

Intellectual Property Compliance Programs and Manuals

A Guide for Sustainable Entrepreneurs

SUSTAINABLE ENTREPRENEURSHIP PROJECT

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Intellectual Property Compliance Programs and Manuals: A Guide for Sustainable Entrepreneurs

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Intellectual Property Compliance Programs and Manuals

§1 Introduction

Regardless of the size of its business or the activities in which it is engaged in, intellectual property is an important business asset for every company and an important factor in the development of the company's competitive strategies.¹ As such, it is essential for companies to implement a compliance program to identify, perfect, protect, maintain and prosecute its own intellectual property rights—patents, trademarks, copyrights and trade secrets—and avoid potential liability for knowingly or inadvertently infringing the intellectual property rights of others. A comprehensive compliance program will require the participation of members of all of the departments and other business groups within the company and the program should be consistent with the company's overall intellectual property strategy as determined by the board of directors and members of the executive team. The program will include a number of elements, many of which are similar to those that are part of other organizational compliance programs: a coordinating body, such as a compliance committee; an audit or assessment of the company's current compliance activities relating to intellectual property; policies, procedures and manuals; training and educational initiatives; and continuous review of the effectiveness of the program and ongoing changes to remediate issues and incorporate new laws and regulations and changes in the company's business activities.²

§2 Preliminary issues and considerations

As discussed below, a number of people are involving in the development and implementation of an intellectual property compliance program and all the resources and tools that are necessary for the program to be effective and successful. While the details are important, the entire process should begin with addressing the following preliminary issues and considerations:

- An intellectual property compliance program should be designed in a way that tracks and supports the company's overall technology and intellectual property strategies. This means that development of the program needs to begin at the very top of the organization with the board of directors and the members of the company's executive team. When decisions are made regarding technology strategy, including the types of technologies that the company wishes to develop or otherwise acquire to pursue its business goals and objectives, consideration needs to be given to the relevant intellectual property rights of others and the hurdles that may need to be overcome in

¹ For further discussion, see "Intellectual Property Rights" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

² For discussion of designing, implementing and administering compliance programs, see "Compliance and Risk Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

order for the company to build an effective intellectual property rights portfolio around the technology. The compliance program and compliance committee associated with the program should be overseen by a senior executive, such as a chief information or technology officer, who can share information with the directors, the CEO and other key executives. The directors and executives should also be visible proponents of the intellectual property compliance program to make sure that employees understand that following the program is expected and is an important part of the company's mission and purposes.

- Intellectual property compliance programs are comprehensive and challenging projects that span across all of the activities and organizational units of a company. In order for the program to be effective, one person, or a group of people working closely together, should be given responsibility for overseeing the program and identified as the leader of the initiative throughout the organization. As discussed below, many companies create an intellectual property compliance committee and provide that a representative of the legal department will chair the committee. If this approach is taken, the committee should have the authority to make day-to-day decisions about intellectual property issues and provide guidance to managers and employees throughout the organization. A different strategy is to appoint an intellectual property director and provide him or her with appropriate support from the legal and human resource departments, a compliance committee and liaisons in all other departments that need to be involved in the compliance program.
- Much could be covered in an intellectual property compliance program; however, resources are scarce and the program must be tightly focused on identifying the intellectual property that the company develops or otherwise uses in order to create and market its products and services. Almost every product or service includes one or more of the major forms of intellectual property protection: inventions and ideas that qualify for patent and trade secret protection; logos and other markings that qualify for trademark protection and software and instructions that qualify for copyright protection. In developing the compliance program, attention must be paid each step of the product development and commercialization process: submission and consideration of ideas, basic research and development, potential influences of technology and products owned by competitors, manufacturing processes and sales and marketing activities. The goal should be to identify each of the potential intellectual property issues in advance and incorporate solutions into the product development program. This will make it easier to set the timetable and budget for bringing the new product or service to market in a form that is appropriately protected from an intellectual property perspective. Once the product or service is available for sale, consideration should be given to monitoring the activities of sales and marketing partners, such as distributors, to ensure that they are not misusing the company's intellectual property rights.
- An intellectual property compliance program should support the company's overall business and technology strategies and it is important to consider technological trends in the industries and markets in which the company competes and the intellectual property portfolios of the company's current and projected competitors. Current competitors are likely to have existing intellectual property rights that will need to be taken into account when the company's designs and develops new products in order

to avoid infringement issues. Projected competitors will often take new paths when developing their products and services and an attempt must be made to anticipate the decisions they will make regarding technology and intellectual property. Market and competitive factors, including product life cycles, will determine the investment that the company will need to make in perfecting and protecting its intellectual property rights and can also be a predictor of the likelihood of protracted and expensive intellectual property litigation. In addition, if it is anticipated that products will be marketed globally, the program must also cover protection of the company's intellectual property in foreign markets.

- Before getting too far along in creating an intellectual property compliance program, it is important to understand how the company is already protecting its intellectual property rights and areas where there are significant shortcomings in the company's compliance activities. As discussed below, an intellectual property rights audit is an essential step in the developing the program. Does the company have agreements with employees and consultants regarding ownership of inventions and other ideas developed by those people during their relationship with the company? Does the company regularly use nondisclosure agreements when sharing proprietary information with outsiders? Does the company have procedures in place for identifying potential intellectual property rights and referring them to the legal department or outside counsel? Does the company have safeguards to ensure that valuable rights are not lost by inadvertent or premature disclosure to the public in speeches or advertising? Does the company have a security system for protecting its trade secrets? These questions, and more, need to be asked at the very beginning of the program development process.
- Alignment of the focus of the intellectual property compliance program with the company's strategy requires an understanding of how the company intends to use its intellectual property rights to compete effectively in the marketplace. For example, a company might be interested in excluding others from the market in order to secure market share and will depend on patent rights to help clear the field of competition. In other cases, intellectual property rights will be used to generate a steady stream of royalty revenues from licensing arrangements and licensing is also a good way to trade with others to secure the rights to use technology that the company is unable or unwilling to develop on its own. If the company's products are based on proprietary information that it does not want to disclose in a patent application, attention must be focused on creating a robust trade secret protection program for that information. The location of the company's projected use of intellectual property rights is also relevant: if products are to be sold and/or manufactured in foreign countries, consideration needs to be given to the intellectual property laws of those countries, how they are enforced and the existing rights of competitors already in those countries. Finally, even if intellectual property rights are not currently being used in the business, a company may seek to build a valuable rights portfolio that will eventually pay out if and when the company is sold to another party.
- While the primary goal of any intellectual property compliance program is to identify and protect that company's legal rights, the process of developing and implementing the plan should be seized as an opportunity to build awareness throughout the company of the benefits of intellectual property and the dangers of not paying

attention to the steps that should be taken to protect those rights. It is important to have the active support of everyone in the company for the program and this means integrating training and education into the program, beginning with the board of directors and senior executives and then going beyond to include everyone whose assistance will be needed. Among the benefits that should be emphasized and illustrated are the ability of intellectual property rights to provide companies with a competitive advantage by protecting new ideas, designs and processes that are better and more efficient than existing solutions; the enhancements in the value of the company; and the opportunities to generate revenues or acquire the intellectual property of others through licensing and sales arrangements. At the same time, everyone needs to be made aware that not having and following a compliance program can lead to lost business opportunities, inadvertent infringement of the intellectual property rights of others and inability to prevent others from selling products that are essentially identical to those developed at great expense by the company.

