

## **TEN ESSENTIAL IP STRATEGIES**

### **10 ESSENTIAL STRATEGIES THAT EVERY BUSINESS MUST IMPLEMENT TO PROTECT ITS INTELLECTUAL PROPERTY, INCREASE ASSET VALUE AND LEVERAGE BUSINESS POTENTIAL**

**Richard A. Catalina, Jr., Esq.**

Dated: Friday, February 12, 2010

Whether they know it or not, all businesses – companies large and small, “mom & pop” operations, partnerships and individual proprietorships and marketers – create Intellectual Property. It is in their services and in their products. It is in their names and in their brands. It is vested in the relationships with their clients, customers, distributors and sales agents and staff. It is embodied in their marketing strategies, markets and advertising.

Intellectual Property is often expressed as that intangible asset on the business balance sheet known as “goodwill” – the value of the business above that of the hard, tangible assets.

While that is true, Intellectual Property (“IP” for short) is more appropriately recognized as the innovations, creations, discoveries and works of the mind – all of which

are “intellectual” in origin. Because of its inherent intangible nature, rights in and to Intellectual Property are usually procured, established and/or formally recognized through various government registration processes. Yet, though not comprising a physical, concrete and tangible form, Intellectual Property typically represents the most valuable – but least understood – business assets.

Assets comprising Intellectual Property are – despite their ephemeral nature – forms of property nonetheless, just like real property (*e.g.*, real estate) and personal property (*e.g.*, equipment, inventory, etc.). Measures may be taken to protect IP and strategies may be implemented to increase IP value. Or, left unattended, IP rights can die as a result of abandonment – intentional or unintentional – in which case the IP becomes an unrecoverable element of the public domain.

As part of any business’ strategic planning, the protection, enforcement and exploitation (maximum value enhancement) of its IP must be duly considered. To do, or to fail to do, otherwise is tantamount to leaving your door unlocked with money on the table. Neither is sound business practice.

While not an exhaustive treatise on effective IP protection, enforcement and value enhancement strategies, the following **Ten Essential IP Strategies** – in no particular order (other than Strategy Ten) – comprise a fundamental “must do” starting point. Follow these Ten Steps, and you are well on the way to increasing your bottom line – and peace of mind. (**Note:** For purposes of this analysis, the term “Employee” is meant to include anyone who works for, or is a member, officer, agent, shareholder, etc. of, the business – not just rank and file payroll employees).

1. **Confidentiality / Non-Disclosure Agreements (NDAs)**. Whether a business employs one individual or one hundred, chances are Employee(s) will have certain access to various levels and amounts of information concerning the nature and operations of the business, which may or may not be part and parcel of an Employee's duties. The information accessed may be highly confidential, or it may be less sensitive. Regardless, all internal information concerning the nature and operations of the business belong to the business. To ensure that business information stays with the business and is not disclosed to potentially harmful third parties, every Employee must be required to read and sign a legally valid Confidentiality or Non-Disclosure Agreement, whereby all information – regardless of the level of sensitivity – gleaned by the Employee must be kept confidential and may not be disclosed to any third party for any reason.
  
2. **Assignment of Intellectual Property**. As with an NDA or Confidentiality Agreement, each Employee must be required to read and sign a legally valid Assignment of Intellectual Property. Don't kid yourself – your business doesn't need to be a Fortune 500 R&D company to need this level of protection. Consider. An Employee creates a new marketing technique that, while perhaps not patentable, is of significant value to your business and is a matter that you would want to keep out of the hands of your competitors. Arguably, even with an NDA in place and taking Copyright Law into account, the Employee could possibly make a claim that he/she is the owner of that marketing technique. If it is valuable enough, who is to say that the Employee would not resign employment from your business only to

take up residence with a competitor – with the know-how in head and hand. A legally valid Assignment ensures that whatever is created by an Employee during the scope of employment *automatically* belongs, as a matter of law, to the business.

3. **Protection of Trade Secrets.** There is a certain mystique surrounding Trade Secrets – what they are and how to protect them. Simply, a Trade Secret is a critical, proprietary and commercially advantageous piece of business information that *must* be kept secret in order for the business to maintain its commercial advantage over its competitors. Losing secrecy status may not only adversely impact that commercial advantage; it could effectively destroy the business. Probably the most famous Trade Secret of all is the recipe for Coca-Cola®. The number of individuals who know the entire recipe can probably be counted on one hand and their identity is likely known to only a few within the entire organization. One can only imagine the devastating impact to the Coca-Cola® business if that Trade Secret became public knowledge.

What differentiates Trade Secrets from general “know-how” is that Trade Secrets must present a commercial advantage, are not commercially known or readily ascertainable, and are the subject of efforts to keep secret. Trade Secrets are not registered with any government authority; otherwise, they would lose their secrecy.

