

To protect and exploit

6 ATTORNEYS SHARE BEST ADVICE TO MAXIMIZE IP ASSETS

[TOP TIP]

“Clients should be looking at their existing IP portfolios for opportunities to monetize.”

CHRISTOPHER LARUS,
Robins Kaplan Miller & Ciresi

Q. WHAT’S THE BIG ISSUE in your practice today?

A. As companies emerge out of the great recession, if you look at their balance sheets and how much of their overall value is in IP—intellectual property is on the march. Even companies that have been more focused on bricks and mortar are now realizing that value.

Certain tangible assets have fallen in value; companies that have significant holdings in real estate and those tangible things have generally gone down. The emerging business models are largely built around IP. Facebook is the hottest brand around; the hottest IPO this year is LinkedIn.

Q. How are you advising clients

based on that reality?

A. Clients should be looking at their existing IP portfolios for opportunities to monetize. There are a lot of companies that applied for patents or copyrights in the past, and in many instances as their businesses have shifted or grown maybe they’ve gotten away from relying on those products. So they’re sitting on the shelf. There are many companies that have IP assets that they’re not using.

What we see is a growing range of options for companies that want to monetize their patents. We’ve seen a very steady growth in companies that have the business of buying patents from companies and suing others, for example.

Q. Where else does opportunity lie?

A. Another very big one for American companies is the international market. If you go back 10 years the prevailing model was many U.S. companies being at the forefront of innovation, and companies in Asia, China in particular, being notorious

ABOUT THE PRIMER

Upsize Editor **BETH EWEN** sought advice from top local intellectual property attorneys about how business owners can safeguard their valuable but intangible assets. Attorneys from six firms shared their insights, most notably why owners should work to make their patents and trade secrets pay. Each attorney is identified with a “top tip,” followed by excerpts from the interview. Their contact information is at the end of the piece. Watch for a complete version of the interviews in Upsize Online, to be published this fall.

for copying products. And that model is really changing. The Chinese patent office within two years is predicted to be the biggest patent office in the world.

Q. How does that affect Minnesota companies?

A. One is it puts a stress on the importance of R&D efforts even in

troubling economic times, and companies here have to be actively involved in protecting those assets. The competition is not just coming from low-dollar knockoff imitators, but from truly inventive companies. Minnesota companies need to be very cognizant of the markets they want to do business in, looking into the future.

Q. Are there common mistakes that you see?

A. One mistake that we see quite often is companies that might learn of someone who's infringing their intellectual property and they don't do anything about it. That can have serious implications. If you are aware of infringements and you don't enforce them—you can lose your trademarks. A classic example is Kleenex or escalator, words that at one time were powerful brands and they came to be used by others generically.

[TOP TIP]

"Often I find that clients have either dormant technology or technology that is not being fully utilized. So I assist them with the goal of maximizing those assets."

MICHAEL OLSEN,
Winthrop & Weinstine

Q. INTELLECTUAL PROPERTY is a big topic. Describe where you focus your practice.

A. My practice is primarily transactional-based, which means that I assist clients in identifying their intellectual property assets, not only just protecting those assets but also exploiting them. Often I find that clients have either dormant technology or technology that is not being fully utilized. So I assist them in different types of IP work with the goal of maximizing those assets.

Q. Really, you often find that clients have dormant technology?

A. Sometimes it's an educational thing. Sometimes clients will have trade secrets, know-how if you will, that is under-utilized in terms of licensing to others or entering into joint strategic relationships with others. For example, I have a client with a new process that potentially could be patented in the future, but there are opportunities now with larger companies where they could license that technology, where they could take it to another level.

Q. What do you do with a client, when you're first getting to know them. What are you looking for?

A. There are a lot of mistakes that can be made early on that can be devastating going forward. They need to protect that core idea, and a lot of times they're protecting it through some very poorly drafted non-disclosure agreements. This is important: making sure we have clear ownership, making sure we have proper NDAs in place, and then making sure we develop that strategy, so we have credibility in the marketplace when approaching investors.