- The effectiveness of the intellectual property compliance programs depends on the creation and maintenance of an intellectual property management structure that ensures that all existing intellectual property rights are identified, as discussed above, and all potential intellectual property rights are brought to the attention of the legal department and others in order to make decisions about how best to protect them. The structure should also encourage everyone in the company to bring questions and other issues to the attention of specialists and decision makers. In order to accomplish these goals, a compliance committee should be formed and a person should be designated as the chief compliance official in this area. Procedures for submitting ideas and finished products for review prior to marketing and sale should be implemented in order to be sure that all steps have been taken to protect those potential intellectual property rights that decision makers believe are worth protecting after an analysis of the costs and benefits. The compliance committee should ensure that the human resources department is enforcing rules regarding execution of appropriate intellectual property rights assignment and protection agreements by new employees. Steps taken during the initial intellectual property audit should be repeated on a regular basis to verify that the requirements of the compliance program are being followed.
- While much of the intellectual property compliance program is focused on identifying and perfecting intellectual property rights, companies also need to set aside resources to proactively enforce their rights in the event a third party is engaged in activities that are infringing or which involve misappropriation of the company's trade secrets. Enforcement, which often involves litigation, can be a costly activity and procedures should be put in place to carefully weigh the benefits and costs. Decision makers need to understand each of the steps in the legal process and the amount of time that is typically involved in getting to a resolution of the matter. Consideration should also be given to the risk that the company will find itself defending a counterclaim that seeks to challenge its own rights. If the challenge is successful, the company may find itself exposed to competition from a number of parties other than the original defendant in the action brought by the company.
- The intellectual property compliance program should be recognized as important part

of the company's overall risk management system. One very important risk to consider is avoiding intentional or inadvertent infringement of the intellectual property rights of third parties and the program should incorporate procedures such as monitoring patent activities of competitors; carefully analyzing the elements of proposed products before substantial time is spent on development and marketing to determine if any infringement issues are likely to be encountered; and conducting a similar search for potential trademark and copyright issues before launching marketing and advertising campaigns.

- The principles implemented in the intellectual property compliance program should extend outward to cover a number of significant business activities of the company. One important situation is a proposed merger or asset transaction that calls for an assessment of the value of the intellectual property rights of the target and the risks that the target's products or services infringe the rights of third parties (a potential liability that the company would succeed to if the transaction is completed). Many of the same steps and skills associated with the internal intellectual property rights audit conducted at the time the program is launched should be applied to due diligence in advance of an acquisition. In addition, if the acquisition goes forward, the intellectual property rights of the target need to be folded into the company's existing portfolio and new personnel joining the company after the transaction is over should be appropriately trained about the company's expectations and required to sign appropriate employment-related agreements identical to those in place with existing employees.

§3 Participants in the design and implementation of compliance program

In order for an intellectual property compliance program to be effective it must have the support of everyone across the entire workplace—from the boardroom and top management down to the employees at the lowest level of the organizational hierarchy. This type of support needs to be built from the very beginning of the process of designing and implementing the compliance program by involving representatives of all relevant departments and business units in the process and continuously educating everyone about the specifics of the program and their own duties and responsibilities. A strong message needs to be sent that the compliance program is a necessary part of the company's overall strategic plans and a potential source of competitive advantage. Executives, managers and employees should also understand and appreciate the value of the program in helping them make decisions that will avoid financial and reputational damage to the company, as well as interruption of the company's business, and assist in negotiating licensing arrangements for the company's intellectual property that include terms advantageous to the company.

A common mistake is for an intellectual property compliance program to be developed and imposed by a small group of people, such as the members of the company's legal department. While this type of program would presumably incorporate all of the necessary legal principles, it will likely not be as effective as anticipated because it has not been created "in context" and with regard to the issues and activities that others in the organization are confronted with on a day-to-day basis that involve intellectual property

concerns. The better course is to involve a wide range of departments and personnel in the design, implementation and monitoring of the intellectual property compliance program including senior management, the legal department, technical groups or units (i.e., research and development, engineering, scientists etc.), business units, the sales and marketing departments, information services and personnel. In addition, attention needs to be paid to include participants from other departments who engage in activities that may impact the efficacy of the compliance programs activities (e.g., the security and facilities management groups and personnel involved in maintenance and use of duplication and audio-visual equipment). While each of the groups mentioned above is important, they will not necessarily need to be involved in every aspect of the intellectual property compliance program. However, all of the groups should be aware of what is being done across the company and one group, typically the legal department, should be responsible for leading the design, implementation and monitoring of the program and service as a central repository of information and other resources.

§4 --Legal department

“Legal” should play a central role in the design, implementation and monitoring of the intellectual property compliance program. If the company has an in-house legal department, it should serve as the focal point and support will come from members of the in-house team and outside counsel engaged and supervised by the in-house team. This does not necessarily mean, however, that most of the legal work should be done in-house. In fact, some companies lean on their outside counsel for most of the activities relating to their intellectual property compliance programs, but in that situation it is important for one member of the in-house team (or a member of the senior management team) to act as the official liaison between outside counsel and the various departments and other groups within the company to ensure that outside counsel has a single point of contact and outside counsel’s directives and recommendations are implemented. If the company does not have an in-house legal team, an experienced lawyer with the company’s outside law firm can oversee the intellectual property compliance program; however, he or she will need to work closely with a designated member of the company’s senior management team in order to ensure cooperation from the various departments and other groups inside the company.

If no in-house staff is used and outside counsel is retained to handle the corporation’s intellectual property needs, including the compliance program, an in-house corporate attorney or other officer should be designated to serve as a liaison between outside intellectual property counsel and the corporation. Such a liaison is necessary so that outside counsel has one contact at the corporation who has a working knowledge of all intellectual property matters, and so that the corporation can be effectively informed of all actions taken by outside counsel concerning these matters.

Oversight of the compliance program is just one of the responsibilities of the legal team and will need to be added to important ongoing obligations relating to creation, maintenance, exploitation and enforcement of the company’s intellectual property portfolio. Legal experts have identified the specific responsibilities of the “legal team”,

which are typically allocated among in-house attorneys and outside law firms, as including the following³:

- Preparing agreements that establish ownership rights in inventions;
- Preparing employee confidentiality and noncompetition agreements;
- Reviewing ideas, inventions and developments submitted from inside and outside the corporation for patentability;
- Conducting or obtaining intellectual property searches (i.e., patentability searches; patent validity searches; conducting or obtaining patent infringement searches; preliminary and full trademark searches to determine mark availability for use and registration; and copyright searches to determine if a work is copyrighted);
- Preparing opinions on protectability and infringement;
- Preparing and filing United States patent, trademark and copyright applications;
- Overseeing prosecution of foreign patent, trademark and copyright applications;
- Handling PTO proceedings (i.e., patent prosecution, reissue, reexamination, and interferences; and trademark prosecution, oppositions and cancellations);
- Reviewing newly issued patents pertinent to the corporation's activities;
- Reviewing competitors' technology and trademarks to locate potential infringement problems;
- Coordinating, obtaining and granting intellectual property licenses and drafting associated licensing agreements;
- Litigating or assisting outside counsel in litigating infringement or misappropriation actions in the federal courts, state courts, ITC or FTC; and
- Maintaining the corporation's patent, trademark, and copyright dockets.

