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The Corporate IP Policy -- Tailoring for the Industry, for the Organization, for Strategic Goals

by S. Revelle Gwyn



Patented innovations, trade secrets, information, and other intellectual property can have multiple uses to multiple users, whether the owner, licensees, or unauthorized third parties. Recycling, re-using, and exploiting IP presents opportunities and challenges to businesses and academic and research institutions. The monetary cost of IP misuse or IP disputes can be budget-breaking. The costs of public embarrassment, loss of customer trust cost, disrupted business or research activities, and replacing terminated employees may be difficult to ascertain, but each may require years to overcome and repair.

A well-conceived and implemented IP policy can be not only risk a management tool, but also business strategy and employee incentive mechanism. Off-the-shelf IP policies and procedures are a place to begin developing these tools; however, achieving and sustaining success depends on IP policies and procedures that are fully integrated across an organization and enjoy a commitment from the entire business or research enterprise -- all management, all employees, and owner and customer stakeholders. A corporate IP policy, and its attendant procedures, should be tailored for the organization's industry, for the organization's specific business activities and culture, and for its strategic business goals.

Tailoring for the Industry

1. Needs Assessment. The first step is determining what IP or IP-related policies currently exist, how they currently are implemented or used, and their effectiveness. Does the organization have an employee confidentiality agreement which all employees sign on the first day of employment, a register of owned or licensed patents, copyrights, trade secrets, and trademarks? Does the organization track its IP licenses, as the licensee and as the licensor in a central registry, as well as among the offices, divisions, or other business units where the licensed technology is used? These discrete, IP-related activities may appear to be bits and pieces, but they also may be the starting point of a well-integrated IP policy.

Every company has gaps in its IP policies and procedures. Its HR group may not participate in developing or managing employee innovation programs or determining periodic rewards for unusual innovations or designs that result in increased productivity. Its research and development group may not assist in planning licensing programs to leverage the organization's IP assets. Periodic assessment of IP policies and procedures is essential and can provide the basic information needed to determine the cost of leaving a gap open and the need, timing, and other circumstances for closing it.

Certain events, in addition to the calendar, can and should drive the occurrence of periodic IP assessments. Expansion of the organization's business to a foreign country should prompt a review of what current or anticipated IP will be used at the new location and the foreign country's requirements for protecting the organization's IP. Planning joint venture or divestiture transactions should include IP due diligence activities to assure that current IP is actually owned or licensed by the organization and is properly registered or protected and that any deficiencies are identified, understood, and remedied as needed.

2. Listen and Learn. No organization exists in a vacuum, and everyone in an industry or industry niche faces similar problems and issues. Industry associations and trade groups focus on various aspects of IP

policies and implementation, including employee intellectual property transfer and confidentiality agreements, database access, security and management, and customer information protection. They often can provide checklists of "dos and don'ts" and industry standard guidelines. Some associations regularly "scrub" proposed legislation, analyze specific events or circumstances and promote, or endorse approaches to specific problems. These are resources that can shorten the time and effort required for an organization to invent its own IP policies and procedures wheel.

3. Third Party Expectations and Requirements. Customers and governmental regulators have their own expectations regarding an organization's IP policies and procedures. Some of these expectations are seated in statutes, rules, or regulations. Others, which usually appear as contract obligations, are the product of a customer's experience or "flow down" requirements which a customer is obligated to impose upon its vendors. Some third party requirements or expectations are so prevalent that they become industry standards, and by being such, can result in similar costs of operations to others in the industry.

Tailoring for the Organization

1. Foundation in Organization's Culture. Successful IP policies and procedures are not only well-integrated and managed, but also are aligned with and reflect the organization's culture. Organizations that place a premium on integrity from the highest level of management down through employees and consultants in all divisions and offices may meet less resistance when they implement an organization-wide IP policy that respects the ownership and use of IP in addition to rewarding innovation.

Where an organization has access to and use of customer IP, it should understand its customer's general and specific expectations, use appropriate documentation for its responsibilities, and educate its employees accordingly. Making a commitment to use and protect a customer IP but failing to do so has costly consequences beyond loss of the customer. While unauthorized disclosure and misappropriation occurs, having a properly configured, periodic IP training program, confidentiality agreements with employees, independent contractors, and other third parties who may have access to or information concerning the customers' IP, and security which a customer reviews and approves may lessen the damages claim. An organization's IP policies and procedures also should include a document control system, IP use-related restrictions, access requirements (including biometric and password features), internal and external auditing for compliance with the organization's IP policies and procedures and, where appropriate, with specific customer requirements.

2. Training and Education. Focused, periodic training and education is an essential element of an IP policy. Misconceptions regarding patents, innovations and trade secrets, copyrights, and trademarks abound, and these misconceptions often are the root cause of IP myths. Allowing IP myths become the IP policy or practice can result in mistakes which lead to IP infringement, misuse, or misappropriation. It is old news that law suits are expensive and organizational embarrassment makes great press, but both result from the domino effect of ineffective or incomplete IP training and education across an organization.

