Intellectual Property Asset Management — A Tool for Total Quality Management

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The value of a company’s or R&D organization’s Intellectual Property (IP) assets depends largely on the steps taken to create, exploit and protect them. Even though in India we have clear-cut procedures for patenting, somehow it is not exploited by the companies or R&D organizations to its full extent. In order to exploit the IP assets to the full extent possible a simplified approach has been presented in this paper. A well thought plan and proper procedures are required for a company or R&D organization to recognize, capture and exploit its IP assets and use them as competitive weapons to enhance profit margins and greater market. Protection and enforcement of a company’s or R&D organization’s IP assets is a self-help exercise.

In a company or R&D organization IP assets are powerful weapons in the fight for enhanced profit margins in today’s increasingly competitive global market. In reality, many companies and R&D organizations are unable to respond definitively to a straightforward question about how their assets are currently being exploited. Many companies and R&D organizations rely on IP audit as one of the tools to assess the status of their IP assets. It is good idea to conduct IP audit before acquiring technology through merger, stock purchase, or acquisition of their assets. This concept is often linked to the recent trend towards ‘auditing’ patents and related technology to uncover licensing opportunities. Patent audits are heavily promoted by in-house licensing departments, intellectual capital management groups, accounting firms and software vendors that sell IP-tracking computer systems to improve the performance of the companies and R&D organizations. The idea is that companies and R&D organizations should know what they have as product/process and what it is worth, to be able to offer it for licensing.

IP Audit

Though IP audit is just one of the aspects of the IP asset management (Fig 1), it is also
an effective tool for providing a snapshot of a company’s and R&D organizations IP portfolio for a single, short-term objective. A strategic sustainable long-term policy for a company or R&D organization may even be better to protect its IP assets appropriately. The questions to be asked for effective IP asset management are:

- Which IP assets are held linked to which products?
- Which IP assets are held strictly for blocking competitors or potential competitors from encroaching on the company’s and R&D organizations market?
- Which technologies or patents can be licensed, cross-licensed, sold for revenue generation, or donated for tax credits?
- In the long term, this programme should help the company or R&D organization to increase, direct, or sustain its patent filings and encourage its employees to invent, protect, and assist in strategically exploiting IP while avoiding unnecessary liability and litigation.

**IP Asset Management**

1. IP asset management mainly relies on:
2. Minimizing intellectual property liability and avoiding unplanned IP litigation through diligent compliance process

3. Identifying, perfecting and protecting the appropriate IP assets of the company or R&D organization

4. Maximizing the return of the IP assets through aggressive, focussed asset management processes

5. Protecting the company's R&D organization's competitive position and

6. Assisting short-term and long-term strategic technology development.

A successful IP asset management programme requires (Fig 2) diversified membership, which cuts across departmental disciplinary lines and may include representatives from a company's R&D organizations, technology, business development, business management, human resource development and may also include legal departments. There should be at least some level of commitment from senior executives in the way of agreement policies to cover the interest of the company or R&D organizations.

An effective IP asset management requires defensive and offensive actions.

**Defensive IP Asset Management**

Defensive IP management includes preliminary patent searches through available web sites, not only before each new process or product initiative, but also before every new patent filing. It makes a good economic sense for a company or R&D organization to complete defensive patent reviews, including patent searches, before committing a substantial amount of time and money to major R&D or technology innovations/initiatives. This would then cut the extra expense and inconvenience, last-minute design changes may have to be made, yet the new product or process introduction may have to be halted because of infringement due to existing patent or literature or publications available. This extra care before and after the technology initiative may clear the non-obviousness of the invention, thereby making patenting more simpler and leading to effective IP asset management.

**Offensive IP Asset Management**

For new and important inventions, it is better to take offensive strategy for filing patent publications. One of the important steps in the filing process is to submit invention disclosures. No one knows more about the invention than the inventor, so the inventor is best suited to describe the applications for providing protection to be pursued? Second, not every scientist or engineer has in-house patent lawyer, who may work face to face with the inventor to prepare the patent application. So, a robust invention disclosure is essential for preparing and filing a comprehensive patent application.

The invention disclosure should at least contain the following:

1. A description of the prior art (i.e., the existing body of publicly available technological information and products on the market against which an invention is judged to determine whether it is patentable) and its weaknesses.

