



Monday, October 25
2:30pm-4:00pm

309 - Intellectual Property Audits for the Non-Tech Businesses

David Bolton

Associate General Counsel
United Space Alliance, LLC

Eunice F. Lin, Esq.

Executive Vice President & General Counsel
BNA

Kathleen MacMahon Crannell

Associate General Counsel
United Space Alliance, LLC

Paul McQuade

Shareholder
Greenberg Traurig LLP

Faculty Biographies

David Bolton

David Bolton is associate general counsel for United Space Alliance. The Alliance manages Space Shuttle operations and the US portion of the international space station.

As Counsel for USA, Mr. Bolton's responsibilities include: company commercial and government contracting both buy and sell side, technology licensing and intellectual property protection, intellectual property corporate strategy, antitrust and compliance evaluations, new business transactions and structures, teaming and partnership transactions, information technology matters, investigations, managing outside counsel, state government affairs, Organization Conflict of Interest mitigations, and company's Department of Defense classified program legal support.

Mr. Bolton is a recognized authority on government contracting and was previously with Lockheed Martin Corporation.

Mr. Bolton is also an adjunct faculty member at Webster University and teaches graduate courses in Business Law and Ethics. He is a member of the Legal Committee of the National Defense Industrial Association (NDIA) and on the board of directors of the Central Florida Chapter of the Association of Corporate Counsel.

Eunice F. Lin, Esq.

Eunice F. Lin is executive vice president and general counsel of BNA (The Bureau of National Affairs Inc.), a legal and business publisher located in Arlington, Virginia. She oversees legal matters for BNA and its information, software and printing subsidiaries. She focuses her work primarily on general contract, business, employment, and intellectual property matters.

Prior to coming to BNA, Ms. Lin was a senior associate at LeBoeuf, Lamb, Greene & MacRae where she specialized in the areas of employee benefits and employment/labor.

Ms. Lin graduated from Emory University with a BBA and received her law degree from Georgetown University Law Center.

Kathleen MacMahon Crannell

Kathleen ("Kathy") Mac Mahon Crannell holds two positions at United Space Alliance, LLC ("USA"), the prime government contractor to NASA performing all aspects of the Space Shuttle operations. In her role as associate general counsel, Ms. Crannell is responsible for providing timely and practical legal advice on matters involving litigation, foreign procurements, business development, contract administration, ethics, workers' compensation, information releases, and other Legal department initiatives. In her role as

the director of global export compliance, she manages the day-to-day operations of the Global Export Compliance organization at all USA locations to ensure that the company's export activities are accomplished with authorization and in compliance with the export laws and regulations.

Prior to working at USA, Ms. Crannell practiced as a commercial litigator for a law firm in Stuart, Florida. She handled contract, corporate, real estate, and insurance matters in addition to litigating business and construction disputes. Before that, Ms. Crannell was employed as in-house counsel by ProSource Distribution Services, where she managed worker's compensation, general liability, product liability, and casualty claims.

Ms. Crannell is the current president of the Central Florida chapter of the Association of Corporate Counsel and she holds membership in the Florida Bar, the American Bar Association, the National Contract Management Association, and the National Space Society.

Ms. Crannell graduated with a BA from the Florida State University and a JD from St. Thomas University School of Law.

Paul McQuade

Paul McQuade is a principal shareholder in the Intellectual Property & Technology Group of Greenberg Traurig, LLP where he co-chairs the Patent Subgroup and is also a member of the Government Contracts Group. In addition to traditional commercial counseling in the IP arena, his practice includes research and development contracting, development and joint venture agreements, licensing, and intellectual property issues related to doing business with the United States Government. He regularly assists both software companies and civilian and military hardware and service providers in navigating the multi-disciplinary world of government agency contracting.






Mr. McQuade began his career as a law clerk with Finnegan Henderson Farabow Garrett & Dunner, served as a judicial clerk to judges on the United States Court of Appeals for the Federal Circuit and on the Court of Federal Claims. He also served as a trial attorney with the U.S. Department of Justice where he defended the United States against contract, patent, and data rights ownership claims.

Mr. McQuade is actively involved with conservation related activities and served six years on the Board of the Student Conservation Association several decades after serving as a student summer volunteer.

Mr. McQuade received a BS from Bethany College and is a graduate of the University of Tennessee College of Law in Knoxville, Tennessee.

