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Intellectual Property Audits

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Intellectual Property ("IP") Importance


- ▣ Increasingly important as a business asset
- ▣ May constitute the most valuable asset in early stage technology companies
- ▣ Don't overlook in more traditional companies


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Intellectual Property ("IP") Importance

Why Companies Care About IP:

- ▣ Freedom to Operate – make sure someone else's IP will not prevent your company from carrying out its business objectives
- ▣ Competitive Advantage – Protect your company's IP so it can be used to gain a competitive advantage in the marketplace through precluding others from utilizing the IP


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Ways to Protect IP

- ❏ **Copyrights** – original works of authorship, including software
- ❏ **Trademarks** – word, symbol or device that identifies the source of goods
 - ❏ Company logos
- ❏ **Trade Dress** – assemblage of elements in which product or service is packaged or presented
- ❏ **Patents** – right to exclude others from making, using, or offering for sale the invention
- ❏ **Trade Secrets** – secret information that gives owner a competitive advantage
 - ❏ KFC's secret recipe
- ❏ **Contracts**- NDAs, JDAs, licenses, employment agreements, consulting agreements, shareholder agreements
- ❏ **Internet Issues**- domain name



Hershey Kisses

This candy holds:

- ❏ A trademark for its shape (#1,584,608)
- ❏ A patent for its method of reducing fat levels in cocoa used (#5,464,649)
- ❏ A copyright for commercials made to advertise (PAu-697-741)
- ❏ A trade secret on its recipe for producing the milk chocolate candy



Hershey Kisses Trademark Excerpt

Word Mark	HERSHEY'S KISSES
Goods and Services	IC 028. US 050. G & S: CHRISTMAS ORNAMENTS. FIRST USE: 19880930. FIRST USE IN COMMERCE: 19880930 IC 016. US 033 037. G & S: PAPERWEIGHTS. FIRST USE: 19880422. FIRST USE IN COMMERCE: 19880422 IC 021. US 002 033. G & S: ORNAMENTAL CRYSTAL BOWLS WITH LIDS. FIRST USE: 19870904. FIRST USE IN COMMERCE: 19870904
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	08.03.01 - Candy bars, (chocolate); Chips, (chocolate); Chocolate candies; Chocolate chips 08.03.03 - Wrapped candies (bite size) 26.11.02 - Plain single line rectangles; Rectangles (single line)
Serial Number	73773592
Filing Date	January 9, 1989
Current Filing Basis	1A
Original Filing Basis	1A



Hershey Kisses Patent Excerpt

United States Patent 5,464,649
St. John et al. Date of Patent: Nov. 7, 1995

REDUCED FAT CONFECTIONERY PRODUCTS AND PROCESS

Assignee: Hershey Foods Corporation, Hershey, Pa.

Filed: Oct. 30, 1992

References Cited

U.S. PATENT DOCUMENTS

5,124,880 07/01 Parker et al. 420777
5,227,953 07/01 Radlow 426442
5,363,822 10/01 Merrill et al. 430768

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0382289 07/88 European Pat. Off.
0402724 07/88 British Pat.
0877229 01/88 Australian
0872443 07/88 United Kingdom
1147486 07/87 United Kingdom
1472243 07/87 United Kingdom
1072283 07/87 United Kingdom
0408233 12/88 WOPI
0408632 07/88 WOPI
0408933 07/88 WOPI 426748

OTHER PUBLICATIONS

Technical Information: Analyt@T Toxic Chemical Industry Co., 1996, pp. 5-8.
Developments in Dietetic Confection by Miss Anne Child, Confectionary Manufacture & Marketing, 1987, pp. 12, 14 & 6.
Multi-Matrix by Dr. Carlo, 1983, pp. 1 & 25.
Chemical Abstracts of J F 60223593.

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Intellectual Property Audits

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What is an IP Audit?

- Identification, organization and review of a client's intellectual property assets and potential liabilities
 - Ownership
 - Recordation of transfers
 - Perfection of security interests
 - Compliance with statutory formalities
 - Infringement on third party rights
 - Client's rights being infringed
- Audit can include all IP assets or focus on specific technologies or issues
 - Issued Patents
 - Prosecution File History
 - Validity Opinions
 - Company's Ownership
 - Actual Assignments
 - Implied Assignments
 - Implied Licenses

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Why do an IP Audit?

- Identify, organize, and review existing IP portfolio
- Quantify the value of IP assets
- Resolve current issues in IP management practices
- Establish procedures to ensure protection of assets in the future
 - Better guarding of trade secrets
 - Docketing system for payment of fees and renewal filings
 - Assignments of IP in employment and consulting agreements
 - Better marking of products
- Add value the company
- Prevent asset losses
- Address gaps in licensing and other agreements
- Minimize risk of third party infringements
- Determine position in relation to competitors



When to conduct an IP Audit?

- Annually to ensure compliance
- "Event Driven"
 - Upon formation of a company
 - Be sure all IP is "in the box"
 - Before acquisition of a company, product, or technology
 - Development of a new product, especially if it may infringe upon third party rights
 - New legal decision about the scope of protection for intellectual property
 - Capital Infusion
 - Impending lawsuit concerning IP
 - Significant license
 - New policy or philosophy of the client



Scope of the Audit

Scope should suit the needs of the client:

- Broad scope if client is investigating all policies relating to IP
- Narrow scope if client is facing possible litigation on particular issue
- Full scope if client is investigating an acquisition or ownership interest in another business
 - Investigate whether seller has adequate protection of its IP
 - Investigate scope of third party rights in seller's assets
 - Whether products may infringe on third party rights
 - Whether seller has hired employees away from competitors under circumstances that may lead to lawsuits
- Audit is not just an inventory but also an analysis



Who should perform an IP Audit?