The allocation of the work between in-house attorneys and outside counsel will depend on a variety of factors including the specific activities and issues that are most important to the company, the skills and experience of the in-house team and the budget allocated to intellectual property compliance. Even when most of the work is done in-house, experts would expect that outside counsel would be called upon for several difficult matters such as assisting in patentability evaluations of inventions submitted from sources outside the corporation as well as internal submissions; addressing complex trademark availability and licensing issues; preparing and reviewing patent and trade secret confidentiality and employment agreements; assisting with the prosecution of patent, trademark and copyright applications; rendering opinions on patent validity and infringement issues;¹ and acting as consultants for complex intellectual property litigation matters or proceedings before the PTO.⁴ Engaging outside counsel can be a large expense for companies and it is common for companies to negotiate alternative fee arrangements with their law firms that fix the costs of handling routine matters or facilitate risk sharing in the outcome (i.e., when outside counsel is engaged to defend an incoming infringement action against the company).

³ W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), §2:4.

⁴ *Id.* at §2:5.

Another important activity to consider while setting up an intellectual property compliance program is establishing a filing and docketing system. Not surprisingly, such a system naturally falls within the scope of activities of the legal department and steps need to be taken to designate responsibility for⁵:

- Filing and maintaining all original, executed agreements pertaining to intellectual property rights, including employee agreements; consulting agreements; contractor agreements; outside submission agreements; work made for hire agreements; and licensing and assignment agreements;
- Filing and maintaining all original disclosures made to the corporation, including internal submissions and disclosure forms and outside submissions;
- Filing and maintaining all original files relating to applications before government agencies, including patent application files; trademark application files; and copyright application files;
- Filing and maintaining all original, issued intellectual property grants, including original letters patent; original trademark registrations; and original copyright registrations;
- Filing and maintaining original correspondence and documentation relating to accusations of infringement and any litigation proceedings;
- Determining, tracking and assuring compliance with dates related to the prosecution of patent, trademark, or copyright applications, including dates for submission of the applications and original submissions during prosecution of the applications; dates when trademarks are first used; dates when statements of use must be filed; dates for responding to PTO and Copyright Office actions; dates for filing trademark opposition proceedings; dates for paying patent issue fees; dates for filing related foreign applications; and dates for renewing copyrights first registered under the 1909 Copyright Act;
- Determining, tracking and assuring compliance with dates related to the maintenance of issued patents and registered trademarks, including dates for payment of required fees, including United States maintenance fees and foreign maintenance fees; dates for filing Section 8, Section 15 or combined Section 8 and 15 of the Lanham Act trademark declarations; dates for renewing trademarks; and
- Determining, tracking and assuring compliance with payments or other actions required in license agreements.

A strong, comprehensive docketing system is essential for ensuring that the company does not lose valuable intellectual property rights or fails to collect royalties and other payments due under licensing arrangements. While individual attorneys and other responsible for a particular subject or agreement, such as monitoring milestones under a license agreement or the progress of a pending patent application, should maintain their own docketing system, the company's general docketing system should be centralized and maintained under the control of a single designated person, typically one of the members of the in-house legal team. In addition, all the relevant documents and other records relating to intellectual matters covered by the docketing system should be

⁵ Id. at §2:6.

maintained in a central location for easy access and to avoid loss or misplacement of files. Companies with a large volume of matters typically rely on software programs to assist in the docketing process and such programs include “reminder systems” that automatically deliver notices to attorneys and others about upcoming deadlines so that they are able to respond and fulfill any requirements in a timely fashion.

It should not be forgotten that while the legal department and/or outside counsel will play a significant role in the development and implementation of the intellectual property compliance program and the preparation of the policies, procedures and forms associated with that program, the program itself must ultimately fulfill the business needs of the company and thus must be directed at the strategic level by the executive and management team. In order for this direction to be effective, the skills and responsibilities of the attorneys and paralegals involved in the program need to be understood. Arguably the most important role of the attorney is educating directors, executives, managers and employees about the potential rights and liabilities associated with intellectual property laws and how they can assist in creating the company’s intellectual property rights portfolio. Attorneys should also be able to listen to a description of a proposed business initiative and provide input on potential intellectual property issues that need to be considered such as avoiding infringement of the rights of third parties and/or structuring the initiative in a way that allows the company to appropriate the value of its work in the form of protectable intellectual property rights. In some cases, input from attorneys on these issues can save significant time and money for the company or influence the way in which the company designs a product. Attorneys should also build trust and self-reliance in other departments by empowering them to manage the necessary policies and practices on their own without the need to constantly refer questions to the legal team.

§5 --Board of directors and senior management

An intellectual property compliance program is like any other compliance program: its effectiveness depends upon the “tone at the top” and clear and consistent messages from the board of directors and senior management that the program is important and to be taken serious by everyone throughout the organization. Directors and senior executives must be prepared to provide support and guidance for the program and diligently attend to all aspects of the program including the development of an overall intellectual property strategy for the company; creation, dissemination and enforcements of relevant policies and procedures; and auditing the effectiveness of the program and implementing remedial measures that may be needed to resolve any shortcomings.

It is recommended that senior management be involved from the very beginning in the development of the intellectual property compliance program. In order to be sure that they understand all of the potential issues, the legal department, perhaps with the assistance of specialists from outside law firms, should conduct workshops for the members of the board of directors and senior management to go through the basics of intellectual property law and any specific topics that are particularly important to the company in light of the markets in which it is operating (or proposed to operate in the

foreseeable future). While some of the directors and senior executive may already be familiar with intellectual property law concepts, the workshops will be a good opportunity to bring everyone up to the same level and allow for questions to experts about the efficacy of potential intellectual property strategies. Once the compliance program is up and running, it is important to schedule annual updates of the information provided in the initial workshop which focus on recent developments. These updates can be presented at annual retreats of directors and senior management, assuming such events are held on a regular basis by the company. As new directors and senior executives join the company, they should be required to go through the initial presentation as part of their orientation and receive a briefing on how the company has developed its intellectual property strategies up to the time that he or she joins the team.

As for the compliance program itself, once the committee has an initial draft that includes the basic framework for the program another workshop should be scheduled for directors and senior executives to go through the proposed program and solicit questions. The workshop is an opportunity to begin educating attendees about the necessity for such a program and the advantages that the program will provide for the company. Presenters should describe how the program will be implemented and how it will impact each of the departments and groups within the company and individual employees. The workshop is also a good opportunity for directors and senior executives to share their own experiences about intellectual property issues from the previous activities. Attendees should be given a timetable for finalization of the program and preparation of each of the documents that will be needed in order to implement the program. The workshop should also lay out the steps that will be taken to monitor the effectiveness of the program. Projected costs of the program should also be outlined and an explanation should be given as to how those costs will be allocated among existing and projected budgets.

While directors and senior executives are busy people and it may be difficult to schedule a time for a workshop to go over the proposed compliance program, it is strongly recommended that an in-person session be scheduled as opposed to simply circulating a written draft of the relevant documents. Technology and intellectual property are topics that are just too important for all companies these days to not take the time to go through the mechanics of the program “in person”. In order to make the workshop proceed smoothly, draft documents should be circulated in advance and members of the drafting committee should make themselves available to answer any specific questions that a director or senior executive might have in advance of the meeting. An agenda should be circulated in advance and attendees should be encouraged to raise questions or issues that they would like to have discussed by the entire group.