2. A list of relevant references

3. A broad general statement of the invention.

4. A detailed description of the invention including (if appropriate) drawings, photographs, graphs and laboratory note book pages.
Fig2 - Components of successful IP asset management

Action leads to Increased output

Defensive/Offensive Patenting → No of patents

Technology disclosures → No of products/Designs/processes

Surveillance/Forecasting → Reorientation of R&D priorities

Bonus/incentive for Patenting/Technology → No of patents/technologies

Fig3 - Benefits of IP asset management
5. Peripheral information about the invention, including appropriate product grouping (kinds of materials/product lines, etc.), and competitors equivalent products, if known, and

6. When the invention was or is expected to be publicly described or ready for commercialization and the details of such disclosure or planned commercialisation.

This last item deals with the important distinction between ‘invention disclosure’ (disclosing an invention in a patent application) and ‘public disclosure.’

In general defensive patenting procedure is followed for related inventions and for new/novel inventions, offensive patenting procedure is adapted by the way of invention disclosures. It does not matter whether a company’s or R&D organization’s following policies are strictly defensive or exclusively offensive, or well-balanced hybrid of the two approaches. The company or R&D organization should have a well defined and articulated strategy to create an IP portfolio which protects its products/processes while building market value. In the absence of clearly defined and widely communicated patent strategy, a company or R&D organisation probably will miss patenting inventions that are key to its business and patent strategy.

**Surveillance Maintenance**

There should be competitive and systematic surveillance process to analyze the situation and also patent maintenance reviews, which would help in improving the quality of the patents and rearranging R&D priorities for improving quality and marketability of products or processes. The system of surveillance can be performed automatically and electronically by distributing to senior management as well as those who need or desire to know (perhaps to the entire R&D organization rather than only a few individuals), properly establishing and focussing to assess competitor actions, and properly analysing to produce effective, actionable intelligence results.

This competitive information should be organized for dissemination and analysis by various groups or individuals in marketing, R&D, technology, business development and IP law. Such analysis should include defensive intelligence identifying competitors weaknesses and opportunities benchmark data for the company/R&D organization, and offensive intelligence—such as key patents that are nearing expiration. Knowing about a competitor's patent activities through its published patent applications—even before 18 months after the patent filing date, possibly the end date of a competitor’s R&D project—can give a company/R&D organisation enough time before patent grant date to successfully design around the competitor's patent.

There are two approaches to the patent maintenance fee, the first approach is for a company's/R&D organization’s patenting cell or outside agents to pay maintenance fee automatically for foreign and within the country patents until there is an instruction to drop the patent in a particular country. The second approach is not to pay maintenance fee until there is specific instruction to do so.

**Licensing Agreements**

Establishing a licensing program to protect and fully exploit the company’s/R&D organization’s technology and patents is ineffectual without the proper procedures to follow up, with the agreements—a matter that company/R&D organization often neglect. An effective IP asset management programme should include procedures for agreement recording and accounting where by the company/R&D organization monitors compliance with existing licence agree-
ments or joint development agreements, identifies non-payments, under payments or misinterpretations of covered products/processes, licence terms, and other factors. All licence agreements and procedures should be captured and recorded systematically so that the patents covered by the licenses are not inadvertently abandoned. Information regarding abandoned patent licenses should be available with business development/technology development/business management groups.

Litigation Management

IP litigation is almost a no-win situation for either party, and it may be costly and may take lot of time to settle the issue, which may cause undue delays in bringing out a product/process into the market. If alternate settlements fail then only opt for litigation. However an IP litigation management program entails a careful analysis and full assessment of company's/R&D organization. Before going for any litigation, the company/R&D organization should evaluate the time and effort needed by the following procedure:

1. Scrutinize the patent from the standpoint of validity, infringement, and doctrine of equivalents,
2. Period search to determine whether references can be found to invalidate the patent,
3. Assess the file wrappers (i.e., the communications back and forth with patent offices, and
4. Search and analyze any available information about the infringing product.

Conclusions

Effective IP asset management leads to a quality in the patents/processes/products developed and in a way greater marketability for company or R & D organization. Proper understanding of IP asset management leads to increased outputs (Fig 3), thereby resulting in the better performance of the company or R & D organization.

References