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## Mass High Tech: Don't Leave the Money on the Table: Run an IP Audit

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Don't leave money on the table: Run an IP audit

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The holidays are coming and that means holiday housekeeping. Holiday housekeeping evokes images of order, structure and warmth in the house. Purge your mud room of mismatched mittens. Fill your pantry with cider. Clean the chimney. And while you're at it, why not redirect that same attitude to the workplace and audit your company's intellectual property assets?

An IP audit is a periodic and systematic review of the IP owned, used or acquired by a business. Its purpose is to inventory all IP owned, licensed or acquired by the company, to project the future cost and value associated with each piece of IP, to mine underused corporate assets, to identify any threats to a company's bottom line, and to enable business executives to devise informed strategies that will maintain and improve the company's market position.

As with housekeeping, excuses can be found to avoid an IP audit. Frequently used excuses are the lack of time and expense (financial and personnel resources), and the purported difficulty in valuing each component of an IP portfolio. But it is critical for every business to identify, document and value its most important intangible assets. Companies that engage in an IP audit will drop pieces no longer relevant to the company's business objective and also come away with newfound, exciting assets -- just like finding change in the bottom of your washing machine.

An IP audit begins with creating an inventory of the IP the company owns, uses and licenses. This process is painless when done at regular intervals. The inventory includes patents and patent applications. But don't forget to include unfiled disclosures. Be sure to ask everyone at the company and collaborators for unfiled disclosures. Also, be sure the patent families cover the right geographical markets, especially if markets have changed since the initial filings.

The inventory also comprises trademarks and service marks that are registered and pending, and those in use that qualify as common-law marks. As with patents, be sure that the marks cover the right geographical markets.

Copyright should be contained in the inventory. Note that the European Union allows sui generis copyright of databases.

Trade dress, which incorporates graphic and website design, should also be documented. The inventory should include trade secrets and know-how. Consider whether any of the trade secrets should remain secrets.

The inventory should also account for contracts relating to IP. These

contracts involve not only licenses to IP, but also agreements with employees, agents, competitors, suppliers, customers and distributors. This is the time to also confirm ownership of each piece of IP.

Once the inventory is done, it's time for some old-fashioned elbow grease. In many situations, you may want to consider whether the company's activities infringe others' IP or whether your IP is being infringed. This task may involve constantly monitoring your competitors and the marketplace. If you believe your IP is being infringed or the company's activities may infringe others' IP, you need to weigh your options, such as sue, license, obtain opinion of counsel on infringement and IP validity, or consider design-around.

With the inventory done and infringement positions cleared, the IP assets should be prioritized: Which are the key patents to be maintained, and which patent applications should be pursued most vigorously? Also, should IP be acquired? Should now-valueless IP be abandoned or sold? Note that when buying, selling or licensing IP, antitrust issues should be reviewed.

You should review and address your policies and procedures relating to IP creation and protection, ensuring integration of IP into the overall business plan. For instance, is there a delay from the inventive activity and patent filing? Does your upcoming product have the freedom-to-operate from third-party IP? Do you have the documents to prove your legal points in a lawsuit? For example, do you have the inventors' notebooks to prove that they are the first to invent? Do your employees truly understand the value of IP?

Done with the IP audit, your company now knows the strengths and weaknesses of its portfolio, the cost of procuring IP, its infringement

liability and the possible ability to minimize it, its competitors' IP, potentially newly discovered assets and potentially worthless IP. With the holidays approaching, it's the perfect time to get corporate assets in order.

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