**Patent/Trade Secret Checklist**

For many technology companies, developing an Intellectual Property (IP) strategy is an important component of the business plan or investor slide deck. Oftentimes, the approach for developing a patent and trade secret strategy is more happenstance than execution of a precisely defined plan. To help develop an IP strategy, this document provides a checklist for getting organized in preparation for developing a comprehensive defined plan for the company.

# Patents

Patent law protects new and nonobvious ideas that have utility or an ornamental design.

### Patent Portfolio Goals

Starting in the development phase, the patent strategy identifies the key business goals of the company. Clear business goals provide a long-term blueprint to guide the development of a valuable patent portfolio. In particular, the company should:

* List the business goals for the company.
* Identify key industry players (competitors, partners, customers).
* Identify technology and/or product directions (within company and within industry).
* Determine whether a patent portfolio be used offensively (*i.e.*, as a “sword” asserted against others; revenue generation, etc.), defensively (*i.e.*, used as a “shield” or counterclaim against others who file suit first), for marketing purposes (*i.e.*, to show the outside world a portfolio to demonstrate company innovation, “patent pending”), or a combination of these.
* Meet with attorney to align goals, industry information, technology/product information, and patent portfolio use to outline core patent strategy.

1. Evaluation of Company Assets

The evaluation process begins by mining and analyzing intellectual assets within the company. Intellectual assets include products, services, technologies, processes, and business practices of the company. In this process, a company organizes and valuates all of its intellectual assets. To help think of what the intellectual assets may be, consider the business goals and technology and/or product directions outlined previously. For example, for each business goal, determine what are the core technologies and/or products that will help drive that goal.

* Identify employees that create intellectual assets for the company.
* Clearly articulate the business goals and align the technology and/or product directions with those goals.
* Identify the intellectual assets. To help determine this, gather and organize documented materials. Examples of documented materials include business plans, company procedures and policies, investor presentations, marketing presentations and publications, product specifications, technical schematics, and software programs. It may also include contractual agreements such as employment agreements, assignment and license agreements, non-disclosure and confidentiality agreements, investor agreements, and consulting agreements.
* Identify the anticipated life span for each intellectual asset. For example, critically evaluate the anticipated lifespan of technologies and/or products before they are likely to be replaced with the next generation?
* Identify the market for each intellectual asset.
* Identify products/product lines incorporating each intellectual asset.
* Identify those intellectual assets best suited for patent protection.
* Review risk analysis with attorney involving competitor studies.
* Prepare budget for patent strategy and patent procurement (See attorney to obtain insights on various costs and fees associated with this step. Some considerations for fees include setting and implementing the patent strategy, preparing patent disclosure materials, preparing and prosecuting patent applications, and maintaining the patent portfolio).

## Acquisition

While the evaluation phase is in progress, the company can move into the procurement phase. In the procurement phase of the patent strategy, a start- up company builds its patent portfolio to protect core technologies, processes, and business practices uncovered during the evaluation phase. Typically, a patent portfolio is built with a combination of crown- jewel patents, fence patents, design-around patents, and portfolio enhancing patents. Each patent may have a unique value proposition for the company. An integral part of the procurement phase is to develop and establish a process for patent procurement and management. This allows the company to capture all inventions to evaluate intellectual property protection options that include patent, trade secret and copyright. In addition, a thought-out, well- organized process can be an important component of maintaining cost controls. Thus, in the procurement phase, a company should consider:

* Identify a patent administrator to oversee, coordinate, and manage the patent process and patent review committee.
* Identify a patent review committee that will be responsible for this phase. Members of the committee may include a cross-section of company individuals that together can integrate the company’s patent strategy with its business strategy and financial considerations. Here again, the selected members should have an understanding of the commitment this will require and an ability and desire to commit sufficient time for the commitment. As with the prior phase, team members should have the backing of management and management should understand the implications of insufficient time and effort as it impacts the implementation and execution of this phase and the costs involved with it.
* Draft invention disclosures (See attorney for Record of Invention Form). Note that the level of completeness for the invention disclosure (see also next step) may impact the cost of patent preparation and, subsequently, patent prosecution (examination). Hence, a good invention disclosure form often is helpful in organizing and articulating an invention for others in this process to understand the key aspects for protection consideration and its benefits.
* Evaluate completeness of invention disclosures and determine whether (and what) additional details may be required.
* Critically evaluate each invention disclosure in the context of the patent strategy (including considerations of product life, potential time to issuance, and industry trends/directions).
* Weigh risks versus reward of a conducting a prior art search. Note that a prior art search is not required, but may be worthwhile to have a better understanding of the boundaries of what type of legal protection may be available. However, there are risks of certain type of prior art searches, such as searches of issued patents that should be discussed with an attorney.
* Evaluate benefits and risk of provisional versus utility patent application with attorney.
* Forward invention disclosure to an attorney for patent application drafting.
* Over time, determine whether to conduct further competitive analysis to study industry trends and technology directions and identify patent portfolio coverage in view of same.
* Over time, evaluate risk versus reward of studying patent portfolios of competitors and other industry players to identify how to further strengthen its patent portfolio.
* Tune the budget for patent portfolio procurement and development. (See attorney to obtain insights on various costs and fees associated with tuning, including aspects such as pruning, focus for prosecution, etc.).