Once the second workshop has been completed, ideas from the meeting should be incorporated into the ongoing drafting process for the documents covering the compliance program and a draft set of policies along with a compliance manual should be prepared and disseminated to all of the directors and senior executives for comments, questions and suggestions for revisions and/or additional materials. Once the responses have been received and incorporated into the documents, final versions should be created and distribution in advance of a board meeting to secure the directors’ formal

endorsement. The board proceedings should be fairly simple at that point, assuming that the process described above has been followed, and once approval has been received the CEO and other senior executives should begin announcing the program to employees. Formal announcements are important because they are opportunities for employees to hear directly from senior executives about how much importance the executives place on fulfilling the requirements of the program. Hopefully the details of the program will not come as a great surprise to employees if the suggestions in this chapter regarding input from various departments and groups during the draft process have been followed.

§6 --Technical groups

It goes without saying that an effective intellectual property compliance program requires input and support from the groups within the company that are most likely to be working on and with technology on a day-to-day basis. These “technical groups” include the research and development (“R&D”) and engineering departments, as well as the new product development group. These groups will not only be originators of ideas and inventions that may be suitable for patentability and/or trade secret protection, but will also be the primary internal sources of the information required to make decisions on the appropriate intellectual property strategy (e.g., status of “prior art” and review and analysis of the product and technology development efforts of competitors.

Experts recommend that the R&D and engineering departments take various steps in order to protect ideas that may be eligible for patent protection or will provide value to the company if properly maintained as a trade secret⁶:

- Setting the responsibilities of the supervisor of the R&D department to include oversight of department compliance with the intellectual property compliance program; ensuring that no trade secrets or potentially patentable ideas are unintentionally or prematurely disclosed in publications such as technical papers or speeches; ensuring that all laboratory notebooks, technical drawings and other technical papers are marked confidential and are access-restricted on a “need to know” basis; serving on the “Patent Review Committee”; and assisting in obtaining corroboration of the conception and reduction to practice of inventions made within the department
- Requiring the scientists and engineering staff members to prepare and maintain necessary laboratory notebooks and invention records; promptly prepare and submit the invention disclosure form on all internal developments and inventions; promptly advise the patent attorneys of all new products or processes being considered for implementation; maintain all developments and inventions as confidential unless and until disclosure is approved by the legal department; and performing any other acts required by the compliance program as established
- Requiring technicians to assist in the implementation of the program in the same manner outlined above for scientists and engineers.

⁶Id. at §2:7.

- Requiring all scientists, engineers and technicians to comply with security procedures that should be established for the facility as a whole as well as for documents they generate and products and processes they are working on for the company.

Scientists, engineers, technicians and others involved in the new product development process (e.g., manufacturing and packaging groups) should also be mindful of the risks that the products may be reverse engineered or copied by others. This means that designing products that are difficult to engineer and attempting to hide key parts from plain view.

§7 --Business units

Managers of each of the business units within the company need to understand that they will be continuously making financial or business decisions that will be impacted by intellectual property issues. Specifically, these managers will need to gather input from technical and sales groups, as well as the legal department, in order to understand how the company's intellectual property rights portfolio will be impacted by deciding whether to internally develop or pursue a new product; deciding whether to file patent applications for inventions or maintain them as trade secrets; selecting trademarks for the corporation's products; deciding whether to license the corporation's patents, trademarks, copyrights and trade secrets; deciding whether to bring a suit for patent, trademark, or copyright infringement or trade secret misappropriation against a competitor; deciding whether to seek licenses for or purchase new components or products from other corporations; and deciding whether to seek licenses for the use of others' trademarks or copyrighted works.⁷ In order to help business managers understand the relevant issues, they should receive training relating to intellectual property rights similar to that recommended above for directors and senior executives.

§8 --Sales and marketing

Sales and marketing activities, including advertising, touch upon a number of important intellectual property issues, opportunities and risks. Examples include the following⁸:

- Works, such as print and graphic advertising and other promotional items, created by the marketing department must be reviewed to ensure that they do not infringe upon the copyrights of third parties. In addition, such works should be analyzed to determine whether they can be copyrighted by the company itself, and instructions need to be given to those involved in the development of the works as to how to preserve copyright.
- Similarly, marks created for products as well as the designs used for product containers and packaging need to be reviewed to ensure they do not infringe trademark rights of third parties and to determine whether the company should pursue trademark rights of its own on such markets and designs.
- Disclosures of potentially patentable ideas and trade secrets by members of the sales and marketing departments, and premature offers and sales of new products based

⁷ Id. at §2:8.

⁸ Id. at §2:9.

on potentially patentable ideas, will need to be restricted in order to avoid loss of patent rights or surrender of the ability to assert trade secret status.

- Failure of the marketing and advertising departments to properly mark a patented product may prevent the company from collecting damages for infringing sales in a patent infringement action. At the same time, incorrect marking of a product or product packaging with a patent number or “patent pending” may result in fines for the company.

It is essential to establish communication channels between the sales and marketing departments on the one hand the legal department on the other in order to ensure that the members of the sales and marketing department understand the legal issues involved with their activities and know when and how to seek out advice and clearance from the legal department before offering products for sale and/or publicly disseminating information about products in any form. Experts have advised that the sales and marketing department should be involved in the intellectual property compliance program in at least the following areas⁹:

- Preparing and submitting invention disclosure forms to the extent they are involved in the conception of new product development;
- Maintaining all new products and developments as confidential unless and until disclosure and offers for sale are approved by the legal department;
- Providing input, from a sales or marketing perspective, to determine whether proposed products features warrant patent protection;
- Preparing and maintaining necessary sales records to support patentability of inventions during prosecution or litigation;
- Preparing and maintaining necessary advertising records to show that a mark has obtained secondary meaning for purposes of PTO trademark proceedings and litigation;
- Recording any instances of confusion involving the corporation’s trademarks or products; and
- Implementing proper marking procedures on products and advertising for products covered by one or more of the company’s patents, trademarks and copyrights.

As discussed elsewhere in this chapter, it is recommended that a company’s general intellectual property compliance manual be supplemented by special guidelines and suggestions for members of the sales, marketing and advertising group.

§9 --Information services

Information services (“IS”) cover a wide range of activities, many of which raise important challenging intellectual property issues. As such, it is essential for everyone involved in information services to be trained on the basics of intellectual property and the specific problems that can arise in day-to-day work on network maintenance, intranet publication, managing e-mail traffic, Web page postings and software development, procurement and maintenance. Issues that need to be considered include the following¹⁰:

⁹ Id.

¹⁰ Id. at §2:14.