To qualify for Trade Secret protection, the owner of the information needs to maintain reasonable precautions to keep the information secret. Such precautions include, but are not limited to, the following:

- Marking information as confidential. By marking the information as confidential or proprietary, those who gain access to the information are aware of its status and must realize that they have to keep the information secret.
- Nondisclosure agreements. As previously noted, when a party signs a nondisclosure agreement (NDA), he or she is contractually bound to keep certain information confidential and cannot later claim that he or she thought the information was public.
- Restricting distribution. Always ensure that Trade Secret information is only disseminated to those people who have a real need to know the information. For hard copies, use colored paper, as that makes copying more difficult. Colored paper further indicates that that the document should not be copied. Password protect and encrypt electronic documents and distribute the password separate from the document. “Lock” documents to prohibit printing, copying, forwarding, etc.
- Immediately Recover Unauthorized Distribution. In the unfortunate event that a Trade Secret is improperly disclosed, immediately execute all available and commercially reasonable means to recover the Trade Secret. This requirement may entail an immediate application to a court to obtain a temporary restraining order, preliminary injunction, and/or other emergent equitable relief.

4. **Register all Copyright Materials.** Copyright is a form of protection provided by the laws of the United States to the authors of “original works of authorship.” This protection is available to both published and unpublished works and covers works that are fixed in a tangible form of expression. The fixation need not be directly perceptible so long as it may be communicated with the aid of a machine or device. Copyrightable works include, but are not limited to, the following:

- literary works
- musical works, including any accompanying words
- dramatic works, including any accompanying music
- pantomimes and choreographic works
- pictorial, graphic, and sculptural works
- motion pictures and other audiovisual works
- sound recordings
- architectural works
- software code
- mask works
- certain designs

No publication or registration or other action in the Copyright Office is required to secure copyright. However, there are definite advantages to registration. In light of the relatively simple procedure for registration, Copyright material of any value should be registered with the U.S. Copyright Office.

5. **Register Trademarks and Service Marks.** A trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies

and distinguishes the source of the goods of one party from those of others. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service rather than a product. (Hereinafter, both collectively referred to as “Trademarks.”)

Trademarks of any value should be registered with the United States Patent and Trademark Office (the “USPTO”). Although you do not need to register a Trademark to establish rights based on legitimate use of the Trademark, owning a federal Registration on the Principal Register confers numerous logistic, strategic and legal advantages, such as:

- Constructive notice to the public of the registrant’s claim of ownership of the Trademark;
- A legal presumption of the registrant’s ownership of the Trademark and the registrant’s exclusive right to use the Trademark nationwide on or in connection with the goods and/or services listed in the registration;
- The ability to bring an action concerning the Trademark in federal court;
- The use of the U.S. registration as a basis to obtain registration in foreign countries; and
- The ability to file the U.S. registration with the U.S. Customs Service to prevent importation of infringing foreign goods.

In addition, after five (5) consecutive years of exclusive use of the Trademark covered by the registration, you may file for Incontestability Status, thereby barring any legal challenges by a third party to the Trademark and its registration. This is a substantial legal benefit; yet, it is rarely secured.

Any time you claim rights in a Trademark, you may use the “TM” (trademark) or “SM” (service mark) designation to alert the public to your claim, regardless of whether you have filed an application with the USPTO. However, you may only use the federal registration symbol “®” after the USPTO actually *registers a mark*, and not while an application is pending.

Trademarks are extremely valuable IP and serve the fundamental basis for brand development and recognition.

- 6. Work for Hire Contracts.** A “work for hire” is appropriately a matter of Copyright Law. However, since issues concerning a work for hire usually arise when dealing with third parties, it is necessary to consider the topic separately. Generally, a work for hire issue arises when a third party is contracted to perform a service for a business, and in the performance of that service, the contractor creates a work that is copyright material. As a matter of Copyright Law, the creator is the owner of the work at the moment that the work is fixed in a tangible medium. Without a separate contract to the contrary, the third party contractor is the legal owner of any such works created through the performance of the contractor’s service.

Consider: A web site developer creates a site for business; who owns it? An independent software consultant creates a custom program for a business; who owns it? A graphics designer creates stunning graphics for business' marketing campaign; who owns it? Despite the fact that in each case the business is paying the contractor for his or her services, and in return the business receives the work created, the contractor – not the business – owns the work.

Despite the law, ownership in the work may vest in the party paying for it (*i.e.*, the business) **IF** there is a separate “work for hire” contract between and signed by the parties, wherein the parties expressly agree that the work shall be considered a work made for hire. Since there are many nuances to works made for hire under the Copyright Law, please consult an appropriate expert, as any such legal analysis is highly fact sensitive.