## Deployment Phase

A company that values its intellectual assets may set aside time, money and resources to further enhance its patent portfolio. To do this a company may move to the deployment phase. The deployment phase may include licensing all or part of a patent portfolio to others in the industry or to alternative applications for the technology. Alternatively, it may include asserting rights established by its patents, such as through litigation. The deployment stage often includes high-level management involvement. In this stage a company should consider:

* Review “sword”, “shield”, and/or “market” strategy considerations.
* Determine risks and benefits of various enforcement options (cease & desist; cross- license; etc.). Evaluate impact on business goals and reporting and financial statements.
* For “sword” evaluate competitor products for infringement considerations and determine risks versus rewards of cease and desist strategy or licensing strategy
* For “sword”, evaluate strength of competitor patent portfolios to access the potential for competitor counter-attacks.
* For “shield” evaluate impact of patent with respect to potential aggressors.
* For “market” review patent portfolio to identify those assets that company can sell for cash or use to spin out new business.
* Seek invalidity and/or non-infringement opinions before launching potentially infringing products.
* Seek patent clearance before investing heavily in a new product.

# Trade Secrets/Confidential Information

## Definition & Requirements

Confidential information and trade secrets are a company’s valuable business assets. Although all trade secrets must be kept confidential, not all confidential information merits trade secret protection. A trade secret is: 1) Financial, business, scientific, technical, economic, or engineering information; 2) Kept confidential by the Company through reasonable efforts; and 3) Economically valuable because the information is not generally known. Trade secrets enjoy greater legal protections than other types of confidential information. Trade secrets must meet specific criteria established by: the Defend Trade Secrets Act (DTSA); state statutory law; or common law.

Certain types of business information confidential because it provides a competitive edge over our competitors and other companies as long as it is kept secret. This information includes: 1) Trade secrets; 2) Business and marketing plans, strategies, and programs; 3) Financial budgets, projections, and results; Employee and contractor lists and records; 4) Business methods and operating procedures; 5) Technical, engineering, and scientific research and development; 6) Formulas, recipes, and chemical compositions; 7) Blueprints, designs, and drawings; 8) Software development documentation; 9) Pricing and sales data; 10) Prospects and customer lists; 11) Supplier and vendor lists; 12) Terms of commercial contracts.

## Best Practices

Best Practices for Protecting Confidential Information and Trade Secrets:

* Limiting disclosure to those who need to know.
* Obtaining contractual protections and require third parties sign nondisclosure and/or confidentiality agreements.
* Implementing security measures to control access to trade secret information, including physical access (locked doors and cabinets, visitor sign-in, etc.) and computer access (encryption, password protection, firewalls, etc.).
* Addressing confidentiality issues when employees join and leave.
* Requiring all employees and independent contractors to comply with an internal confidentiality policy.
* Establish a policy for labeling all documents containing trade secret information as CONFIDENTIAL or TRADE SECRET.
* Training employees.
* Preparing for inadvertent disclosure.
* How can competitors defeat my rights? Hire away key employees? Reverse-engineer the product or process?
* Patent my trade secret (you may have prior user defense rights but has limitations and holes such as against university patents)

**Patent vs. Trade Secret Protection Decision Process**

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|  | **Patents** | **Trade Secrets** |
| What is protected? | Inventions | Any information you do not want your competitors to know |
| What are the requirements? | The invention must be new, useful, and non-obvious | The trade secret must, in fact, be a secret and maintained as such through appropriate business practices |
| How long does protection last? | 20 years from filing and a minimum of 17 years | Indefinitely |
| What are the costs? | Filing, prosecution, maintenance, and enforcement | Establishing procedures and keeping key employees |
| How long does it take to secure  rights? | Two to five years | As long as it takes to establish and maintain internal company  procedures |
| How can competitors defeat my rights? | * Invent and file first * Challenge the validity of my patent * Design around my patent * Invent and publish | * Hire away key employees * Reverse-engineer the product * Patent my trade secret * Independently develop |
| How can I defeat my own rights? | * Publicly use the invention for more than one year before filing a patent application * Sell (or offer to sell) the invention more than one year before filing the patent application | * Accidentally disclose a trade secret * Fail to retain key employees * Try to get U.S. and foreign patents and have patent application published by USPTO |

**Other Intellectual Property Issues**

### Employees

* Consider requiring all employees to execute agreements that (a) require assignment of all IP rights developed while they are employees, and (b) prohibit use or disclosure of confidential information.
* Consider requiring certain employees to execute noncompete and nonsolicitation agreements.
* Require all new employees to acknowledge that they do not have and/or will not use any trade secret or proprietary information from any prior employer.
* Implement and enforce company security policies to protect IP assets, including appropriate use of computer and mobile devices.

*Passwords, etc.*

* Take steps to secure IP when employment ends.
* Conduct exit interviews of departing employees concerning IP issues, including trade secrets, inventions, technology, return of company property, etc.
* Multistate employers: Be aware of differences in various states’ laws.

### Domain Names

* Register domain names incorporating company name and important marks in all major top-level domains, such as .com, .net, .org, .biz, .us, .info, etc.
* If international markets are important, consider registering in available country code top-level domains (ccTLDs), such as .ca (Canada), .co.uk (United Kingdom), .jp (Japan), etc.
* Implement systems for tracking and maintaining all domain name registrations, renewal dates and appropriate whois data.
* Employ defensive domain name registration strategies (register common misspellings, register mark plus descriptors, etc.).
* Consider employing a watch service to notify you when key brands are incorporated into third-party domain names.

### Web Sites

* Include appropriate legal notices, including copyright notices, trademark notices and symbols, patent notices and disclaimers.
* Consider appropriate terms for your Web site depending on the nature of your Web site’s activity and the information collected, such as privacy and terms of use agreements.

### Licenses and Insurance

* Ensure that any licenses allowing you to use another party’s IP include indemnities against IP infringement and related claims.
* Ensure that any licenses allowing another party to use your IP include indemnities against tort and product liability claims.
* Purchase insurance that covers IP risks.