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INTEGRATING INTELLECTUAL PROPERTY MANAGEMENT STRATEGY INTO
CORPORATE AND BUSINESS STRATEGY; FROM GENERATION OF NEW IDEAS
TO LAUNCH OF NEW PRODUCTS

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INTRODUCTION

For the high-tech company, Intellectual Property (IP) may be the most valuable of company assets. Of these several internationally recognized forms of Intellectual Property, those of particular value to the high-tech company include patents, copyrights, trademarks, trade secrets, and mask works. Among these, patents are generally considered the most important. Relative to procuring other forms of IP, however, the patenting process is long, complicated, and expensive process. Thus when IP owners commit resources to develop their inventions and protect them with duly issued patents, decisions regarding allocation of resources must be addressed.

This paper is directed to a discussion regarding the integration of intellectual property management strategy into corporate and business strategy. The topics discussed cover IP issues from the generation of new ideas to the launch of new products or services. In the present discussion, the term IP will generally be utilized to encompass all forms of intellectual property protection. As indicated above, however, it should be understood by the principals of high-tech companies that patents are perhaps the most important of intellectual property protection devices. While keeping a view to all forms of IP, the present discussion will nonetheless be somewhat necessarily focused on patents. In addition thereto, it should be further understood that in several large economically developed nations of the world, business methods are patentable. Therefore this paper will discuss IP issues relative to developing and protecting new products as well as new and novel services. This paper is divided into two main parts each including several sections. Part I is directed to the administrative aspects of implementing and maintaining internal corporate procedures for structuring the development and protection of proprietary innovation. When effectively implemented and maintained, these procedures lead to the creation of an enforceable portfolio of intellectual property. Part II of this paper is directed to offensive use of intellectual property as a strategic business tool.

PART I

Administrative Aspects of Implementing and Maintaining Internal Corporate Procedures For Structuring the Development and Protection of Proprietary Innovation

A. The Corporate Document Retention Policy

To establish a reliable and retrievable collection of corporate information, it is advised that business entities develop a document retention policy. Business information may be conveniently divided into four main categories. These include financial information, administrative and personnel information, technical information, and strategic business information. All of this information should be considered either general confidential business information or confidential and subject to trade secret protection.

Routine matters such as what types of physical or electronic files are needed for maintaining the types of documentation the corporation produces should be decided. Whether this information is public or confidential should be clearly indicated both on the documents and their files. Access to and distribution of confidential matters should be strictly limited as necessary. The time period during which corporate records are to be preserved should also be established.

Of the types of business information discussed above, the type of information most amenable to IP protection (either patents or trade secrets) is technical information and strategic business information.

Technical information containing disclosure of developing new and innovative products and services is typically kept by scientists and engineers in laboratory notebooks, technical reports, drawings, electrical schematics, simulations, photographs, graphs and tables, flow charts, and source code. This type of documentation typically contains the subject matter of trade secrets and patents. Such documentation therefore must be maintained as strictly confidential with a view toward sharing it with IP attorneys for analysis.

B. Establishing Corporate Committee

A critical part of integrating IP management into corporate and business strategy is the formation of effective committees which need to share information and interact in a coordinated manner. The principal committees necessary to perform this function internally in a business organization may typically include the executive committee, the patent or IP committee, the product development committee, and the marketing committee. To ensure the flow of information between these committees and promote coordination among them, it is advised to have two or three senior ranking company officials sit on several or all of such committees. In accordance with established corporate policies, each of these committees will have its mandated areas of responsibility and accountability.

The executive committee is generally concerned with maintaining company profit and strategic advantage over competitors, providing a sufficient flow of resources into company departments, allocation of resources, and ensuring sufficient financing for established business objectives. The members of this committee typically include the president, chief executive officer, chief financial officer, general counsel or in-house corporate patent counsel, and vice-presidents from product development, marketing, and regulatory affairs for example.

The IP committee is typically charged with the duty of analyzing competitors' patents, maintaining an awareness of internal research and development involving company innovation, establishing and maintaining a reverse engineering program when necessary, and interfacing with IP attorneys in private firms for (1) reviewing competitors' IP strengths and weaknesses and (2) developing the company's IP portfolio in a manner that makes strategic and competitive sense given the company's strengths relative to its competitors. Members of this committee should include senior scientists and engineers, heads of technical departments, general counsel or in-house corporate patent counsel, and one or two executives or corporate officers. The IP committee is also usually responsible for reviewing proposed trademarks and approving the use thereof in connection with the company's products and services.