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Session # 309

Intellectual Property Audits for Non-Tech Businesses

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Panelists:

David Bolton – Associate General Counsel, United Space Alliance, LLC

Eunice Lin – Executive Vice President & General Counsel, BNA

Kathleen Mac Mahon Crannell (Moderator) – Associate General Counsel and Director of Global Export Compliance, United Space Alliance, LLC

Paul McQuade – Shareholder, Greenberg Traurig, LLP


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TOPICS

- **Introductions**
- **Overview**
 - Related material available from ACC resources by title
 - What is an intellectual property audit
 - Why do an intellectual property audit
 - When to do an intellectual property audit
- **The patent assessment**
- **The trademark assessment**
- **The copyright assessment**
- **The domain name assessment**
- **The trade secret assessment**
- **Questions**



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> OVERVIEW

- Many businesses, especially those not in 'technology' industries, do not have significant IP assets and the in-house counsel may not live or breath IP issues
- But that's no reason to ignore some fundamental practices that can help the business capture or protect the value of its trademarks, trade secrets, patentable innovations, web presence, and other IP assets
- Or, perhaps more importantly, to protect the business from exposure to the IP claims of others
- What questions should you be asking to evaluate and improve the business's IP sophistication?

"Intellectual capital is recognized as the most important asset of many of the world's largest and most powerful companies; it is the foundation for the market dominance and continuing profitability of leading corporations. It is often the key objective in mergers and acquisitions and knowledgeable companies are increasingly using licensing routes to transfer these assets to low tax jurisdictions." World Intellectual Property Organization



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> RELATED MATERIAL AVAILABLE FROM ACC RESOURCES BY TITLE <http://www.acc.com/legalresources/index.cfm>

- Copyright Policy
- Trademark Policy
- Assignment of Trademark
- Invention Disclosure Form
- Trademark License Agreement
- Patent Manual, Acme Technology
- Confirmatory Assignment of Trademark
- Copyright Assignment and Release Form
- Notice of a Patent & Request for License
- Patent and Technology License Agreement
- Trademark/Service Mark Search Request Form
- Copyright and Trade Secret License Agreement
- Employee Confidentiality and Patent Agreement
- Internal and External Trademark Usage Guidelines
- License Agreement (for a patent by owner to XYZ)
- Model Copyright License for Presentations to Associations
- Model Copyright License for Articles in Association Publications
- Employee Intellectual Property Assignment and Confidentiality Agreement
- Top Ten Questions (and Answers) for Protecting Your Company's Trade Secrets
- Intellectual Property Inventory Checklist and Other IP Tools for Managing Your Portfolio
- Request for Indemnification for Patent Infringement <http://www.acc.com/legalresources/index.cfm>



ACC InfoPAK - Intellectual Property Primer - Patents, Trademarks, Copyrights, and Trade Secrets - An Introduction to Intellectual Property for In-House Counsel 3rd Edition

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> WHAT IS AN INTELLECTUAL PROPERTY AUDIT?

- An inventory of known intellectual property
- An analysis of the protection of intellectual property assets
- A search for unknown or unprotected intellectual property
- A review of known or threatened intellectual property claims of others
- A search for likely intellectual property claims of others
- A review of processes and procedures to spot sources of potential claims and unprotected intellectual property



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> WHY DO AN INTELLECTUAL PROPERTY AUDIT?

- Impending valuation, merger, acquisition, sale, investment or financing event
- Do it before someone else does it to you (e.g. Business Software Alliance, enterprise software vendors, patent trolls, etc.)
- Identify intellectual property claims of others and curtail or mitigate them
- Identify intellectual property that is not sufficiently protected
- Identify gaps in policies and procedures that lead to potential liabilities or wasted intellectual property assets

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> WHEN TO DO AN INTELLECTUAL PROPERTY AUDIT

- Long before you "need it" – intellectual property issues can take time to redress
- If you foresee third party due diligence in the near future, conduct the audit before the due diligence begins to get in front of issues
- Do a baseline audit
- Revise policies and procedures as necessary
- Re-audit annually to ensure compliance



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THE PATENT ASSESSMENT

ADDITIONAL SESSION #309 MATERIAL AVAILABLE ON THE ACC WEBSITE
Greenberg Traurig – Intellectual Property Audit and Due Diligence Checklist

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United States Patent and Trademark Office

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Patents > What Are Patents, Trademarks, Servicemarks, and Copyrights?

What is a Patent?

A patent for an invention is the **grant of a property right to the inventor, issued by the Patent and Trademark Office**. The term of a new patent is **20 years from the date on which the application for the patent was filed in the United States** or, in special cases, from the date an earlier related application was filed, **subject to the payment of maintenance fees**. US patent grants are **effective only within the US, US territories, and US possessions**.

The right conferred by the patent grant is, in the language of the statute and of the grant itself, **"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 right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention.