Q. Talk more about having clear ownership. What do you mean?

A. There are a number of potential pitfalls in the beginning when you have inventors or parties developing software. Software is primarily protected by copyright law. So if you are developing software in conjunction with a third party, each of those parties would have a claim of ownership. So then there is a question of who is the owner. If I don't have an agreement that assigns the copyright, you might not have ownership in the copyright in that work. Even on the invention side, it's important if there are collaborators, all of those parties have to be identified in the patent application.

Q. What can go wrong with non-disclosure agreements?

A. It's unfortunate that there are a lot of issues in those agreements that if you're not careful you could be giving away your protection. For

example, a lot of times these will have a duration that applies, so if the party entering the agreement defines that technology as confidential, but allows the other party to be released from the confidentiality after three years — in essence you've released that party from their obligation.

Q. What's your best piece of advice for business owners?

A. I always start with the essentials. Make sure you have ownership of that invention or of copyrighted work. That's critical.

No. 2, on the branding side, the trademark side, companies that have great ideas sometimes make the mistake of not doing trademark searches to see if they can use a trademark. That's a problem I've seen too often.

No. 3, for the early stage, be sure that everything is in line so that when they go out and pitch that private equity project they have credibility.

[TOP TIP]

"More and more the valuable assets of the company are intellectual property."

TIM MATSON,
Lommen Abdo

Q. YOU WORK AS AN ARTIST advocate in the entertainment world. What are the hot topics?

A. There are a lot of litigation wars over digital rights in the music field. For example, a lot of the legacy artists from the 70s and 80s had record contracts that did not address or even envision new forms of distribution.

Q. When you're working with artists, what are you advising them about?

A. The big issue is to make sure your IP is properly secured from a filing and registration standpoint. For example, some musicians will give downloads for free, and once you do that it's gone. Or they'll stream parts of songs to generate support and a fan base. At the outset you want people to hear your music. So the advice I will give will change according to what they're doing and where they are.

We represent this young man from Owatonna, Owl City, and he put music on his MySpace page and one song was played 6 million times. Justin Bieber — I just saw the movie because I have a seven-year-old niece, but for being a music attorney it was interesting. He's an extremely talented young man, and he put himself performing on YouTube, and this young and hungry manager from Atlanta flew him in and then later got connected with the artist Usher.

So the other side of the coin is the protection side. I represent a lot of legacy artists, Hall & Oates, Kool & the Gang, so there are all these tools at the end where you can reacquire catalog rights.

Q. When you work with companies, where are you focusing your attention?

A. A good chunk of my practice is getting companies to recognize that some of their most valuable assets are intellectual property. So many companies say, I'm not an entertainment company, I'm not a technology company, so what do I have to protect?

Q. And your answer to them would be?

A. The value of a company, bottom line — more and more the valuable assets of the company are intellectu-

al property. If you look at the various sorts of mainstream, mainline content industries — newspapers, book publishing, record companies — they've been turned on their heads because of how they distribute and monetize the distribution of content. But it's not only those companies that need to realize the value of their IP.

The Internet has changed everything. It's already over. The world has already completely changed so if you don't jump on this as a business owner you'll be left behind.

[TOP TIP]

"If there really isn't a commitment to enforce right out of the box, you're probably not spending resources wisely to get the protection in the first place."

JOHN PROVO,
Maslon Edelman Borman & Brand

Q. WHAT DO YOU ADVISE clients about most often?

A. No. 1 is trying to step away from the day-to-day business and identify what the company's real competitive advantages are in the marketplace, and then using the IP strategy to enhance those strengths. The real goal is to first identify what your strongest competitive advantages are, and then figure out what sort of an IP strategy will reinforce and create additional barriers to competitors.

Q. Can you give an example of how you help companies sort this out?

A. One client started out as an Internet-based technology company where they developed a type of software that has some real scalability for moving information through the Internet at high rates of speed, using small bandwidth.

So the strategy was first to obtain patent protection for the methodology for the way they move packets of information through the Internet, and then approach some high-profile

media companies that were looking to sell pay-per-view product to customers. We gave some of those marquee customers favorable license terms to create visibility and validate the service. That made it much easier to go to other content providers.

Q. I don't know that most people think of lawyers as helping develop market strategy.

A. I think it's a real critical part, because a lot of times people are sort of defined by the tools they use, and if you're a patent attorney you tend to think that the goal is to get a patent. But from a business owner's standpoint the goal is, what gives you the best position in the market.