Well-integrated IP training and education programs frequently include: periodic training that occurs at least annually and which includes testing and signing a statement acknowledging an understanding of and supporting the organization's IP policies and procedures; materials (whether hard copy or on line) designed to inform and to replace inaccurate information with valuable ethical principles and specific information regarding specific types of IP, the organization's use of its owned and licensed IP, and the organization's IP policies and procedures; specific information regarding procedures for documenting designs, inventions, testing, and information or data and their sources or creators, for compliance with non-disclosure agreements and with agreements to transfer ownership of IP that is created by employees, independent contractors, or other third parties having transfer obligations to the organization, and for making changes or additions to materials, processes, technology, or other IP which is licensed from a third party; dos and don'ts regarding licensing and selective or occasional use of a third party's IP rights; the dangers of involving a third party in the organization's IP use, including the consequences of spreading "tainted" IP to customers and the potential damage to business relationships and actual revenues; real world, small group discussions which are laced with specific questions and answers from well-qualified group leaders, such as experienced IP counsel or the organization's licensing office or research and development managers; examples of worst case scenarios or actual war stories;

the anti-piracy program, hot-line, or other reporting of possible infringement of third party IP rights and of possible infringement of the organization's IP rights; the organization's enforcement of its IP policies and procedures; and the organization's expectations in collaborative design, research and development, manufacturing, or processing activities where its employees or independent contractors are working with the organization's customers, joint venturers, prime or sub contractors to develop new IP or to use or improve the organization's or the other party's existing IP.

3. Integration with Organization's Operations and Management Structure. IP training and education generally is not (and should not be) the responsibility of one group within an organization. It is a combined effort that starts at the top of the organization chart with a strong commitment from all senior management that is reinforced throughout the training and implementation of the IP policies. This reinforcement is essentially built around the two-fold concept of (i) protecting the organization's IP assets and (ii) requiring respect for the IP assets of others.

While its other training and employee policy activities may result in the HR group becoming responsible for implementing IP training and education, IP training and education also should include experienced in-house counsel or outside lawyers, managers from research and development areas, and managers who are regularly involved in manufacturing or processing, creating designs, written materials, or products, and those engaged in sales and marketing and related trademarks. In short, the "teacher" participants stretch across the entire scope of the organization's operations wherever trade secrets, trademarks, copyrights, or patentable innovations are created or used. Why so broad a reach? Infringement, on the one hand, and authorized use of IP, on the other, does not start and stop at the lab door. Changes along a production line, failing to conduct a trademark search, assuming that all information available through the Internet is not copyrighted, for example, can produce unintended and time consuming delays and costly results.

Tailoring for Strategic Goals

1. Identifying Strategic Goals. IP creation and use may be an essential function of an organization or an ancillary one. In either case, it is likely the organization can gain additional business momentum or value when it leverages its owned or its licensed IP. Developing and refining an organization's IP policies and procedures should include the role of IP in the organization's strategic business planning, as well as in its risk management and employee education and training.

Are there markets into which the organization's owned IP can be licensed? What is the breadth and depth of those markets, the expected license terms and conditions, the anticipated costs and return on licensing activities? Do specific licensing activities enhance the organization's other business activities and reinforce or create other desirable business relationships? Are there licensing activities or "unwelcomed" potential licensees to be avoided? Should the organization form a joint venture or strategic alliance with third parties to create synergies from the organization's and third party IP and expertise? How should the organization handle the development of new IP with a third party -- should it be jointly owned, who will have what rights in what geographic area or markets to any new IP resulting from such synergies? Can and should the organization's IP be used outside the U.S.; by whom; under what conditions?

What are the financial, customer relationship, regulatory, and other business risks associated with each strategic use of the organization's IP? The range of issues and questions is as diverse as the organizations that strive to use their IP for strategic, as opposed to incidental, purposes.

2. "What's in It for Me?" The success of any strategic use of an organization's IP rests on the organization's employees. Will they embrace the organization's vision and annual or other periodic goals? While some employees will innovate or create because they were hired to do so, most successful IP policies include some method to stimulate the employees' motivation to invent, to design, to create in their jobs and by doing so to enhance an organization's competitive position.

Recognizing employees' actual patent applications and successful use or implementation of the technology described in the applications is an oft-used method of aligning the employees' interests with those of an organization. It enhances employee morale and allows the organization to compensate one or more employees for the successful use of technology within the organization. The organization's improved profitability and valuable research can be recognized in annual or spot bonuses to inventive or

creative single employees, working groups, or other business units. Some organizations may pay bonuses based on product sales or other use of specific technology similar to employee compensation based on license revenue.

These types of programs motivate employees and deliver value to the organization when they are based on fair and transparent methods of determining the value of specific technology, designs, or other IP to the organization. Some organizations include the potential recipients in the developing the paradigm or methodology for determining what constitutes an outstanding contribution to the organization's business and the bonus amount.

3. Value Beyond the Organization. Certain types of IP have as much or greater value to its organization owner when it is licensed to a third party outside the organization. Compensating employees who created this technology or other IP is equally important; and these types of employee incentive programs also enhance morale and improve the organization's bottom line. The basis for rewarding employees in these circumstances generally does not arise from successful patent applications or actual internal use. Instead, it often focuses on actual license fees or license-related revenue collected during a specific period or on some combination of actual license fees and fees for training or services which are related to the patent, technology, or other licensed IP.

Some organizations have standardized scales that show the amount to be paid to inventor or other employees when collected license fees are reach "X", "Y", or "Z" levels or some similar type of scale. As with internal IP bonus programs, IP license programs are most successful when they are based on a transparent methodology which is perceived as fair and includes license results that are reported to the employees who participate in the bonus.

Yes, there is a cost (and it may be a substantial one) to designing and implementing a corporate IP policy, and, yes, it can and should be as broad in scope as the organization's development and use of IP. But, a corporate IP policy can be built in stages, some of which may already exist. Implementing an employee training and education program that fits the organization's industry requirements and its business and culture is a first step; tailoring it to the organization's strategic business goals is an important expansion.

About the Author

S. Revelle Gwyn is a partner in the Huntsville, Alabama office of Bradley Arant Boult Cummings LLP. She can be reached at 256-517-5146 or rgwyn@babbc.com.

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