Source - United States Patent and Trademark Office
<http://www.uspto.gov/web/offices/pac/foia/general/whatis.htm>

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> PATENT DUE DILIGENCE CHECKLIST – ISSUED PATENTS

- Documents verifying ownership of patents
 - Patent assignments
- USPTO or foreign patent authority documents confirming that any assignments have been properly recorded
 - Identify any joint owners of patent rights
- Documents reflecting any security interests or judgment liens have been recorded
- Documents pertaining to any patent maintenance and foreign annuity payments
- Describe the Company's systems for paying maintenance fees and annuities in all countries
- Identify patents that are expired and/or no longer enforceable
- For key patents, copies of all prior art and prosecution history in Company files

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> PATENT DUE DILIGENCE CHECKLIST – PATENT APPLICATIONS

- Documents verifying ownership of applications
- Describe whether any security interests or judgment liens have been recorded
- Describe status of pending applications
- List of all provisional patent filings and expiration date for filing application
- Office Actions and Responses
- Clearance materials and non-infringement opinions evaluated prior to filing applications
- Identify any statutory bars to filing patent applications on active invention records
- Describe reasons for abandoning prior applications

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> PATENT DUE DILIGENCE CHECKLIST – PAST, CURRENT AND POTENTIAL LITIGATION

- Describe Company's enforcement policy regarding its patents
- Identify all known or suspected infringements of Company's patents and any actions taken
- Identify all third-party patents known to Company that relate to the business
- Describe whether the Company has modified its technology to avoid infringement
- Describe any pending litigation in the industry which may affect the Company
- Review all cease and desist letters, both sent and received
- Identify all license offers made to Company
- List and provide copies of all patent licenses (inbound and outbound)
- Identify any current or anticipated disputes
- Describe the results of any audits conducted by or against the Company

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THE TRADEMARK ASSESSMENT



The power of your trademark to drive brand recognition, customer loyalty and goodwill makes it one of your company's most valuable assets

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Patents > What Are Patents, Trademarks, Servicemarks, and Copyrights?

What Is a Trademark or Servicemark?

A trademark is a word, name, symbol or device which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A servicemark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. The terms "trademark" and "mark" are commonly used to refer to both trademarks and servicemarks.

Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. Trademarks which are used in interstate or foreign commerce may be registered with the Patent and Trademark Office. The registration procedure for trademarks and general information concerning trademarks is described in a separate pamphlet entitled "Basic Facts about Trademarks".

Source - United States Patent and Trademark Office
<http://www.uspto.gov/web/offices/pat/doc/general/tradts.htm>

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> **MAINTAINING TRADEMARK RIGHTS**

- Trademarks rights must be maintained through actual lawful use of the trademark
 - ❑ These rights will cease if a mark is not actively used
- In the case of a trademark registration, failure to actively use the mark in the lawful course of trade, or to enforce the registration in the event of infringement, may also expose the registration itself to become liable for an application for the removal from the register after a certain period of time on the grounds of "non-use"
- It is not necessary for a trademark owner to take enforcement action against all infringement if it can be shown that the owner perceived the infringement to be minor and inconsequential

> **TRADEMARK WATCH SERVICES**

- The services find trademarks that may be confusingly similar to yours, including word marks, logos and slogans

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> **TRADEMARK WATCH SERVICES cont.**

- Trademark watches focus on a wide range of activities including:
 - ❑ Newly filed trademark applications
 - ❑ Recently approved trademark applications and new registrations
 - ❑ Domain name registrations
 - ❑ Unauthorized use of a mark on the Internet or on Internet auction sites
 - ❑ Changes in ownership of registrations
 - ❑ New trademarks filed by competitors
 - ❑ New company names
 - ❑ Other uses of trademarks in business
- The rise of globalization has created more opportunities to leverage IP, but also more markets in which companies must protect it

> **CONSIDER DEVELOPING A TRADEMARK GUIDELINES WEBSITE**


- Develops brand guidelines to encourage proper trademark use by employees, vendors, partners and media outlets

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> **EXAMPLE OF A TRADEMARK GUIDELINES WEBSITE**

 <p>Trademarks Overview</p> <ul style="list-style-type: none"> Trademarks Home Page Trademarks Definitions Trademarks Symbols Trademark FAQs Trademarks Guidelines How to Use Design Marks How to Use Word Marks Symbols for the Web Symbols for MS Word Trademarks Gallery Design Marks (Logos) Word Marks Logo Standards Trademarks Contacts C, B, PR and Legal Contacts Website Curator: K. Cross Website RDM: D. Bolton 	<p style="text-align: center;">Trademarks Guidelines</p> <p style="text-align: right;">Trademarks Home Page</p> <ul style="list-style-type: none"> • USA trademarks are a valuable business asset. USA trademarks, whether word marks or design marks, create recognition that <i>United Space Alliance, LLC</i> is the unique source of quality products and services. It is important for all employees to acquaint themselves with the content of this website and follow the guidelines outlined throughout the site in order to help protect USA's valuable trademark rights and strengthen USA's corporate and brand entities. • USA trademark rights are acquired through proper use. This website provides guidelines for USA employees about how to correctly use and protect USA's trademarks in written and visual communications. It is important to know that trademark rights, acquired over time through proper use, can be lost through improper use. • "Trademarks" is a collective term. The word "trademarks" includes trademarks, service marks and collective marks. When any of these types of trademarks are designs (designs, logos or emblems) they are collectively called design marks. When any of these types of trademarks are words (words, slogans, taglines, or corporate signatures) they are collectively called word marks. <p style="font-size: small; text-align: center;">ANY variations made to USA trademarks must be approved by both USA Communications & Public Relations (C&PR) and USA Legal Counsel.</p>	
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TRADEMARKS DUE DILIGENCE CHECKLIST