- Whenever the IS department develops or otherwise acquires new software, or upgrades existing software, care must be taken to document the development process to avoid claims of infringement and maintain records of licenses obtained from third parties for software that is integrated into the company's IS systems.
- IS personnel responsible for maintenance of the company's external website and internal intranet need to be sure that all new content is vetted before posting to ensure that it does not contain trade secrets of the company or communications that would otherwise be covered by attorney-client privilege. In order to be sure that potential problems are spotted before it is too late, the IS and legal departments should collaborate on development, distribution and enforcement of Internet and e-mail policies.
- Website maintenance, including creation and posting of new content, also raises other intellectual property issues such as ensuring that the company has the legal right to post everything on the site, either through direct ownership or licensing, and spotting potential infringement of intellectual property rights of third parties due to linking and framing. While not strictly an intellectual property issue, the IS department should also work with the legal department to develop and post appropriate disclaimers and terms and conditions of use on the company website.

As discussed elsewhere in this chapter, it is recommended that a company's general intellectual property compliance manual be supplemented by special guidelines and suggestions for members of the IS group. In addition, the company's chief information officer (or chief technology officer, if that position is responsible for managing IS) should be held accountable for ensuring that IS managers and employees fulfill their obligations with respect to intellectual property protection and compliance.

§10 --Personnel

A number of issues arise at the interface of intellectual property and the employment relationship and the personnel, or human resources, department needs to be heavily involved in the development and implementation of the intellectual property compliance program. Among other things, development of new ideas by employees raises issues regarding ownership of such ideas, including the ability of the company to seek and obtain patent and other protection for such ideas. Employees must also be made aware of their responsibilities with respect to protection of the company's trade secrets. The personnel department will be responsible for ensuring that all employees execute all of the employment-related agreements pertaining to ownership and use of intellectual property. In addition, members of the personnel department will need to be trained on how to conduct entrance interviews with new employees to identify potential risks of claims by prior employers that their intellectual property rights have been misappropriated. Members of the personnel department will also conduct exit interviews during which departing employees are asked to return all documents and records pertaining to their employment and reminded of their ongoing obligations under their

employment agreements not to use or disclose confidential information of the company learned during the course of their employment relationship.¹¹

§11 --Other departments

Activities overseen by other departments or groups within the company will also have consequences from an intellectual property compliance perspective. Examples include the following¹²:

- In order to satisfy the “security” requirement for trade secret protection¹³, the company should have a well-instructed security staff that is responsible for screening visitors at the front doors or gates of the facility, and guarding the facility at *all* hours.
- The security department should implement a system of identification badges and sign-in and sign-out procedures and should check packages brought into or out of a facility and may check for items not allowed in a facility such as cameras and recorders.
- When appropriate, the security department should implement reasonable physical security measures to protect trade secrets (e.g., cameras and locked gates or doors).
- The maintenance department should also support protection of trade secret information by providing equipment, such as shredders and separate trash receptacles, which employees should be required to use for disposing of confidential documents.
- When visitors are given tours of the facility, the tours should be hosted by personnel trained in ensuring that visitors do not have opportunities to view documents, prototypes, processes or similar items that the company seeks to preserve and protect as a trade secret.

Companies will house security and maintenance functions under different departments and groups and security and maintenance personnel will generally be widely dispersed throughout the company’s facilities. When putting together an intellectual property compliance program, it is important to consider the specific requirements for establishing adequate security and “confidentiality” of proprietary information and then identify all potential points of exposure. The program should include background checks and training for all security and maintenance personnel including outside vendors contracted by the company to perform security and maintenance activities.

§12 Intellectual property compliance committee

As noted above, primary responsibility for the overall coordination of the activities of each of the departments with respect to the intellectual property compliance program

¹¹ For further discussion, see “Intellectual Property in the Employment Relationship” in “Technology Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project.

¹² W. Frankel, A. Sternstein, C. Dolan and B. Lane, Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program (Eagan MN: Thomson Reuters Westlaw, 2015), §§ 2:10, 2:21 and 2:13.

¹³ For further discussion of the “security requirement” for trade secret protection, see “Trade Secrets” in “Technology Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project.

generally falls to the legal department; however, it is recommended that companies form an intellectual property compliance committee to serve as a focal point for discussions and debate, sharing of information and collaborative drafting of policies and procedures.¹⁴ The committee should be composed of representatives from each of the departments mentioned above as well as at least one member of the senior executive team. Each representative should have seniority and authority within his or her department to speak for the department and effectively lead all of the efforts in their department that might be required under the compliance program. The chairperson of the committee should come from the legal department, even in situations where much of the actual work in developing the compliance program has been outsourced to attorneys from the company's outside law firm(s).

The intellectual property compliance committee has several key functions: initial development and implementation of the compliance program; education of employees as to requirements of the compliance program; developing and recommending incentives for following the compliance program and reporting the results of the compliance program to the board of directors and the members of the executive team. The committee should be formed at the time that the program is first implemented and should continue to meet on a regular basis, either formally or informally, for as long as the compliance program is in place. Holding regular meetings ensures that all departments are communicating effectively and also makes it easier to address common issues and problems and share best practices relating to compliance activities.

It has often been observed that the most crucial role of the compliance committee is making sure that employees are properly trained in their duties and responsibilities and that they have access to educational tools so that they understand exactly what is needed and expected under the applicable intellectual property laws. While the compliance committee should approve and oversee the training program, the nuts-and-bolts are typically delegated to the human resources and legal departments. Training should begin from the moment a new employee walks in the door and should continue throughout the employee's career path with the company, particularly when there is a change in the employee's job duties and responsibilities. During the training process, employees should be reminded of the potentially serious consequences for themselves and the company if there is a violation of the compliance program, something which is often done through the use of hypothetical that demonstrate the financial losses the company could suffer from failure to protect trade secrets or infringing on the intellectual property rights of others. The committee should also develop information on potential incentives for employees for positive actions with respect to the compliance program such as bonuses for participating in the company's efforts to perfect ownership rights in patentable inventions.

§13 Intellectual property audits

¹⁴ The discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), §§ 2:15 and 2:16.

For technology-based companies the most significant asset is generally their intellectual property rights—patents, copyrights, trade secrets, and trademarks—and there is a real and substantial risk to those companies if they fail to take the necessary steps to preserve the value of these assets. In order to analyze the legal risks in this area, and take appropriate steps to minimize and manage those risks, it is recommended that companies conduct regular audits that focus upon the creation of the assets and ownership rights therein; the procedures used to perfect and maintain all legal rights in the asset; and the risk that the use of the assets might infringe upon the valid legal claims or the contractual rights of others.¹⁵

The proper scope of the investigation in this area will ultimately depend upon a comparison of the anticipated benefits of the review to the costs associated with the investigation. While a broad investigation will usually produce a substantial amount of information, the costs and time commitment associated with such an effort may be far out of proportion to the other strategic issues confronting the company. In some cases, it may be best to limit the detailed analysis to one or two key issues, such as the risk of possible trademark litigation or a review of the procedures used to "independently develop" a product which might be substantially similar to that of a third party. If the company intends to seek venture capital funding, it will need to do a complete audit which covers all aspects of its technology portfolio.

The audit process begins with the collection of information through the procedures described below. Once the information has been collected, it should be carefully analyzed and, if appropriate, a report or summary of findings should be prepared and delivered to the senior management of the company. While there are a number of issues which should be considered, it is helpful to break the analytical process into the following set of categories: ownership analysis; perfection and protection analysis; valuation analysis; infringement analysis; and remedial actions.

