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Intellectual Property “Best Practice” Tips for Small Law Departments

Everyone knows that high-tech businesses derive most of their value from their intellectual property (IP). However, all businesses can build and sustain their competitive advantage by properly leveraging their IP. In-house counsel can lend tremendous value to their organizations by ensuring proper identification and legal protection for these valuable but often intangible assets. Several IP “best practice” tips for small law departments follow:

1. Educate Management. A well-educated management team is essential to a successful IP program. Management should have a basic understanding of trademarks, copyrights, patents, and trade secrets. Management should also have a general understanding of how IP does or can add value to its business. If management is trained to spot IP issues, early involvement of in-house counsel is more likely. Early legal analysis of new business initiatives helps ensure that costs and benefits associated with IP are considered when the company makes its investment decisions.

2. Conduct an IP Audit. To implement an effective IP program, it is advisable to conduct an IP audit. An excellent place to begin the audit is with a review of your organization’s marketing materials and website. The goal of the audit is to uncover IP assets used or owned by your company and identify how important those assets are to the company’s continued and future business. The audit should identify and catalogue all registered trademarks and copyrights along with any patents and licenses. The audit should also identify any trademarks or copyrights that are being used that may not be registered, as well as any business processes or inventions that are not patented. A thorough audit will uncover any IP being used in your company that may belong to third parties and identify whether licenses are in place. The audit may also identify IP from which you may be able to generate licensing revenue as well as IP your competitors may be infringing upon.

3. Implement Proper IP Protections. Once your IP assets have been identified, evaluate and implement appropriate legal protections. In some cases, you may be entitled to IP rights even absent registration. In other cases, a federal or state registration can greatly enhance your legal rights. Trademarks and copyrights can be protected in the U.S. by filing registrations with the U.S. Patent and Trademark Office. Business processes or inventions can be protected by filing a patent application. Trade secrets and other confidential or proprietary information can be protected only by implementing internal security and confidentiality procedures to safeguard the information. In some cases, you may be better served by treating a business process or invention as a trade secret instead of filing a patent, since a patent is a public document that makes your invention available to the world.

4. Establish Policies and Procedures. Written policies and procedures can provide your company a roadmap to spot IP infringement or IP protection potholes. Policies and procedures should focus on the creation, acquisition, use, and enforcement of your company’s IP assets. For example, if your company’s business depends heavily on proprietary information, you should develop security procedures and clearly written policies to ensure that the information remains confidential. If your company develops new products or services, your company’s developers may need procedures detailing how to document their research to fend off future claims of infringement or theft from a third party. Consider implementing policies regarding use of trademarks that clearly define how and when the trademarks can be used. Also, consider making “camera ready” artwork available on a company intranet to ensure consistency in use of trademarks. You may decide to require that in-house counsel review each use. It is also advisable to have a written policy prohibiting the use of third-party IP without consent of the IP owner.

5. Develop Standardized Agreements. A basic toolkit of forms for an effective IP program should consist of standardized non-disclosure agreements (NDAs), employment agreements with restrictive covenants, licenses, and technology transfer agreements. NDAs protect the confidentiality of information exchanged between your company and a third party. Sales personnel and executives who share confidential or proprietary information should be trained in how to use these forms. Non-standard provisions or third-party agreements should be reviewed by in-house counsel before they are signed. Ensure that third parties who access your confidential or proprietary information sign NDAs. All NDAs should be retained by the legal department to ensure compliance and enforcement.

Standardized employment agreements that contain restrictive covenants, including confidentiality, non-solicitation, and non-compete provisions, can be developed. State laws vary regarding the enforceability of these types of covenants. Most need to be narrowly drawn and tailored to your company’s particular business to ensure that they are enforceable under applicable state law.

Even businesses that do not normally license their IP often need a standardized technology transfer agreement. These

FAST FACTS:

All businesses can build and sustain their competitive advantage by properly leveraging their intellectual property (IP).

In-house counsel can implement cost-effective IP identification, protection, and enforcement mechanisms and strategies.

Proper IP protection preserves and enhances business value and can increase revenue.

agreements document ownership rights associated with IP developed for your company by third parties or in joint ventures or partnerships. It is beneficial to have standardized forms that can be quickly implemented when necessary.

6. Staffing: In-House Counsel vs. Outside Counsel. Because IP law is specialized, partnering with experienced outside counsel can be a wise and cost-effective choice for small law departments. Good outside IP counsel should have an efficient process for handling basic tasks such as searches and filings, as well as maintaining a docketing system to ensure timely renewals. Generally, a specialist is useful for patent registrations unless your company has a large enough patent portfolio that generates enough revenue to justify hiring an in-house patent attorney.

7. Implement Cost-Effective Enforcement Procedures. If you must enforce or defend your company’s IP rights, conduct a preliminary cost/benefit analysis to determine whether the IP is worth protecting or defending. The goal of the analysis is to determine the strengths and weaknesses of your IP protections against the investment in development or defense. Often the first step in an enforcement or infringement action is a cease and desist letter. It is advisable to develop a standardized cease and desist letter and a standardized response to a cease and desist demand that can be easily modified as necessary. If using outside counsel to handle enforcement or infringement actions, consider using the firm you selected to assist in managing your IP. They may be more cost effective since they will already be familiar with your IP portfolio and your business practices, and have less of a learning curve.

8. Ensure Proper Protection Against Employee Risks. Most employees get access to confidential and proprietary information every day and move from company to company in the same industry. With respect to trade secrets, ensure that the information is only disseminated on a need-to-know basis. To prevent employees from misappropriating proprietary information, each employee should be required to sign an agreement containing some or all of the restrictive covenants previously described. It is preferable to get the agreement *before* the employee is hired. The consideration for the agreement is prospective employment. If existing employees are asked to sign such agreements, evaluate whether continued employment is sufficient consideration in the applicable state. In some states, continued employment may not be sufficient consideration, which means additional consid-



eration will be required to ensure enforceability. If departing employees sign any agreements upon leaving your company, ensure that these agreements do not supersede any prior agreement you may wish to enforce after the employee departs.

9. Remember International Markets. If your business activities are conducted outside the United States, you may need to take additional steps to protect your IP in foreign markets. The IP laws of other countries can be very different from U.S. law. Even though the U.S. has entered into treaties with many other countries that extend U.S. IP protections to IP used in those countries, some of the treaties require filing in the foreign market within a certain time period after a U.S. registration. Ensure that you manage those deadlines carefully so as not to lose your rights under applicable treaties.

10. Stay in the Business Loop. Keep abreast of business developments with IP ramifications. Look for opportunities within your organization to leverage your IP. For example, when you are negotiating a technology transfer agreement, evaluate whether there is an opportunity to turn that IP into a profit center by licensing the IP that is developed. Be aware of what your competitors are doing; monitor their developments to identify opportunities for your company. Make yourself a resource. Be proactive in communicating information of value to your business leaders. If you are viewed as a trusted consultant and advisor who is part of the business team, you are more likely to be consulted early on. You will then be able to provide proper guidance during the early planning stages and maximize your value to the organization.

By implementing even a few of these “best practice” tips, you should be able to add significant value to the legal advice and service your small law department can provide to your company. ■



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