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Intellectual Property Audits: Maximizing IP Assets
Strategies to Leverage Audits to Protect and Enforce IP Rights

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Today’s faculty features:

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Protecting Intellectual Property:
IP Audits
Pre-Audit Planning

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1. Assessment of Current Status of Company’s Intellectual Property
1. **Assessment of Current Status of Company’s Intellectual Property**

- Analysis of effectiveness of Company’s preexisting policies and procedures relating to intellectual property protection, risk avoidance/enforcement, exploitation and maintenance.
1. **Assessment of Current Status of Company’s Intellectual Property**

- Identification of Company’s core technology assets and proprietary information

- Examination of status and scope of Company’s existing IP rights in these assets and title to these IP rights.
1. **Assessment of Current Status of Company’s Intellectual Property**

- May lead to recommendation for modifications to Company’s procedures and policies.
- May uncover technology assets not appropriately protected.
- May reveal defects in title to assets.
2. Establishment of Intellectual Property Asset Management Program

Integrate Company’s IP Program into its overall business objectives.

Pursuit of IP rights for strategic and competitive advantage.
3. Avoidance of Risks From Third Parties

Identify, minimize and avoid potential adverse claims of third parties.
Participants in Audit

- In-house legal counsel
- Outside legal counsel
- Key Personnel from Sales, Marketing and Advertising, Information Technology, Research & Development, Human Resources, Purchasing, and Specific Product/Service Lines (Dependent on Company)
Participants in Audit

**In-house legal counsel:** assist in collection of relevant documentation; assist in identification of key personnel for interviews; facilitation of process.
Participants in Audit

**Outside counsel**: conducts the audit; reviews relevant documentation; conducts interviews with personnel; provides audit report and recommendations; follow-up actions.
Participants in Audit

Key Personnel: assist with collection of relevant documentation; participate in interviews.
Audit Methodology

Conduct preliminary meeting to determine parameters of audit
Audit Methodology

Identify key personnel required for the audit
Audit Methodology

Identify and prepare an inventory of existing known IP and knowledge-based assets
Audit Methodology

Gather relevant documents for review
Interview key personnel
Audit Methodology

Conduct supplemental document searches, as follow-up to interviews
Audit Methodology

Assess IP documentation
Assess the ownership of the inventoried IP and its status
Audit Methodology

Assess potential liability to third parties from use of IP assets

Assess potential liability of third parties to Company
Audit Methodology

Identify enabling technologies and assess whether current protections are adequate.

Map existing IP assets against Company’s preexisting and future products.

Map existing IP assets against competition’s present and anticipated products.
Audit Methodology

Make recommendations for additional IP rights
Determine any remedial actions to be taken
Prepare formal audit report
THANK YOU

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Protecting Intellectual Property: IP Audits

Maximizing IP Assets and Enforcing IP Rights

December 2, 2010

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Conducting the IP Audit

- Inventions and patents
  - Identify all U.S. and foreign patents and pending applications.
  - Verify all deadlines to ensure patent does not lapse during audit.
  - Beware of statutory bar that may prevent patent protection for invention.
    - Most foreign jurisdictions prevent patent protection if invention is in use or disclosed.
    - U.S. law provides a one (1) year grace period.
## Conducting the IP Audit

- Identify inventions
  - novel, useful, and non-obvious

### Verify ownership
- are there competing claims of inventorship and/or ownership?
  - review employee agreements and invention assignments.

### Review all patent claims for scope and enforceability
- does the patent owner have a reason to maintain the patent?

### Audit should reveal any third parties infringing the patents.
• How do you know the information qualifies as a protectable trade secret?
• Trade secrets are litigated rights.
• Trade secret law protects a broad range of information that has independent economic value by not being generally known to others and that is subject to reasonable measures to protect the secrecy of the information.
• Audit should include review of all employee agreements, third party confidentiality agreements, and any licenses.
Identify Inventions/Trade Secrets

• Can the status of the information as a trade secret be recovered after it is unlawfully disclosed? - once the trade secret has been lost it will remain lost

• The audit should help provide information to develop policies and procedures to protect information that may be protected as a trade secret.
Copyrighted Works

• Copyright law protects the expression of ideas the moment the work is fixed in a tangible medium of expression provided such works have a modicum of creativity and are independently developed. Registration is not a requirement to have legal protection of the work.