- List all U.S., foreign and *state* trademarks and service marks registered to Company
 - Copies of documents verifying ownership, such as assignment documents or asset purchase agreements
 - Copies of all registration documents
- Identify all pending trademark applications and all applications that were abandoned or rejected
 - Copies of any clearance search reports for important marks
 - Description of prosecution history and opposition proceedings for important marks
- List all unregistered marks and servicemarks, together with date of first use and jurisdictions where such marks are used
- List of any assumed or fictitious names or other business names which the Company has used during last five years
 - Provide copies of any associated filings

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TRADEMARKS DUE DILIGENCE CHECKLIST cont.

- Copies of any trademark licenses (inbound and outbound)
- Copies of specimens of marks
- Describe all past, current or potential litigation
 - Copies of all cease and desist letters (both sent and received)
 - Description of status of settlement, litigation or other resolution

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THE COPYRIGHT ASSESSMENT

ADDITIONAL SESSION #309 MATERIAL AVAILABLE ON THE ACC WEBSITE
 Copyright © BNA – Do You Know Your Copyright?

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Patents > What Are Patents, Trademarks, Servicemarks, and Copyrights?

What Is a Copyright?

Copyright is a form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished.

The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. Copyrights are registered by the Copyright Office of the Library of Congress.

Source - United States Patent and Trademark Office
<http://www.uspto.gov/web/offices/pat/copyright/general/whatis.htm>

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> **WHAT IS A COPYRIGHT AUDIT?**

- Assessment of what copyrighted works you own or license
- Review of agreements to ensure ownership or sufficient rights

> **BENEFITS OF AN AUDIT**

- Protection of IP assets
- Demonstrate company value (e.g., M&A)
- Employee awareness and training
- Protection of third party IP

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> WHY CONDUCT AN AUDIT – "I'M NOT A PUBLISHER!"

- All companies should conduct an assessment of their copyrights and processes
- If your client engages in any of the following activities, it should conduct some type of copyright assessment:
 - Does it have a Web page?
 - Do employees ever write articles or contribute to blogs?
 - Does it advertise or send out marketing/promotional materials?
 - Does it develop software for internal use? For distribution? Customized?
 - Does it have outside consultants prepare written reports, assessments, designs, logos, etc.?

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> COPYRIGHT NOTICES

- Are copyright notices placed on works (e.g., © 2010 Acme, Inc.)?
 - Standard works, e.g., articles, books
 - Marketing materials
 - Web sites

> COPYRIGHT REGISTRATIONS

- List of all U.S. or foreign copyright registrations, including date of registration
- Confirm that registrations are correct
- Make a copy of each registration
- Determine what works should be registered
 - Benefits of registration (ability to sue; statutory damages)
 - How to decide whether to register

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> INVENTORY COPYRIGHTED WORKS – CAST A WIDE NET

- General - Identify key works developed by Company, public domain works incorporated into the works, works that Company seeks to protect by registration, works to which Company has acquired rights to, either by assignment, license or otherwise, and works to which Company has transferred rights thereto, either by assignment, license or otherwise
- Computer software developed by (or for) your company
- Publications
- Websites
- Articles
- Marketing materials
- Pictures, photos, videos, recordings
- Logos, slogans, designs (note overlap with trademarks)
- Other key works of authorship

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> REVIEW AGREEMENTS

- Know what agreements to look for
- Make sure they contain the necessary provisions to protect your copyright

> EXAMPLES OF AGREEMENTS TO LOOK FOR

- Customer/License Agreements
- Vendor/Consulting Agreements
- Freelancer/Author Agreements
- Escrow Agreements
- Web Design or Hosting Agreements
- Software Licenses
- Copyright Assignments
- M&A Agreements

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> WHAT TO LOOK FOR

• Basic questions to ask

- What are they providing you?
- What are you providing them (e.g., custom content or designs, software)?
- Do you want to retain copyright or a license?
- Is it something that you will want to use in the future?

> BASIC TERMS TO INCLUDE

- "Work for hire" language and assignment
 - General rule copyright vests initially in the author of a work
 - However, if work is prepared by a third party, then copyright will be owned by the customer if the parties agree in a signed written document that the work is a "work for hire"

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> Basic terms to include, cont.

