

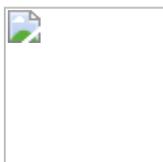


# FIELD LAW

## Intellectual Property and Technology

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### Intellectual Asset Management Best Practices – Part 1



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Does your organization have “intellectual assets”? Regardless of what your organization does – whether it is a service-based business, or in the manufacturing sector, whether it is driven by cloud-based software or bricks-and-mortar locations, whether it is a multinational or a local start-up – chances are good that you can start to list the intellectual capital that has value in your organization. What do we mean by “intellectual assets”? There are many definitions, but one broad definition is simply “knowledge that has value in your organization”, and it can encompass:

1. Human know-how and intellectual capital – the unwritten expertise, experience, concepts and technical knowledge that employees have in their heads; and
2. Intellectual assets, including registered and unregistered intellectual property (IP) – this includes the codified or “captured” knowledge that adds to your organization’s value, such as trade secrets that might be captured in internal processes, manuals, design specifications, software source-code and other unpublished know-how, as well as the value represented by:
  1. Patents (including Canadian and international applications and issued patents);
  2. Copyright-protected works (including published and unpublished written works);
  3. Trademarks (including logo designs, registered and common law marks);
  4. Industrial designs, and other forms of registered intellectual property.

Some organizations are better at managing and obtaining value from their intellectual assets. What are the best practices for the management of these assets? In this series, we’ll review current best practices for management of intellectual assets as a competitive tool. Experts in the area of intellectual asset management have identified several layers or tiers of sophistication in the handling of such assets. Therefore, while a start-up inventor may certainly learn from the approach of Apple, Inc., each organization must look at best practices from the perspective of their organization, their resources and their stage of development. As a starting point, the following three steps lay the groundwork for future steps of IP management and value creation:

#### 1: Conduct an Audit

The first step in any organization that is new to intellectual asset management is to conduct a review of existing assets. This is also a great exercise for organizations whose IP portfolio may be evolving – perhaps through recent growth, acquisitions, internal research and development (R&D) or divestiture. This step seeks answers to issues such as:

- What does the organization own, and what is merely licensed? What are the gaps in intellectual assets?
- Review unpatented inventions, patent applications, issued patents.
- Review software developed by or for the organization.
- Identify trade-secrets, focusing on non-public information that adds specific value to the organization, including intangibles such as customer lists, processes, early-stage prototypes, and strategic plans.
- What non-disclosure agreements or confidentiality obligations has the organization agreed to?
- Is the organization party to any IP licenses (in- or out-licenses)? Are there any co-development or joint venture agreements that involve IP creation?
- Identify the organization’s trademarks, logos and brands. Note registered and unregistered marks in use by the organization in different jurisdictions.

This audit or portfolio review process may start as a simple list, and may evolve into a more detailed table or spreadsheet. It may involve more sophisticated tracking systems which are maintained with IP counsel, to track patent maintenance fees and deadlines.

#### 2: IP Education

An organization must also educate its personnel on the strategic importance of intellectual property within the organization.

This is a process of raising awareness and providing education about the different types of intellectual property and the organization's policies related to these assets. This must involve the leadership of the organization and it may even trickle down to "front line" personnel. It should involve the integration of intellectual property strategy into overall business strategy, or if that IP strategy is already in place, it may involve internal education sessions and policies, such as confidentiality and invention disclosure policies. In some cases, it involves a process of educating professional advisors about the strategic role of IP in the organization.

IP counsel can play an important role to provide education, and to be a resource for developing internal policies, reviewing agreements, and drafting contractual provisions.

### 3: Implementing "Make versus Buy" Decisions

The next step can certainly happen in tandem with the other steps of IP portfolio analysis, and IP education. Many organizations are continuously innovating in their industry as they seek to gain and maintain their competitive advantage. However, not all organizations have the capacity to innovate internally. A medium-sized company may not have the R&D strength of its competitor, but it may still use strategic decisions to leverage the value of intellectual assets and gain an edge over competitors. Ultimately, the decisions on how to innovate involve a "make versus buy" decision. Through a screening process, an organization can weigh the various factors that influence its decision to pursue an innovation opportunity. At this stage, the organization is looking at factors such as:

- Are ideas and inventions emanating from within the organization? This is certainly enhanced when the IP education and awareness is part of the organization's culture.
- What is the value of these ideas and inventions, as against the cost of developing the idea to a commercial product?
- Is this a core or non-core function for this organization?
- Is it more cost-effective for the organization to internally develop this as a product or innovation, to pay someone else to develop it, or to license it in from another company?
- If it is internally developed, is IP protection available, and what type of protection will it be? Is it eligible for patent protection?

Here is one example of how these different pieces may fit together:

Let's say an organization has reviewed and listed its trade secrets during an intellectual asset audit. In the course of this process, it learned that trade secrets formed an important part of the organization's competitive advantage, but there was a lack of any internal confidentiality policies, nor was there any invention or idea disclosure process. With the help of counsel, it developed an internal confidentiality policy, as well as a modest reward system for idea disclosures. The CEO directed IP counsel to provide a lunch-and-learn session for employees, including those in the sales team. Employees were educated about their role in the organization's value-chain, and the importance of maintaining secrecy over confidential information and innovative ideas. After the education sessions, someone in sales came forward to describe an idea for product improvement based on recent feedback from customers. This idea was filtered through the company's "make versus buy" decision process, leading to a product improvement which was determined to be patentable. This patentable improvement blocked competitors from adopting this product change. The company's confidentiality policy emphasized the importance of maintaining secrecy over the improvement until the patent application was filed and the product improvement was released for sale.

To discuss the importance of intellectual assets within your organization, contact [Richard Stobbe](#) in our [Intellectual Property and Technology Group](#).

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