• Typical copyrighted works include software programs, product manuals, product specifications, designs, drawings, product brochures, and marketing and promotional materials.
The audit should help determine which copyright protected works are valuable and should be registered.

- Registration is required to have standing to bring infringement claim in federal court.

- Copyright Certificate of Registration may allow owner to recover statutory damages and attorney fees

How do you determine the owner of the copyrighted work?

- Copyrighted works created by employee within scope of employment are owned by employer as a work made for hire.
Copyrighted Works

-copyrighted works created by independent contractors are only a work made for hire if the work falls within nine categories.
Note: Most computer software does not automatically fall within the nine categories of copyrighted works that qualify as works made for hire.

-If Software Development Agreement with independent contractor does not include an assignment, the copyright in the software may not be owned by the party claiming ownership.
Copyrighted Works

- What should you do if the audit shows ownership in the copyright is at issue?
  - Can the original author be found?
  - If the author cannot be found, the value of the copyrighted work may be impacted. In an acquisition, the seller may have to indemnify buyer for any losses if a third party challenges ownership.
Open Source Software Issues

- Identify the existence of any open software.
  - Use of third-party software such as Black Duck can help identify open source software integrated in software.

- Black Duck and other similar programs can be used to track usage of open source software in the development process.

- What are the implications of finding certain open source software integrated, combined with, or added to other software?
Some open source licenses have “reciprocal” provisions that require distribution of modifications or combinations of code that form a single work under the same license as the original program.
• In some scenarios, the software could become subject to the obligations that the software be distributed free of charge and made available to all licensees.

• What if the audit reveals open source components in the software? Remedial steps should be taken depending on the business plan for the software which may include steps to comply with the open source license or replacement of the open source code by independent developers.
• Identify all federal, state, and foreign trademark registrations and pending applications.
• Are there any common law unregistered trademarks?
  - obtain dates of first use and geographic areas of use.
• What about descriptive unregistered marks?
  - audit should include any evidence to show the term has acquired distinctiveness such as volume of sales and advertising expenditures.
• Audit should reveal whether the mark is used with other goods and services that may warrant new applications.
• Are there any marks that are registered but no longer in use?
• Make sure docket deadlines are up to date for all Section 8 and 15 filings and renewal deadlines.
| Review all trademark licenses  
  -has licensee complied with quality control requirements?  
  -what do you do if trademark license does not include quality control? |
| Review all Security Agreements  
  -file any security releases |
| What if trademark Assignment does not include goodwill?  
  -have all trademark assignments been recorded? |
| Review trademark Consent Agreements to ensure compliance |
• Audit should identify any patent and trademark infringements and Settlement Agreements
• Review all License Agreements to ensure compliance with grant
THANK YOU!

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IP Audits: Maximizing IP Assets and Enforcing IP Rights

Post-Audit Action

Daniel J. Kelly
### Overview

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Overview

Two Key Words:

Organize and Prioritize
I. **Reporting Audit Results**

- In service to original objectives
- Prepare as you go
- **Format and Organization:**
  - Executive Summary
  - Scope
  - Data and Information
  - Recommended Actions
    - *(Organize and Prioritize)*
- **Timing and Expectations**
I. Reporting Audit Results

- Live Presentation of Results:
  - Drill down as necessary; have necessary personnel present to do so.
  - Begin and end with big picture.

- Focus on meeting client expectations.
## II. Ownership Issues

### Priorities:
- Clearing Cloudy Title Issues
- Who Should Own: Discuss corporate ownership and both short and long term business goals

### Tools and Tips:
- Nunc Pro Tunc
- Need for Originals
- Identify IP with Specificity
### III. Filings and Procedures

- **IP Filings**
- **Standardization of Practices**
  - Invention Disclosure Process
  - Copyright and Trademark Portfolio Management
  - Domain Name Management
- **Notice Compliance**
- **Fraudit Flags?**
- **Insurance**
- **Brand Standards Practices**
IV. Enforcement Issues

Back to Original Objectives

• Prioritizing; Cost / Benefit Analyses

• Recommended Investigations
• Recommended Opinions
• Laches Issues
V. Follow Up

- Periodic Reviews and Updates
  - Intellectual property is not a static asset

- Keeping Things Fresh
  - On-Site Visits
  - Trade Shows
  - Follow the Industry
  - Third-Party Presentations
THANK YOU!

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