a]
 - Cost-benefit analysis . . . 3.04[6][b]
 - Patent litigation . . . 3.04[6][c]
- Explanations of IP processes . . . 3.02[3][g]
- Importance of . . . 3.02[1]
- Inventions, information about
 - “Bootlegging” policies . . . 3.03[2]
 - “Bottom-up” approach . . . 3.03[2]
 - “Skunk-works” operations . . . 3.03[2]
 - “Top-down” approach . . . 3.03[2]
- IP Committee, role of . . . 3.04[3]
- Meeting of IP Committee, minutes of . . . 3.04[3]
- Metrics . . . 3.03[5]
- New product, preparation for launching . . . 3.04[5]
- Other departments, role of
 - Generally . . . 3.04[1]
 - Filing decisions . . . 3.04[5]
 - IP Committee . . . 3.04[3]
 - Maintenance decisions . . . 3.04[5]
 - New product, preparation for launching . . . 3.04[5]
 - Policy, definition of IP . . . 3.04[4]
 - Workflow . . . 3.04[2]
- Passive communications . . . 3.02[3][i]
- Processes
 - Generally . . . 3.04[2]
 - Evaluation of IP . . . 3.04[3]
 - Explanations of . . . 3.02[3][g]
 - “Freedom to operate” . . . 3.04[3]
 - “Need for speed” . . . 3.04[2]

COMMUNICATIONS WITHIN ORGANIZATION—Cont.

- Processes—Cont.
 - Workflow . . . 3.04[2]
- Restricted access communications . . . 3.02[3][i]
- “Skunk-works” operations . . . 3.03[2]
- Training of employees
 - Explanations of IP processes . . . 3.02[3][g]
 - Materials, training . . . 3.02[3][e], [3][f]
- Unrestricted access communications . . . 3.02[3][i]

COUNSEL

- Communications, role in
 - Generally . . . 3.02[1]
- Classes of information
 - Generally . . . 3.02[3][a]
 - Conference presentations, published . . . 3.02[3][d]
 - Counsel’s work, information on . . . 3.02[3][i]
 - Explanations of IP processes . . . 3.02[3][g]
 - Papers and conference presentations, published . . . 3.02[3][d]
 - Patents and patent applications, compilation of published . . . 3.02[3][c]
 - Publicly available information . . . 3.02[3][b]
 - Training materials . . . 3.02[3][e], [3][f]
- Disclosure frequently asked questions . . . 3.02[3][g]
- Explanations of IP processes . . . 3.02[3][g]
- Patents and patent applications, compilation of published . . . 3.02[3][c]
- Simple and understandable messages . . . 3.02[1]
- Types of information . . . 3.02[2]
- In-house advisor . . . 3.04[3]

I

INTELLECTUAL PROPERTY CULTURE (GENERALLY)

- Costs
 - Literature libraries . . . 3.05[2]
 - Maintenance fees and annuities . . . 3.05[6]
 - Prior use, documenting . . . 3.05[2]
 - Product archives . . . 3.05[2]
 - Prosecution of patent applications, expediting . . . 3.05[5]
 - Recordkeeping . . . 3.05[1]
 - Translations . . . 3.05[4]
 - Watches, patent . . . 3.05[3]

[References are to sections.]

INTELLECTUAL PROPERTY CULTURE

(GENERALLY)—Cont.

Framework . . . 3.01

INTERNATIONAL ISSUES

Foreign filing licenses . . . 3.03[3]

Patents

 Litigation theory . . . 3.03[5]

 Market theory . . . 3.03[5]

 Translations . . . 3.05[4]

Translation costs . . . 3.05[4]

Translation fees . . . 3.05[4]

P

PATENTS

Costs

 Maintenance fees and annuities . . . 3.05[6]

 Prosecution of patent applications, expediting
 . . . 3.05[5]

 Watches, patent . . . 3.05[3]

PATENTS—Cont.

“Freedom to operate” practice . . . 3.04[3]

Invention disclosure form

 Categories of information . . . 3.03[3]

 Improving written record of invention, tips
 for . . . 3.03[3]

 Prior art . . . 3.03[3]

 Reasons for submitting . . . 3.03[3]

Litigation

 Generally . . . 3.04[6][b]

 Foreign patenting, litigation theory and
 . . . 3.03[5]

Maintenance fees and annuities . . . 3.05[6]

Market theory, foreign patenting and
 . . . 3.03[5]

Prior art . . . 3.03[3]

Published patents and patent applications avail-
able within organization, compilation of
 . . . 3.02[3][c]

Watches, patent . . . 3.05[3]

ISBN 978-1-6633-1690-5



9 781663 316905