The product development committee and the marketing committee typically work in a "feed-forward" to "feed-back" manner. Once company objectives and market targets have been established by company executives, the marketing committee must first analyze the market relative thereto. If there is no profitable market for a newly proposed product or service, the company will not typically allocate resources relative thereto. On the other hand, when the marketing department establishes that there is a profitable market for a newly proposed product, the product development committee then analyzes customer needs and preferences and attempts to develop a suitable product based thereon. As the product develops internally, the marketing department will assemble a consumer focus group to test the prototype products. The results of such consumer testing are fed back to product

development to be used in further refining the developing product to thereby better suit the expressed needs and preferences of the customer.

C. Documenting Innovation, Discovery and Creativity

When creative employees have an idea relating to the company's business, they should have a clear understanding of what to do with such an idea. Documenting such an idea is critical to the maintenance of an internal IP development program. Apart from the general corporate policy relating to document retention discussed above, the corporation is advised to have clear policies regarding idea submissions. Typically, creative personnel are given access to official company forms that require completion for documenting ideas.

With respect to patents, a corporation usually provides an "Invention Disclosure Record" or similarly named document that is to be completed by prospective inventors when they have new product ideas or innovation inspiration. These forms can be supplied by the company's IP attorneys. They typically have several sections requiring completion. These sections may include a proposed title, list of joint inventors, brief description or abstract, a detailed description, drawings, and a series of questions relating to when the idea was first conceived, whether it has been discussed with others and if so, under what circumstances, and knowledge of the prior art.

If the company intends to use trademarks or services marks, a similar "Proposed Trademark" submission form should be employed. All personnel should be encouraged to suggest trademarks and service marks for prospective use by the company. This trademark submission form typically includes an area for listing the mark and providing a stylized drawing if suggested.

When the company's main activities involve copyrighted materials such as music, motion pictures, software, or publications including books, newspapers, and magazines, registering copyright protection is highly recommended. For new companies starting in these areas, the internal corporate process for documenting and protecting copyrighted materials should be developed by working closely with IP attorneys that specialize in copyright protection for these types of industries.

D. Employee Training and Related Personnel Issues

The best of corporate policies become ineffective unless they are properly followed by all employees of the corporation. This is true for all levels of employees - from the president and CEO to the janitorial staff that removes paper waste from company premises which may include discarded technical or business documentation containing trade secret information.

When a high-tech company hires new employees, its human resources officers should provide a new employee orientation. This orientation should clearly establish the corporate policies relating to documentation retention, creation and ownership of innovation, and employee duties of confidentiality and non-competition where appropriate. It is advised that corporate entities maintain such policies in written form and require new employees to read and sign such policies as a condition of employment.

Virtually all creative innovation in a high-tech company is generated by the scientists and engineers who have responsibility for conducting research and development and/or product development. Therefore documentation from these employees is particularly

necessary for memorializing their innovative work. If a creative employee generates new and innovative ideas without hard documentation, the company may never realize any economic benefit therefrom. Senior managers in these departments are typically charged with the responsibility of reviewing their employees' progress and determining whether such technical progress is sufficiently significant to rise to the level of important trade secret information that perhaps requires patent protection. As discussed above, these senior managers or department vice-presidents should sit on the product development or marketing committees which in turn are coordinated with the executive level via the executive committee.

All corporations should take actions directed to enforcing their policies with their employees. Typically, hard-working and loyal employees have no difficulty conducting their activities within set policies. To ensure compliance with established corporate policy, however, employee reviews or performance appraisal should include a review of the employees' fidelity to established policies maintained for promoting and maintaining IP development. Such performance areas include (1) how well scientists and engineers keep their laboratory notebooks, (2) clarity of technical reports, (3) significance of creative contributions to company innovation, (4) ability to keep company trade secrets and confidential information from inadvertent public disclosure. The ability of a business organization to properly train its employees and maintain needed administrative programs that impact IP development, is directly related to its ability to successfully compete in the market place.