Q. What's a second important piece of advice?

A. Businesses need to be prepared to have an enforcement strategy that's consistent with the ownership goals. You can help business owners get to the realization that if there really isn't a commitment to enforce right out of the box, you're probably not spending resources wisely to get the protection in the first place.

Q. What's a common mistake that you see companies make?

A. Probably No. 1 or near the top are companies that approach branding as a chance to tell consumers what the company's products or business is. Really the great brands are much like story-telling: you want to get the consumer interested in knowing more and what their appetite. But the first inclination is, Well, we need a name so people will instantly know what the product is or what the service is. The challenge that creates is a name doesn't stand out from the field, and it's very hard to protect from other competitors.

Another kind of mistake I see is companies approaching business relationships, either a licensing context or a service provider context, as an adversarial relationship rather than to look at it much more like a marriage. You need to achieve your goals, but it also needs to work for your business provider. For a venture to succeed, both parties need to achieve success. You need to do the triage to figure out what things benefit both partners.

[TOP TIP]

“An intellectual property audit can cover every issue important to the business owner.”

TOM OPPOLD,
Larkin Hoffman

Q. WHAT IS YOUR TOP PRIORITY when working with business owners on IP?

A. One of the biggest things is to make sure they have agreements in place with their employees or independent contractors or consultants that include confidentiality provisions, non-compete provisions, and assignment of inventions and other intellectual property.

Q. Why is that important?

A. When it comes to patents, the inventor has to be named on the patent, and the inventor is presumed to be the owner of the patented invention. So unless there is an assignment in place before the application is filed, sometimes companies can be held hostage by contractors or inventors, or by employees if the employee leaves the company for reasons that are not pleasant.

Q. Do you find most companies have already addressed this?

A. No, unfortunately a lot of companies have very generic confidentiality agreements that they've come across I don't know where. But a lot of the agreements have terms and conditions in them that are not in the company's best interests.

Q. What's next?

A. Another recommendation is that companies develop some sort of in-house procedure, where they have inventors record their inventions in some sort of a log book, so if something happens to the inventor that information isn't lost. So if the company wants to pursue a patent application, that information is right there. They can hand it to

the attorney.

Q. How can companies go about this?

A. What I would recommend is to have an intellectual property audit done, and that audit covers everything that I've talked about. Do they have employment agreements in place? Do they have independent contractors in place? What sort of policies do they have to ensure that their employees are recording or writing down their inventions? What patents do they currently have? Can those patents be licensed? Are those patents infringed? An intellectual property audit can cover every issue important to the business owner.

[TOP TIP]

“So you ask, where should we put our patent dollars? And the answer is you put them where an exclusive right to offer for sale a particular product or feature will give you market share.”

JIM PATTERSON,
Patterson Thuente IP

Q. WHAT IS THE FIRST piece of advice you give business owners?

A. A company that has not been involved with patenting before needs to know that there are time limits. In the United States, until we pass patent reform, which is making its way through Congress now so these rules will change: you have one year from your first offer of sale or first public disclosure to get your application on file, and if you miss that year you don't get to get a patent.

Q. OK, what's next?

A. You want to avoid running into somebody else's patent or trademark. So you certainly want to do enough searching, but then you need to have it analyzed too. Often to the uninitiated they might see a patent and think, We can't go into that, but if it's read by an attorney they might say the patent is for a more narrow application.

For trademarks, too, you would like to pick a name and have exclusive rights to that name, and you don't want to pick a name that somebody comes in and says you have to change it.

Q. How can business owners decide where to put their patent dollars, when resources are finite?

A. Codified intellectual property, which is what a patent is, gives you an exclusive right, and the exclusive right is to offer for sale a product or service. So you ask, where should we put our patent dollars? And the answer is you put them where an exclusive right to offer for sale a particular product or feature will give you market share. People come into our office saying, We have to patent this, and the first thing we say is, You want to have the money coming to you and not going to an attorney.

Q. And your third piece of advice?

A. We've been talking about it: build value into your portfolio by identifying how your exclusive rights align with your market strategy.

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