• Sample "Work for Hire" language

Ownership and Copyright. All right, title and interest, including but not limited to copyright, trademarks, and any other intellectual property rights, in and to any materials or other deliverables produced or provided by Vendor under this Agreement ("Works"), alone or in combination with Client or its employees, shall be deemed works made for hire for Client under the copyright laws of the United States and these Works shall, upon their creation, be owned exclusively by Client. To the extent that any of these Works may not be considered works made for hire for Client under applicable law, Vendor assigns to Client the ownership of such Works, including but not limited to all copyright, trademarks, and any other intellectual property rights.

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> Basic terms to include, cont.

- If copyright is not retained, include broad license to use, modify, etc.
- Right to use the material in any format/media
- Right to use, modify, sell, distribute, license, make derivative works, etc.
- Require the vendor to return content/files/materials/data upon termination
- IP warranty and indemnification
- In the M&A context
 - Retain a license to use the materials after the sale (e.g., asset sale – some materials may be incorporated into products retained by seller)
 - Right to freely assign the license without consent

> REVIEW AND IDENTIFY PAST, CURRENT AND POTENTIAL LITIGATION/CLAIMS

- Copies of all cease and desist letters (both sent and received)
- Description of status of settlement, litigation or other resolution

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> REVIEW CORPORATE POLICIES

- Policies included in the "Legal" section of your company's website
- Copyright policy – make it easier for customers to comply with the copyright laws by providing them with guidance on what they can do and can't do (e.g., BNA Copyright Guidelines, <http://www.bna.com/corp/>)

> REVIEW EMPLOYEE POLICIES

- Conduct periodic employee training and education
 - Overview of copyright laws
 - Protection of company's copyright
 - How to avoid/minimize infringement of third party copyrights
 - When to seek permission for copying/reprints and internal procedure
 - What "fair use" and "public domain" really mean
 - Establish process for handling copyright violations, e.g., who to notify, what information to provide, cease and desist template, when do attorneys get involved

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> REVIEW/DEVELOPMENT PROCEDURES

- Process to determine originality of works, contributions by third parties, etc.
- IP warranty and indemnification

> USE OF THIRD PARTIES TO PROTECT YOUR COPYRIGHT

- Copyright Clearance Center (CCC)
 - CCC was created in 1978 by a group of authors and publishers
 - Today, they represent tens of thousands of authors, publishers and creators from nearly every country in the world, and license the rights to millions of books, journals, newspapers, websites, ebooks, images, blogs and more
 - CCC offers content providers ways to register their content, allow authorized licensees to copy/distribute the content and receive royalty payments

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.com
.net.org
.co.uk
.org.uk
.us.eu
.biz.info
.me.uk zname
et al.

THE DOMAIN NAME ASSESSMENT

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➤ DOMAIN NAMES DUE DILIGENCE CHECKLIST

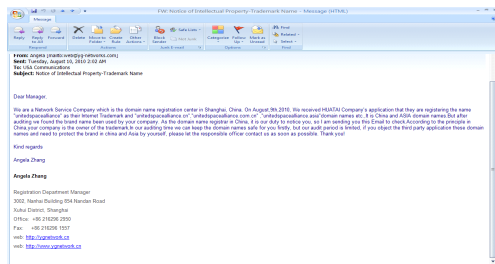
- List all domain names registered to the Company for generic top level domains (.com, .net, .org and .info) and international extensions (.uk, .jp, .de)
- Identify whether any key trademarks are registered to third parties as domains
- List the expiration date of all domain names registered to the Company and identify the registrar of record
 - Confirm that payment for such domain names is current
- Determine whether the Company has registered third party trademarks as domain names
- Identify all domain names registered to certain people associated with Company, such as the marketing director, CTO, legal department, IT department, or founder
- Review WHOIS (*who is*) information to verify ownership and to determine that registration has not expired
- Identify past, current or potential litigation involving Company domain names, including Uniform Domain-Name Dispute-Resolution Policy (UDRP) or other similar proceedings
 - Copies of all cease and desist letters (both sent and received)
 - Description of status of settlement, litigation or other resolution

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➤ BE AWARE



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THE TRADE SECRET ASSESSMENT

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➤ TRADE SECRETS

- A trade secret is information that companies keep secret to give them an advantage over their competitors
 - Educating your employees is important
- One of the benefits of trade secret protection is that there is no limitation on the length of time that the trade secret can be protected
- There is no formula for what constitutes reasonable efforts to maintain the secrecy of the information
 - Enter into confidentiality agreements with suppliers and customers when disclosing trade secrets

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➤ TRADE SECRETS DUE DILIGENCE CHECKLIST

- Copies of all Agreements of the Company pertaining to any unpatented inventions, designs, styles, know-how or technical assistance whether owned by the Company or licensed by a third party to the Company
- List key trade secrets developed by Company employees
 - List of all employees past and current and date of each agreement relating to confidentiality and assignment of works created during employment
 - Copies of all standard confidentiality agreements and assignment of works or non-compete agreements
 - Provide Company policies prohibiting disclosure of third party confidential information
 - List of any employees that previously worked for a competitor of Company
 - Describe whether any employees may have brought materials or other IP from a prior employer and whether such employees were subject to any enforceable non-competes affecting their employment after termination of employment
- Assess the reasonableness of the procedures protecting the trade secrets

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➤ TRADE SECRETS DUE DILIGENCE CHECKLIST cont.