The purpose of the analysis is to obtain a thorough understanding of the origins of the property, products, and technologies used in the course of the company's business. To that end, the reviewer should be sure to investigate each of the following issues and questions:

- When was the property, product, or technology first conceived?
- When was the development completed?
- Who are the people who were involved in the development?
- Were they considered to be employees or consultants?
- What types of intellectual property might be available to protect the property?
- Did any person use any technical information or copyrighted patented technology of others in the development, support, or enhancement of the technology?
- Does any third party have intellectual property rights that could be violated by past or future users of the property?

¹⁵ For further discussion of designing and conducting intellectual property audits, see "Auditing the Company's Intellectual Property Assets" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

- Have any offers, licenses, or assertions of property rights been received?
- If consultants were used in the development of the technology, what measures were used to protect the interest of the hiring parties and to ensure that the hiring party owns the rights to the property developed by the consultant?
- If any part of the property was purchased or licensed from third parties, what rights were acquired, and are the obligations that have been or could be breached caused a reversion of rights?
- Has the technology been licensed to, or derived under work with, a government agency requiring special procedures in order for rights to be retained by the developer?
- Have necessary federal and state registrations been made and transfers recorded with appropriate agencies?
- Have required affidavits of use or other post-registration requirements such as payment of maintenance fees been complied with?
- Has the property been used to secure performance of any obligation?
- Do third parties own any license rights, joint ownership rights, or other rights in the property?
- Is the property substantially similar in function, appearance, or coding to the property of others?
- If any portions of the property are held in escrow, what are the conditions for release?

The information collected during an investigation can be used for a number of different purposes:

- Obviously, whenever the investigation is done in the context of a proposed transaction involving technology rights, the information will be used by both parties to negotiate, structure, and document the terms of the transaction.
- For example, the compensation, in the form of fees and royalties, to be paid by a licensee in a licensing arrangement will depend upon the perceived competitive utility of the licensed subject matter as may be determined during the investigation.
- In addition, the investigation can be used to verify each of the various representations, warranties, and covenants that are to be included in the transactional documents.
- An audit can also be used to train company personnel on proper procedures for protecting the company's intellectual property rights.
- If an audit uncovers potential problems in a specific area, the company may opt to expand the scope of its inquiries in that area alone.
- The investigation can also be used as a method for identifying any remedial actions which might be taken in order to enhance the competitive utility of the technology assets. The infringement analysis conducted during the investigation should permit identification of the relative strengths and weaknesses of actual and potentially competitive technologies and firms. Armed with this type of information, the company can determine the need for further improvements and enhancements to its existing set of technology rights, either through internal development activity or by licensing or purchasing technology rights from others.

- The investigation can also be used to improve the procedures which the company uses to protect its intellectual property rights, perhaps by developing a corporate patent program or implementing a trade secret security program.

§14 Intellectual property policies and procedures

An intellectual property compliance program is actually a set of integrated policies and procedures, including model forms in many instances, that collectively facilitate the identification, perfection and protection of the company's intellectual property rights and provide guidance to everyone in the company about how to use the rights without compromising their value to the company and how to avoid causing damage to the company by infringing the intellectual property rights of third parties. The number, scope and detail of the policies and procedures will depend on a number of factors, notably the importance of intellectual property to the company, the size of the company and the human resources available to actually follow through on the policies and procedures once they are written down and distributed. A representative list of intellectual property policies and procedures would include the following:

- A general intellectual property policy and individual policies and procedures each of the main categories of intellectual property rights: patents, trade secrets, trademarks, copyrights and other proprietary information. For companies operating in multiple countries, country-specific policies and procedures should be created.
- Procedures for conducting the audit of company activities discussed above to identify commercially significant intellectual property that should be protected, weaknesses in the company's security procedures and activities that might infringe upon intellectual property rights of others.
- Procedures for submission and review of information regarding new inventions developed by company employees to determine whether the company should seek patent protection for the invention.
- Procedures for submission and review of works created by company employees to ensure that the company takes all steps required to perfect copyrights in such works.
- Procedures for submission and review of logos and other marks associated with the company's products and services to determine if they infringe on the rights of others and to ensure that the company takes all steps required to perfect trademark rights therein.
- A comprehensive trade secret protection program that includes guidelines relating to the steps that need to be taken in order to preserve the confidentiality of the company's valuable proprietary information and trade secrets of third parties disclosed to the company in confidence.
- As discussed in more detail below, a general intellectual property compliance manual and supplements to the general manual with additional guidelines and rules for certain departments of the company such as marketing and sales, engineering and software development.
- Procedures for prior review of proposed products, services, processes and software, and any proposed use of the intellectual property of others, to ensure that intellectual property rights of others will not be infringed.

- “Submitted ideas” procedures for handling unsolicited ideas submitted from outsiders as well as any employee ideas that are not covered under the terms of their employment agreements with the company.
- Procedures for legal department review of proposed licenses and other agreements to use intellectual property of third parties.
- Policies and guidelines for interviewing new employees about potential conflicts that their employment with the company might have with the terms of any agreements they have entered into with their prior employers.
- Procedures for legal department review prior to acceptance or use of proprietary information of third parties, such as proprietary information of their prior employers that new employees intend to use in carry out their duties for the company.
- Procedures and required model forms relating to disclosures of the company’s proprietary information to third parties.
- Procedures and required model forms regarding the responsibilities of employees with respect to new inventions and ideas that they may develop during their employment relationship with the company and protection of the company’s proprietary information.¹⁶
- Guidelines relating to the use and licensing of the company’s trademarks and trade names.
- Model forms of agreements restricting employees from engaging in certain activities that have a high likelihood of damaging the company’s intellectual property rights (i.e., non-competition and non-solicitation agreements).
- Procedures for confidential reporting of actions of managers and employees that violate the company’s intellectual property compliance programs and policies.

§15 Intellectual property compliance manual

Many companies create and disseminate a compliance manual that sets out the basic tenets and guidelines of the company’s intellectual property compliance program and which can be easily accessed by all of the company’s executives, managers and employees.¹⁷ The compliance manual generally includes a general description of the applicable law for each of the major types of intellectual property rights—patents, copyright, trademarks and trade secrets—and sets out the company’s policies and procedures for each type. The level of detail for each type of intellectual property right will vary depending upon the business activities of the company the relative importance of each type of right to the business. In some cases, the main manual, which should be written in a way that can be readily understood by all of the company’s personnel, will be supplemented by more detailed manuals that are customized to the activities of specific groups of employees such as scientists, engineers, software developers and members of the marketing, information technology and security groups.

¹⁶ For further discussion, see “Intellectual Property in the Employment Relationship” in “Technology Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project.

¹⁷ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:149.

The legal department, with assistance from outside counsel, should be responsible for preparation of the compliance manual and should be sure that it covers all of the areas of the company's compliance program and includes summaries of applicable law that are current and which can be easily understood by persons who may not have much experience with intellectual property law. The manual should be reviewed regularly, no less than annually, to be sure that the descriptions of law are current and to incorporate any changes in the overall compliance program. The manual should be distributed to all executives, managers and employees (and to new employees as they join the company) and each recipient should be required to execute and return a certificate that includes an acknowledgement that they have received and read the manual and understand their obligations and agree to comply with them. The certificate should be placed in the recipient's personnel file. It is a good idea to hold training sessions on a regular basis to go through the contents of the manual, explain the law and procedures and answer any questions from employees.

