

Intellectual Property Planning for the Project Life Cycle

Overview

Often, the protection of intellectual property is accomplished by happenstance, *i.e.*, little thought is given to when and how decisions about intellectual property should be made so as to maximize the value of intellectual property and to maximize the protection from competition offered by intellectual property.

Rarely indeed are intellectual property decisions fully integrated into the overall project. Further, even when addressed, the decision of when to seek protection and what protection to seek does not include the participation of critical stakeholders. The following are three typical examples:

1. *Failure to integrate R&D and the business group:* R&D develops a better mousetrap. The idea is judged, implicitly or explicitly, against other ideas developed by the same R&D group to determine whether it is worthy of spending the precious few dollars allocated to the R&D group patent budget. No one checks with the business group to determine what protection is needed in the marketplace. A patent issues, but without the input of the business group, the patent offers no real marketplace protection.

2. *Last second decisions:* After spending \$15 million on the research, pilot plant, design, and part installation of the facility to manufacture the better mousetrap, a member of the project team, during a routine project meeting, asks if anyone “has consulted legal.” Frantic calls are made to outside counsel who is allotted two weeks for a freedom-to-operate study, “keeping in mind that we already have this thing half-built.” The freedom-to-operate study may lead to a conclusion requiring termination of the project, or, the last-second nature of the freedom-to-operate study may minimize the protection offered by the study.

3. *Failure to review the intellectual property of others* Three-quarters of the way through construction, the marketing department develops a campaign for the newest mousetrap. No one thinks to run a knockout study and within two weeks after the first product is sold, the company receives a cease and desist letter notifying it that it has infringed on the federally-protected trademark by a tiny mousetrap manufacturer based in Canada.

Unfortunately, these scenarios are all too common. Even when the protection of a company’s intellectual property is systematically dealt with, the evaluation of it is often done incorrectly. Rarely is the question of “Is this a worthwhile idea to protect” compared with “What advantage will I obtain by protecting this property?”

This paper examines an alternative method to identify and protect intellectual property in conjunction with the product lifecycle. Specifically, it examines when during the project life cycle that a company should evaluate a project for potential intellectual property, and when during the project life cycle it should compare its activities with the intellectual property of others. Further, it addresses the need to include all of the critical stakeholders in the process of

seeking protection of intellectual property, not just the developer of the technology. This paper focuses primarily on patents and trade secrets, but does include some discussion of trademark and copyright protection as they affect mostly-technological innovation.

Intellectual Property Protection

Intellectual property is extremely expensive property to both develop and maintain. For instance, a single United States patent will result in expenses of up to \$40,000 during its lifetime and a decision to seek protection in foreign jurisdictions can result in additional costs of more than \$100,000. Only a fraction of these costs are for the development of the property, *i.e.*, the actual drafting and prosecution of the patent— far more is spent on filing fees, maintenance fees, and translation fees. The decision on whether to seek protection for the potential property is not best made by the developer alone. This person or group may have little idea of the potential market at the onset of the process of development of the property.

Intellectual property takes many different forms and its development often involves complicated decision-making. For instance, should the company seek copyright or patent protection for its proprietary software, or perhaps some combination of both? While the new process used to manufacture the company's plastic is certainly new and innovative, does it make sense to patent it, or simply maintain it as a trade secret? Is it worth the time and trouble to seek federal registration of the company's long-used trade mark (and risk and Opposition proceeding), or would it be better to just stand on common law rights? Each of these approaches has benefit and risk, and such decisions may change throughout the project life cycle.

It is critical that any intellectual property development evaluative process include the input of all critical stakeholders, most often, representatives from the developers, the business unit, and the legal department. With regard to a patent, the developer most often can contribute a sense of the technological benefits of his invention and how that invention differs from what has previously been discovered or developed.

The importance of the business representative cannot be underestimated. It is the role of the business representative to contribute at least the following:

1. How this invention fits with the existing product line(s) offered by the company;
2. The market potential for this invention;
3. The legal jurisdictions where markets exist for this invention;
4. The likely competitors and those competitors' potential uses of the technology;
5. The ability of the business to exploit the invention, including the availability of both capital and people resources; and, most importantly,
6. The intended use of the property.

The legal representative's responsibility is to contribute information related to the legal effect of the property, offer options to strengthen the property, set timetables for completion, provide advice about alternatives, structure the development of the property, provide cost versus benefit advice, and obtain assistance where required for development. Further, as it is most often

it is the responsibility of the legal representative to maintain the property, the legal representative should provide information about long term costs and legal requirements for property maintenance.

It is only with the contribution of at least these three stakeholders that a decision regarding the development of intellectual property can be made. Others may also be necessary, depending on particular projects. For instance, complex manufacturing methods may require process personnel, multi-business unit development may require corporate representative assistance, and trade secrets may require changes to labor and employment contracts and practices, necessitating human resource department input. It is when these stakeholders are not included in the decision-making process that the value of the intellectual property is decreased.

The timing of when to seek intellectual property protection is also critical. One illustrative example is the development of a trade secret. Often, a trade secret is not identified by a company until the secret walks out the door with a departing employee. Without the proper safeguards, that trade secret is not protectable and a company may find its most valuable alleged secrets now shared with its chief rivals because it (1) did not identify them early enough and (2) did not protect them in a way required by law. Proper management of the identification of intellectual property and development of the intellectual property at all stages of the project life cycle will generate not only protectable intellectual property, but intellectual property of the proper breadth and depth to be valuable.

A company should also decide whether it is willing to litigate to protect its intellectual property. Litigating intellectual property issues can be very expensive, but the lengths a company is willing to go to protect that property directly affects its value. How valuable is a patent when the company's competitors are fully aware that it will never seek to stop infringers? Why seek a license when you can simply infringe with impunity? On the other hand, a rabid litigation scheme will be expensive and could cost the company more in fees than the value of the property. It is critical when deciding whether and when to seek protection to determine how willing you are to protect your property.

Protection Against the Intellectual Property of Others

The most frustrating aspect of intellectual property is that it is owned not only by the company, but also by the company's competitors. A company must be vigilant to develop its own property, but must also avoid the intellectual property of others. While there have been recent significant changes in the law regarding the obligation to avoid the intellectual property of others, it still makes little economic sense to develop technology for which the company will be later estopped from using. On the other hand, it also makes little economic sense to employ high-cost legal resources too early in the project life cycle, as it may be necessary to kill the project based on other concerns. Further, there may be certain legal ramifications to identifying the intellectual property of others and then failing to follow-up on that identification with a comparison of that property to the activities of the company. The paper discusses when during the project life cycle the consideration of the intellectual property of others should be evaluated.

Input into the Project Life Cycle

Once intellectual property of the developer and competitors is identified and analyzed, this information can be included in the overall decision-making aspects of the project life-cycle. Rather than treating intellectual property as an afterthought, or simply including it too late or early in the cycle, the examination of intellectual property should be treated just as decisions on sizing, or facility location, or vendor-sourcing. It is only through proper treatment throughout the project life cycle that the overall project can be fully enhanced by intellectual property protection.