- List of trade secrets developed by independent contractors
 - List of all independent contractors past and current and date of each agreement relating to confidentiality and assignment of works created during service
- Copies of all standard Agreements relating to confidentiality, assignment, non-competition and non-solicitation
- Describe whether any consulting agreement include any licenses of preexisting technology owned by consultant
- Describe whether any consultants or employees have claimed any rights against the Company for the technology they developed
- Identify past, current or potential litigation, relating to Company's trade secrets
 - Copies of all cease and desist letters (both sent and received)
 - Description of status of settlement, litigation or other resolution

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➤ NON-DISCLOSURE AGREEMENTS

- Process for keeping track
- Keeping track – Excel spreadsheet with party, expiration date, etc.
- Have a template contract – mutual vs. unilateral
- Who should sign? Officer/department head
- Who gets a copy?
 - Give to everyone who will be receiving information
 - Keep track of who got a copy
 - Depending on circumstances, may want to have everyone sign acknowledgement
- Who is receiving confidential information?
 - Only employees or also third parties (e.g., consultants, contractors)?
 - Are they subject to an NDA with your company?

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Questions

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INTELLECTUAL PROPERTY AUDIT AND
DUE DILIGENCE CHECKLIST

ASSOCIATION OF CORPORATE COUNSEL
2010 ANNUAL MEETING

INTELLECTUAL PROPERTY AUDITS FOR THE NON-TECH BUSINESS

PREPARED BY:
PAUL F. MCQUADE

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

1. Primary Questions to be Answered in the Audit

- a. What is the nature of the property: trademark, service mark, slogan, marketing piece, software, hardware, graphic design or other original expressive work (original music, drawings, literary work of any kind, whether technical or otherwise), trade secret (method or system of doing business, customer lists, contacts, proprietary data or other information, etc.), invention or discovery, unique concept, etc.?
- b. What was the origin of the property?
- c. When was it first conceived and when completed?
- d. Who were the people involved in its creation/development/invention?
- e. Was any third party intellectual property (including trade secrets) used in the development of the property?
- f. What types of protection are available for the intellectual property?
- g. How did the company obtain rights in the property?
- h. Where was the property developed? During business hours? Using company equipment and personnel?
- i. Can any third party have any claim in all or part of the property?
- j. Can any employee have any claim in all or part of the property?
- k. Will the property be used outside of the United States? Is it clear of potential claims in those jurisdictions where it will be used? (check foreign patent and trademark office files)
- l. Has all or part of the property been licensed to any third parties?
- m. Has all or part of the property been disclosed to third parties before general public exposure?
- n. Has any third party claim to ownership of all or part of the property been received?
- o. Did any of the individuals who created/invented all or part of the property sign any confidentiality agreements with former employers? Have you reviewed those agreements? Are they applicable to the property?
- p. Has the property believed to be a trade secret been subject to specific secrecy procedures?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- q. Have any steps been taken to protect the property through federal, state or foreign registration?
- r. Have all prior transfers of the property been properly authenticated and recorded with the proper federal agency?
- s. Was proper intellectual property due diligence regarding the property done prior to transfer to you?
- t. Did the prior owners file all of the necessary papers and fees to properly maintain the property?
- u. Is any of the property subject to any security interests? If so, what are the restrictions placed on the Property, if any by the secured party?
- v. Do any taxing authorities have a basis for claiming past due property, sales or other taxes?
- w. Does any third party have the right to modify or enhance the property? Have all moral rights been waived?
- x. Is the property substantially similar in appearance or function to any other property?
- y. Are there any restraints on the ability to transfer or sub-license the property?
- z. If the property needs modification or enhancement, are all of the resources necessary to make those changes available, including people and materials (e.g., source code)?
- aa. Is related source code subject to an escrow agreement?
- bb. With respect to any properties licensed to the company, are all of the terms of the license known and followed, including all restrictions? Is there a procedure for the administration of licenses?
- cc. Are there any settlement or other agreements that preclude or limit the company's ability to use the property?
- dd. Are all of the individuals who created/invented the property subject to non-disclosure and non-compete agreements? Is non-computation by such individuals should they leave the company important commercially to the success of the property?
- ee. Has the property ever been the subject of litigation?
- ff. Is the Company wrongfully using the intellectual property of others through breach of a license agreement, infringement, misappropriation or otherwise?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

gg. Copyright Issues

- i. Who were the creators? What are their birth/death dates?
- ii. Was this a work for hire? Have the proper documents evidencing that status, and any concurrent assignments, executed and delivered to the company?
- iii. What are the documents relating to the work's creation? Where are they? Who is the custodian?
- iv. Have copyright registrations been obtained?
- v. What were the deposit copies accompanying the application?
- vi. Are there versions of the Property which have not been registered?
- vii. Was the application subject to any special requests for confidentiality?
- viii. For transferred copyrights, is the work subject to any termination rights?
- ix. How strong is the copyright? Are extra steps required to strengthen it?