The following sections lay out the views of experts on the contents of a basic compliance manual, which is generally divided into an introduction followed by separate sections on patents, trademarks, copyrights and trade secrets. While the legal department often prepares its own descriptions of the relevant laws, it is also possible to rely on publications prepared and distributed by the Patent and Trademark Office. The manual may include specific forms and checklists that employees are expected to use in fulfilling their obligations with respect to matters such as creating and maintaining a record of work on ideas that might be eligible for patent protection; however, for the sake of brevity the company may opt not to include those materials and instead provide employees with instructions on how to obtain and use them (e.g., forms relating to potentially patentable inventions may be maintained by the legal department, a practice that allows the legal department to keep track of inventions as they develop and intervene early in the process to provide guidance to the scientists and engineers who are working on the project).

§16 --Introduction

The introductory section typically includes a description of the goals, purposes and business activities of the company; a statement of the importance of intellectual property to the company's business in general; a statement of the company's commitment to establishing, exploiting, and enforcing its intellectual property rights as well as a commitment to respecting the intellectual property rights of others; a statement that the company has implemented an intellectual property compliance program and that employee participation is needed and expected; and a description of the compliance committee, its function, and its members.¹⁸

¹⁸ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:150. See also "Patents" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

§17 --Patents

The patent section of the compliance manual generally begins with a summary description of the patent law that covers basic issues and questions such as what is a patent (i.e., explaining that patents provide holders with certain rights to prevent others from practicing an invention for a specified period of time); what is patentable subject matter (i.e., processes, machines, manufacturers, compositions of matter, plants and industrial designs); each of the key statutory requirements for patentability (i.e., utility, novelty and non-obviousness); and the process that must be followed to apply for and receive a patent (i.e., preparation and filing of a patent application, disclosure of the invention and review and approval of the application by the PTO).¹⁹ The description should not be overly technical; however, it should be robust enough to provide readers with the ability to identify ideas and inventions that might be eligible for patent protection so that they can be brought to the attention of the legal department and other technical specialists within the company who are charged with determining patentability and deciding whether to prepare, file and prosecute patent applications.

It is also useful to explain why and how patents are important to the company and its business activities. The manual should describe the most common uses and advantages of patents such as excluding others from using inventions developed as a result of the company's research and development endeavors; collecting licensing fees and royalty income from third parties wishing to use products and processes that have been patented by the company; to enter into new business opportunities, such as joint ventures or cross-licensing agreements; to prevent others from obtaining patents on similar inventions which might have the effect of preventing the company from using its own inventions; and to gain recognition for the company and its research and development department in the business and scientific community. The manual should explain that patent rights extend only to the borders of the country, such as the US, issuing the patent and that the ability to enjoy the rights of a patent holder in foreign countries depends on following the procedures for awarding a patent in those countries.

While, as mentioned above, the decision about whether to pursue a patent application will be made by specialists meeting and acting as the company's "patent committee", readers need to be told how to do their part about collecting and organizing the information that will be needed if an application is to be filed. For many years, US law awarded patents to inventors who could demonstrate that they were the "first-to-invent" an invention, even if another party was quicker in filing a patent application for the invention. Under that framework, it was especially important for inventors to create a record of when the invention was first conceived and reduced to practice. US law was eventually changed to conform to international norms and patents are now issued to the first inventor to file an application for an invention even if someone else conceived the invention first. As such,

¹⁹ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:151. For further discussion of patents, see "Patents" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

it is now important for inventors and their companies to move quickly to prepare and file a patent application. Nonetheless, it still makes sense to create a detailed written record of the details of the invention and inventive process including laboratory notebooks that can be used for evidentiary purposes in patent infringement suits and preparation and prosecution of patent applications. Recommendations from experts regarding best practices for creating and maintaining laboratory notebooks include the following²⁰:

- Write down in ink all ideas, experiments, and observations for the invention in chronological order, preferably in a laboratory notebook;
- Include the title of the invention and a page number on each page the invention is described;
- If an error is made in the laboratory notebook, do not erase any entries; rather draw a line through the entry and continue the entry on the same page;
- Draw lines through portions of pages that are blank and start each day with a new page;
- Sign and date each page of the invention record and include the names of co-participants who worked on the invention;
- Have a witness that understands the nature of the invention read each entry for the invention record for the given day and sign and date the page;
- Never make new entries on pages that have already been signed and witnessed unless the new entries are clearly distinguished, signed, and dated;
- Permanently attach all charts, drawings, computer printouts, and samples to pages that are part of the invention record;
- If drawings, samples or charts cannot be attached to the invention record, they should be filed in a safe place that is identified on a page in the invention record;
- Never remove any pages from the invention record even if there is nothing on the pages;
- Cross-reference to outside sources of data;
- Never transfer an invention record to another person without informing the personnel who are in charge of maintaining the records; and
- Instruct employees that they cannot take invention records with them if they leave the company.

Instructions should also be given on how to collect and record the information that will be needed for the patent committee to determine whether to file a patent application for the invention. This information is generally presented on an “invention disclosure form” promulgated by the patent committee with input from patent specialists in the legal department and the company’s outside patent law firm. Such forms generally require identification of the persons who have been involved in the creation of the invention; a description of the invention, which should essentially be an initial draft of the description that will eventually appear in the patent application; identification of “prior art”, including references; relevant dates for the conception of the invention and steps taken to reduce the invention to practice; and information on actual or possible publication or use

²⁰ W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:151.

of the invention. Once the invention disclosure form and related information have been submitted to the patent committee, it will be reviewed and evaluated in order for a determination to be made as to whether an application would be successful and whether the invention itself will have sufficient value to the company to justify the time and expense of preparing and prosecuting the application and protecting the patent was it has been granted. Since trade secret protection is an option for many otherwise patentable ideas and inventions, persons involved in the inventive process should be educated about the need to take care to maintain the confidentiality of the invention until a decision has been made the by the patent committee, a caution that includes avoiding unnecessary or unintended publication of the invention.

§18 --Trademarks

The trademark section of the compliance manual should emphasize that trademarks are important to the company as a means of helping the public associate the company with its particular goods or services, as a sign of quality and as a tool for promoting sales of the company's products and services.²¹ The description of the law should cover the different types of marks (i.e., trademarks; service marks; certification marks; collective marks; trade names; and trade dress) and explain the relative strength and utility of the various marks based on where they fall within the following categories: arbitrary marks; suggestive marks; descriptive marks; and generic marks. Readers should be given instructions about how to assist in identifying and perfecting trademark rights; however, in most instances this should be left to experts in the legal department who will be responsible for trademark search and investigation, preparing and filing intent-to-use applications and applying federal trademark registration notices. Trademark usage should be tracked by the legal department to be sure that all supplemental filings are made on a timely basis once the trademark is in use. Many companies have a separate trademark use policy or manual that serves as a guide on how marks should be used in connection with the sale of products and services, product packaging and licensing to others involved in the sales process.