There are times when employees breach company policies relating to the development and maintenance of IP. When these breaches are significant and result from gross negligence or intentional conduct, it is advised that the company takes swift and appropriate action to protect its business interests accordingly.

PART II

Offensive Use of Intellectual Property as a Strategic Business Tool

A. Market Analysis from the Strategic Business Point of View

To maintain its competitive advantage, a business organization must be aware of the competitive environment. With regard to monitoring competitors' activities, it is advised that high-tech companies perform IP monitoring of published trademarks, published patent applications, trademark registrations, and issued patents. A business organization can perform this activity internally by conducting on-line searches in the various national patent and trademark office databases. Alternatively, the business may hire watch services or law firms to perform this function.

Once the publicly available IP of competitors is collected, it must be analyzed from a strategic point of view. The company's patent or IP committee is responsible for assigning such tasks. Typically, analysis of competitors' IP is delegated to sub-committees of the IP committee. When dealing with competitors' patents, two principal inquiries are investigated. The first is defensive in nature and is directed to determining whether the company's products of proposed products would infringe the patents of others. The second is strategic in nature and is directed to determining whether there are technical areas in which the competitor is either unprotected or insufficiently protected with enforceable intellectual property. In this manner, the high-tech business organization develops keen insight into the areas of coverage of its

patent portfolio relative to the portfolio of patents held by its competition. To maintain this keen insight, the monitoring of competitors' IP must be conducted on a regular on-going basis.

B. Developing and Supporting Company Strengths - Internally

Once the competitive landscape of intellectual property is understood by the high-tech business organization, it should look internally to identify its strengths relative to its competitors. If a competitor is highly advanced in a particular technical area and that area is strongly protected with patents and other intellectual property, the company must make a realistic decision regarding whether it can compete in that area. If on the other hand, the competitor is not well advanced in a particular technical area and thus virtually unprotected in that area; the high-tech company may have a strategic advantage. To convert this potential advantage into a real advantage that bears economic fruit, the company should assess its technical strengths in this area, develop competitive products based on these technical strengths, and ensure that all innovation relating thereto is properly protected by patents and other intellectual property.

As an added component to improving a company's strategic advantage over its competitors by managing its intellectual property, a company may allocate resources into new areas in which it has determined its competitors are vulnerable. Thus after conducting an extensive IP audit of its competitors, a high-tech company may determine that its competitors are weak in an area in which the high-tech company had no historically operated. Given this competitive landscape, the high-tech company may then expand its areas of technical development and expertise. This expansion may be supported by a reallocation of resources to the new area. Such an expansion into a new technological area for the company should be well supported by both sufficient funding and technical personnel. To protect its investment in supporting this new area of technological development, the high-tech company is advised to all such new innovation with patents and IP.

Thus in this manner, the high-tech company has used the IP system both defensively and offensively to identify, create, and maintain an economic advantage over its competitors.

C. Licensing Intellectual Property

Rather than utilizing its intellectual property as a means of preventing others from using its protected innovation, the high-tech company may alternatively use the IP system to generate licensing revenue. Thus after building its portfolio of patents and conducting an extensive IP audit of its competitors, a high-tech company may determine that it prefers to license its competitors.

Oftentimes, competitors are not readily amenable to offer a license. Thus a high-tech company that has decided on a licensing program for its IP must be prepared to convince its competitor that it needs a license. This convincing process is quite time-consuming and involved when dealing with sophisticated competitors and complex technologies. But what is necessary at the core of the process, is a portfolio of valuable and enforceable patents. If the high-tech company has such a collection of IP, it should be successful at licensing it given needed technical knowledge and licensing expertise. This technical knowledge includes a detailed understanding of the company's technology and patents, and an intimate knowledge of its competitor's technologies - which may require sophisticated reverse engineering techniques.

D. Enforcing Intellectual Property

Whether a high-tech business organization decides to employ its IP portfolio as a means of preventing others from practicing its innovations, or whether it decides to license its protected technology, the business organization should be prepared to enforce its intellectual property rights either by arbitration or in competent national or state courts having jurisdiction over actions for intellectual property infringement.

Thus if a high-tech company has launched a new product which it has protected with IP and it identifies a competitor with an infringing product, it must have the option of enforcing the IP in an appropriate forum. In this manner, the IP system is given legitimacy by proper support from the judicial system.

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