hh. Patent Issues

- i. Is the property subject to an issued patent?
- ii. What are the documents relating to the property's invention? Where are they? Who are the custodians of the documents?
- iii. What rights are in the individual inventors?
- iv. Are there any pending patent applications, and if so, at what stage are the applications?
- v. What is the likelihood of present claims being allowed?
- vi. What amended claims are likely to be allowed?
- vii. Have any patent applications or claims been abandoned or rejected?
- viii. Is there any other intellectual property coverage for the failed claims or invention/discovery?
- ix. Have all maintenance fees been paid?
- x. Is there any relevant conduct that could be viewed as fraud on the PTO or misuse?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- xi. Are all deadlines identified?
- xii. Have any of the patents been subject to an interference or litigations?
- ii. Trademark Issues
 - i. Are there different forms of the mark?
 - ii. Have all been registered? In which countries?
 - iii. Are there documents relating to the choosing and adoption of the mark? Where are they? Who is the custodian?
 - iv. Do you have copies of product packaging, labels, brochures, trade show or other demonstration materials, presentations or promotional materials displaying the mark? Are any of the materials dated or otherwise able to demonstrate the date on which they were created or first circulated?
 - v. Are there slogans, designs or other matter which might be registerable?
 - vi. Are the proper symbols used in all materials in which the mark appears?
 - vii. Has a trademark search been run for all marks?
 - viii. Are there any pending applications for the marks? If so, at what stage?
 - ix. Has the PTO made objections to the mark? Are any consents required for registration?
 - x. Has any registered mark reached incontestable status and if so has the declaration under section 15 been filed?
 - xi. For all ITU applications: has use begun? Has the application been amended to use?
 - xii. For foreign filings: have all maintenance fees been paid?
 - xiii. Are there any agreements (licenses, settlements, etc.) Which limit the use of any of the marks?
 - xiv. Are all deadlines identified?
 - xv. Does the company have files for each mark which includes first use evidence?
 - xvi. Have any applications or registrations of marks been abandoned?
 - xvii. Are there properties which the company would like to make into a brand?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

xviii. Who has registered the relevant Internet domain names? Who has registered the “likely typo” Internet domain names?

jj. Software Issues

i. Was the software the product of cleanroom procedures or other document-intensive development procedures?

ii. If so, what were those procedures? What documents were involved in creation? Where are they? Does the Company have affidavits from developers attesting to the independent creation of the software?

iii. Does the software embody any pre-existing code?

iv. Does the software in whole or part emulate any pre-existing software or code?

v. Does the software contain functionality similar to that in pre-existing software. What?

vi. Did any of the developers work on similar code for any prior employers?

vii. What communications existed between developers and non-developers relating to creation?

2. Planning for the Audit

a. Create the strategy for the plan and its execution, including milestones

b. Create documents for each item of intellectual property containing the information for each of the relevant questions above (see sample in Schedule A)

c. Create for each property (or group of related properties) documents identifying the business plans for each (Where marketed? When? Any contemplated licensing? To who? For what? Who will be involved [departments and individuals], etc.)

3. Employee and Consultant Agreements

a. Has each employee (full time/part time/temporary) signed an employment agreement?

b. Are the provisions of the agreement consistent with current law? Are they adequate to safeguard the Company’s interests and property rights?

c. Do the agreements cover both non-disclosure and non-competition?

d. Are employees obligated to disclose all inventions, discoveries and creations? Have all been disclosed? Are there procedures for regularly interviewing

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- employees or otherwise having new disclosures made? (and have all patent applications, etc. been amended regarding newly disclosed matter?).
- e. Are employees permitted to use Company premises/time/equipment for non-Company matters? Are there guidelines?
 - f. Are the procedures for identifying trade secrets and confidential information clear and understandable? Are they followed consistently? Do they need modification?
 - g. Are employees contractually bound not to make unauthorized use of the proprietary property of others in their employment?
 - h. Are rules regarding unauthorized photocopying and software copying posted and understood by employees?
 - i. Are there licenses covering all of the software used by the Company?
 - j. Do any employees have confidentiality or non-compete agreements with former employers that restrict the employees' activities or use of relevant information? Does the company have a process for collecting, reviewing and ensuring compliance with such agreements?