- 7. Obtain Utility Patents.** Patents are a government issued form of protection for new, useful and non-obvious inventions. The right conferred by the patent grant is “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the *affirmative* right to make, use, offer for sale, sell or import, but *only* the right *to exclude others* from making, using, offering for sale, selling or importing the invention.

What may be patented? New and useful processes, machines, manufactures, or compositions of matter, or any new and useful improvements thereof, are patentable subject matter.

Patent prosecution is beyond the scope of this guide. However, despite the cost of obtaining a patent, the value of holding the patent monopoly may be extraordinary. In addition, a relatively simple, inexpensive method is available for securing a priority date and obtaining “patent pending” status by filing a “**Provisional**” patent application. Consult an appropriate patent attorney or agent for further instruction in this regard.

**Last word:** IF you believe that you may have a patentable invention, contact an expert **IMMEDIATELY**, as there are extreme (and unforgiving) time limitations that apply.

8. **Obtain Design Patents.** In the U.S., there are three types of patents: utility, design and plant. A utility patent is the typical invention patent on new, useful and non-obvious inventions and discoveries. However, designs are also patentable – at substantially less expense – and this protective device is relatively unknown by many. When a utility patent cannot be obtained on an invention (typically because it fails the novelty and/or non-obvious requirements), a design patent should be considered. Admittedly, design patent protection is inherently narrower in scope; yet, it is a formidable, bona fide level of protection and should not be overlooked.
9. **Web Site Documentation.** Proper web site legal documentation is not only necessary for liability purposes, but it also serves as an IP protection device and enhances the overall value of the business behind the site. Consider a web-based business that has not utilized properly crafted legal documentation, instead doing

what many do: lifting the legal documentation from someone else' web site. In most cases, such documentation is inadequate; at worst, the documentation is totally inapplicable and leaves the web site owner unprotected. Not only does this create serious liability issues, but in the event a business owner attempts to sell the business after a few successful years, the buyer will surely seek to discount the purchase price as a result of potential existing contingent liabilities arising from improper site documentation.

- 10. License, License and License.** We now arrive at the pinnacle of the Intellectual Property world: your business has created such immense value in its IP that others want to pay you to use it. However, in order to reap this prime opportunity, you must have faithfully, diligently and effectively performed all of the previous nine **Essential Strategies**. The adage that “one reaps what one sows” applies with perfect precision to Intellectual Property strategies. One may only license that which has value. The greater the value of the Intellectual Property, the greater the licensing opportunities. No matter what your line of business, if you can create enough value in your Intellectual Property – by implementing all of the **Essential Strategies** listed here – you can license it to third parties on your terms.

**Licensing is the most effective leverage there is and it can grow your business beyond your wildest imagination.**

AUTHOR and PUBLISHER INFORMATION:

Richard A. Catalina, Jr., Esq. (45,372)

IP Strategist, Counselor, Patent Attorney and Success Student  
Managing Attorney and Principal, [Catalina & Associates, A Professional Corporation](#)  
Robbinsville and Princeton, New Jersey and New York, New York

Principal and CEO, The Princeton Licensing Group LLC, Princeton, New Jersey  
Principal and CEO, Princeton Cambridge Publishing Group LLC, Princeton, New Jersey  
Principal and CEO, Princeton Cambridge Legal Publishers LLC, Princeton, New Jersey

The Success Manual – [www.successmanual.com](http://www.successmanual.com)

Your Personal Guide to Success – [FREE Success Ebooks!](#)

[Subscribe to “The Success Beacon” – our FREE weekly Success Newsletter](#)

[Subscribe to “Internet Legal Alert” – our FREE weekly IP and Internet Law Newsletter](#)

Coming Soon: Internet Legal Advisor at [www.internetlegaladvisor.com](http://www.internetlegaladvisor.com)

Author’s Bio

Richard is a practicing intellectual property, technology and Internet law attorney with offices in Robbinsville and Princeton, New Jersey, and New York, New York. He has been practicing law for more than twenty years and has been named a “New Jersey Super Lawyer” for seven consecutive years (2004-2010) appearing in annual editions of *New Jersey* monthly magazine.

Richard is a life-long Student of Success and has been studying the Secrets of Success since college days. During 2008, Richard studied as a personal student under one of the greatest Success Masters and Thinkers of our modern day, Bob Proctor.

Recently, Richard launched his own Success website, [The Success Manual](#), and its companion free weekly newsletter, [The Success Beacon!](#) The Success Manual features original articles, essays and other Success based references and offers [FREE quality Ebooks](#) of history’s greatest Success classics.

Richard is married and is a devoted husband and father to three beautiful children.