§19 --Copyrights

The copyright section of the compliance manual should describe what copyrights are and what is copyrighted subject matter (i.e., derivative works; compilations and collective works; idea/expression dichotomy; and publication).²² Illustrations of recognized copyrighted works are extremely helpful for readers and may include memoranda;

²¹ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:152. For further discussion of trademarks, see "Trademarks" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

²² Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:153. For further discussion of copyrights, see "Copyrights" in "Technology Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project.

photographs; advertising materials; architectural plans; logos; product designs; jingles; computer programs; brochures; and manuals. At the same, readers should be told what types of works have been held not to be eligible for copyright protection, such as ideas; procedures; processes; systems; methods of operation; concepts; principles; discoveries; blank forms; geometric shapes; titles; names; short slogans; and functional features. It should be pointed out, however, that works not eligible for copyright protection may nonetheless qualify for protection under patent or trade secret law provided that other requirements specific to the laws in the those areas are satisfied. The compliance manual should explain the reasons that copyrights are important to the company beginning with a statement that copyrights are a business asset of the company, just like machinery, inventory and other forms of intellectual property, and then continuing to emphasize that copyrights may be used to prevent others from copying original works of authorship developed by employees; copyrights may be used to prevent others from generating “derivative” works based on the corporation’s copyrighted works; and copyrights may be sold or licensed to others to generate revenue for the company.

The compliance manual should include a description of various technical aspects of copyrights beginning with the statutory conditions for copyright (i.e., originality and authorship and fixation in a tangible medium of expression) and continuing to explain how and when copyright infringement occurs and how the “fair use” defense may be used to defend a claim of copyright infringement. Of course, the compliance manual should also include a discussion of the procedures that employees should follow when they believe they have created copyrighted subject matter, including contacting the legal department for assistance in affixing appropriate copyright notices and filing copyright notices with the federal Copyright Office. It is also very important to ensure that employees are aware of the steps that should be taken into order to avoid infringement of copyright owned by third parties including photocopying policies and limitations and seeking and obtaining clearances, permissions or licenses for using all or part of a copyrighted work. Additional procedures to be followed to avoid infringement of third party copyrights while engaged in software development should be included in the supplement to the compliance manual provided to the company’s software developers.

§20 --Trade secrets

Trade secrets are protected under common law and, in general, state law will specify the requirements for trade secret status. Many companies have separate trade secret policies and manuals since it is important to emphasize to employees what steps they should be taking to keep trade secrets secure. The intellectual property compliance manual should explain why trade secrets are an important business assets of the company and make it clear that trade secrets can and will be used to prevent others from misappropriating technical advances and secret information develop by employees and as a revenue source for the company through sales and licenses to others.²³

²³ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:154. For further discussion of trade secrets, see “Trade

The compliance manual should include a definition of the term “trade secret” and then provide readers with an illustrative list of the type of information that has been recognized as eligible for trade secret status assuming other requirements are also satisfied. Such a list might include formulas and patterns; processes and methods of manufacturing; blueprints; drawings and block diagrams; devices or machines; computer software; business plans and marketing information; pricing information; sources of raw material; compilations; and customer lists. Since secrecy is the cornerstone of trade secret protection, the compliance manual should discuss in detail the tools that are normally used, and the procedures that are typically implemented, to prevent intentional or inadvertent public disclosure of information that would destroy trade secret status. Topics to be covered would include employee agreements; employee entrance and exit interviews; security of the corporate facility; visitor procedures; restricted access to documents and facilities; appropriate document destruction policies; publication and speech clearance; and procedures for when and how to release new product information to the public and customers. In addition, since companies will almost always have lawful access to trade secret information of third parties under licenses and other types of contracts, the compliance manual should include procedures for protecting such information so that they company does not violate its obligations to third parties to preserve the confidentiality of their trade secrets.

§21 --Compliance manual supplement for marketing and advertising group

Companies should consider preparing a supplement to the intellectual property compliance manual that includes guidance on specific issues for, and activities of, the members of the marketing and advertising groups. Guidance is particularly important with respect to marking products, packaging, and advertisements with the appropriate notice that a product is covered by a pending patent application or an issued patent, and experts recommend that the supplement should include a brief discussion of the statutory law that requires marking products to protect the company’s right to collect damages in a patent infringement action; procedures for marking “patent pending” on all products, packaging, and advertising for products that are covered by pending patent applications; procedures for marking “patent” or “pat.” and the patent number(s) covering the product on the product, packaging, and advertisements; procedures for deleting “patent pending” from products, packaging, and advertisements if the patent application has been abandoned; procedures for deleting expired patent numbers from products, packaging, and advertising materials; and procedures for clearing all products, packaging, and advertising through the legal department before the products are publicly advertised, distributed, or sold.²⁴

§22 --Compliance manual supplement for software development group

Secrets” in “Technology Management: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project.

²⁴ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:155.

Software development and use raises potential issues across several of the main topics including patents, copyrights and trade secrets and companies should consider creating a supplement to the intellectual property compliance manual that provides specific guidance to the company's software developers. Experts recommend that such a supplement should begin with a short description of how patents and trade secrets can be used to protect software programs and a more detailed discussion of how copyrights are used to protect software programs.²⁵ The longer discussion of copyrights is appropriate as it is the most commonly used strategy for protecting software and the supplement should emphasize the following:

- Copyrights may be used to prevent others from copying computer programs developed by employees;
- Copyrights may be used to prevent others from generating “derivative” works based on the company's copyrighted computer programs;
- Copyrights extend to application programs, operating programs, and screen displays;
- Copyrights extend to source code and object code;
- Copyright protects the programmer's expression of a particular algorithm, and not the algorithm itself; and
- The lawful acquisition of another's commercially available computer program, such as through direct purchase or reverse engineering, does not grant the purchaser the right to copy the program, the right to incorporate all or part of the program into another program or any other copyright rights in the program.

The supplement should include instructions on how software developers should work with the legal department to obtain copyright protection for software programs. In addition, developers should be admonished to maintain organized records including all drafts of the computer program, including flow diagrams and written descriptions, and to include dummy lines of code or harmless errors in their programs so that direct copying of the program can be more easily detected.

§23 Training programs

As mentioned elsewhere in this chapter, one of the primary goals of the intellectual property compliance program is to create a framework and platform for training and educating everyone in the organization about their duties and responsibilities in relation to the company's intellectual property rights. The general intellectual property compliance manual is a good place to start in developing a curriculum for an overview program that all employees, current and new, should complete. In addition, it is important to develop other programs that are customized to the special issues faced by particular groups within the organization. For example, engineers and scientists involved in basic research and new product development need to be trained about the requirements for protection of patents, trade secrets and copyrights and their obligations under

²⁵ Portions of the discussion in this section is adapted from W. Frankel, A. Sternstein, C. Dolan and B. Lane, *Corporate Compliance Series: Designing an Effective Intellectual Property Compliance Program* (Eagan MN: Thomson Reuters Westlaw, 2015), § 3:156.

employment agreements with the company to assign ideas and inventions to the company and comply with the company's procedures for disclosure of ideas and inventions and cooperating in company efforts to file patent applications. Members of the marketing and sales department need to be educated on the intellectual property issues that may arise when marketing and advertising products and services, such as when and how to seek trademark and copyright protection for elements of a marketing campaign and what steps should be taken to avoid inadvertent loss of trade secret protection. Business development personnel need to understand intellectual property issues in distribution arrangements. Finally, all personnel and departments involved in trade secret protection programs need special training on security procedures and how to carry out relatively simple activities such as escorting visitors through the company's facilities.

References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Technology Management is available at <https://seproject.org/technology-management/> and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

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