4. Company Use of Other's Confidential Information

- a. Is all of the third party confidential information ("Information") licensed to the Company identified and known by all relevant employees?
- b. If Information is on a "need-to-see-only" basis, is that being followed?
- c. Is the licensed manner of treatment for the Information being followed?
- d. Is the use of Information subject to the owner's auditing?
- e. Where is the license or other document identifying the confidentiality obligations relating to the Information?
- f. If there are any exceptions to the confidentiality restrictions, do such exist (for example, has any of the information become public domain? was the Company already aware of such Information prior to its disclosure by the owner?)
- g. When do the confidentiality obligations expire?

5. Company Clearance of New Inventions, Products and Services

- a. When the Company is launches a new product or service, does it have a process to ensure that the product or service does not infringe on the patent, trade secret and copyrights of others?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- b. When the company names a product or service or develops a new logo or tagline, does it have a process to ensure that the name, tagline or logo does not infringe on a trademark or service mark of another?

6. Email Privacy/Security Issues

- a. Are employees aware that they should not have an expectation of privacy related to work email accounts or personal email accounts that are accessed using Company equipment?
- b. Have notices been posted, amendments made to the employment agreements, and email sign-on screens been changed to reflect that email is for business purposes only and that there is no right of privacy to one's email (or for anything on the employee computer) and that all records are subject to search?
- c. Is there adequate warning to hackers that entering the system is prohibited and will lead to criminal and civil prosecution?
- d. Is there a security program in place to prevent (or at least limit) outside invasion into the system?

7. Licensed Software Issues

- a. What are the software license parameters (CPUs running the software, named users, concurrent users, installed instances, etc.)?
- b. Is the use of the software in-line with the license parameters?
- c. What procedures are in place to ensure that usage of the software does not exceed the software license parameters?
- d. Is shareware or open source software used by the Company? If so are the shareware or open source license agreements strictly adhered to?
- e. Are users able to install software on servers or workstations? If so, what tools are in place to inventory installed software and ensure compliance with company licenses and policies?
- f. How often are reviews of installed software completed?

8. Security Procedures

- a. What procedures and policies currently exist for safeguarding secrets?
- b. Do existing procedures and policies require change? How often are they reviewed? Are they implemented and used consistently?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- c. Are employees regularly interviewed regarding their knowledge of procedures and policies?
- d. Is there an educational program for all new/temporary employees?
- e. Are there security/encryption practices for computerized files?
- f. Are the Company's trade secrets identified in the computer records? Are they tagged? Are they safeguarded?
- g. Are there policies regarding downloading of matter to removable disks?
- h. Are there policies regarding taking confidential matter home or on trips, or otherwise out of the office?
- i. Are there pre- and post-employment interviews of employees regarding confidential information and other disclosures?
- j. Is it clear from whom an employee needs to get permission to access protected information otherwise not available to that employee?
- k. What records are kept regarding access and use of trade secrets?
- l. Who is permitted to speak publicly on the Company's behalf? Are there policies relating to public discussion?
- m. Are passwords and keys changed after termination of an employee?
- n. Have consultants and other third parties who are permitted to have access to trade secrets and confidential information signed confidentiality agreements?
- o. Is any effort made to trace the subsequent employment of departing employees who had access to trade secrets?
- p. Customer Agreements
 - i. Do any customers also do business with competitors? If yes, do the Company's agreements adequately protect the Company from wrongful disclosure of trade secrets or other confidential information?
 - ii. Are customers privy to any Company trade secrets or confidential information? If so, are the current customer agreements sufficient to guard against wrongful disclosure?
 - iii. Are customers permitted to enhance or modify any property of the Company? If so, do the current customer agreements adequately cover intellectual property ownership of enhancements and modifications?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

- iv. Do earlier versions of customer agreements create any holes regarding intellectual property ownership or disclosure of confidential information which may have damaged the Company's property rights or created an ownership right in the customer?

9. Defense of Intellectual Property

- a. Does the company monitor USPTO filings to identify attempts to identify potentially infringing patent applications, or infringing or dilutive trademark or service mark applications??
- b. Does the company periodically search the Internet, industry periodicals and other sources to identify potentially infringing products, services, trademarks or service marks?

INTELLECTUAL PROPERTY AUDIT AND DUE DILIGENCE CHECKLIST

SCHEDULE A

PROPERTY INFORMATION FORM

1. Identify the Property by title and general description
2. Identify the primary uses of the Property
3. Identify the person(s) in charge of the uses of the Property
4. Identify the Creators/Inventors of the Property (with addresses, phones and social security numbers)
5. Identify all versions of the Property
6. Identify creation dates of all of the Property
7. Identify all documents relating to the creation/invention of the Property and list all documents (and attach)
8. Identify all documents relating to the first public use/disclosure of the Property (if any)
9. List all Licensees
10. Identify all licenses relating to matter incorporated into the Property
11. Identify all licenses of all or part of the Property to others, and identify the part licensed
12. Identify all transfers relating to the acquisition of ownership of the Property by Company
13. Identify all applications for registration and registrations of all versions of the Property
14. Identify any problems relating to the Property requiring attention and correction

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