- ▣ Company personnel (in-house counsel, management)
- ▣ Outside counsel
 - ▣ Should have experience in technology involved
 - ▣ Should have experience procuring and managing IP rights
 - ▣ Should have experience obtaining remedies for legal defects found in audit
- ▣ Should not be the firm that has been providing noninfringement opinions to the company



How to do an IP Audit?

Create an Audit Plan:

- ▣ Define the scope of the audit and the documents to be reviewed
- ▣ Define a schedule for the audit
- ▣ Define responsibilities among the audit team
- ▣ Define the personnel to be interviewed
 - ▣ Attorneys
 - ▣ Brand managers/marketing
 - ▣ Those responsible for websites
 - ▣ R & D
 - ▣ Personnel (employment agreements and policies)
 - ▣ Graphic designers



How to do an IP Audit?

Information Gathering:

- ▣ Nature of assets (product brochures, release notes, etc.)
- ▣ Issues peculiar to the law of a particular state
 - ▣ Illinois employee patent act
- ▣ Background about the technology at issue
- ▣ Gather documents (license and maintenance agreements, distribution agreements, government contracts, federal registration documents, state commercial code filings, employee agreements, consultant agreements, journal articles, published papers, competitive analysis documents, marketing files, patents, lab notebooks, validity opinions, assignments...)
- ▣ Access to company information
 - ▣ Can access only be obtained at certain sites (i.e. corp. HQ)?
 - ▣ Access to computer media
- ▣ Questionnaires and interviews
- ▣ Search of databases (USPTO, UCC filings, etc.)
 - ▣ Search inventive employees to be sure all patents assigned



Results of an IP Audit


- ❏ Avoid reducing to writing any findings that might set up the company for a claim of intentional infringement

Written report containing:

- ❏ Catalog of IP assets
- ❏ Development history of technology at hand
- ❏ Plan for economical use
- ❏ Actions to maintain those assets
- ❏ Review of employment and disclosure policies
- ❏ IP defects uncovered during audit
- ❏ Actions to be taken

Acquisition transaction:

- ❏ Whether rights available are required
- ❏ Basis for valuing rights to be acquired
- ❏ Action that must be taken before transaction is consummated or after acquisition




Results of an IP Audit

Filings:

- ❏ Report on patentable technologies currently not protected
- ❏ Copyright, trademark registration applications to be filed
- ❏ Affidavits of continued use of trademarks
- ❏ Maintenance fees to keep patents in force


Procedures:

- ❏ Procedure to ensure appropriate filings are made in a timely manner in future
- ❏ Committee to evaluate patentability and decide whether to file patent apps (cost/benefit analysis)



Ownership Issues revealed by an IP Audit

- ❏ Defects in title to IP
- ❏ Assignments of ownership from consultants
- ❏ Quitclaim from alleged author or inventor
- ❏ Employee inventions within the scope of work
- ❏ License rights from third parties to make derivative works
- ❏ Third party joint ownership issues
- ❏ Defects in patents (copyrights or trademarks as well)
 - ❏ Requests for reexamination or reissue of a patent
 - ❏ Amendments to applications
 - ❏ Certificates of correction



Ownership Issues revealed by an IP Audit

Infringement Issues:

- ▣ Obtain licenses or redesign product
- ▣ Acquisition related audit – try to obtain indemnification from present owner or third party

Acquisition Issues:

- ▣ Key people will not be with company after merger/acquisition
- ▣ Obtain consulting agreements, nondisclosure agreements, covenants not to compete



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INTELLECTUAL PROPERTY AUDIT CHECKLIST

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Establishing The Goals of Your Audit

- Why are you conducting an audit?
 - Establishing procedures?
 - Preparing for a sale, purchase or license?
 - In contemplation of litigation?
 - Making sure all IP is “in the box”.

- What will the scope be? What assets will be involved?
 - Broad
 - Overall review of procedures and policies
 - Developing an index of all intellectual property
 - Narrow
 - Focus on a specific asset for purposes of sale, purchase or license
 - Generic
 - Overview of IP sources

- What do you want to be the final product of the audit?
 - Comprehensive snapshot of your intangible assets and related procedures?
 - List of new procedures to be implemented?
 - Index or catalogue of all intangible assets?
 - Phone call or in person meeting for items where it would be better not to reduce the findings to writing.

Identification of Potential Intellectual Property

- Identify all potential intangible assets; each element of the Company's:
 - Inputs
 - Independent contractors
 - Suppliers
 - Vendors
 - Customers
 - Third party research
 - Resources and processes
 - Identify the source(s) of each of the Company's:
 - Processes & production information, know-how & negative know-how
 - Machines & manufacturing information
 - Customer lists & confidential customer information, reports & analyses
 - Operation & design manuals
 - Designs, drawings, diagrams & artwork
 - Ideas & plans
 - Technology information
 - Formulas & calculations
 - Compounds
 - Prototypes
 - Laboratory notebooks & experiments
 - Experimental, analytical & design data
 - Vendor & supplier information
 - R&D information, reports, know-how & negative know-how
 - Cost, price, profit, loss & margins data, reports & analyses
 - Quality control information, procedures, manuals & records
 - Maintenance know-how & negative know-how
 - Sales & marketing information, reports, forecasts & plans, advertising materials
 - Financial information, documents, budgets & forecasts
 - Computer printouts, operating reports
 - Administrative & managerial information, key decision makers, internal organization
 - Computer software & source code
 - Creative individual works & collaborative works
 - Outputs
 - Identify all potential marks for company products/services by reviewing packaging, marketing literature and advertising.

- Identify all potentially proprietary ideas resulting from R&D and creative efforts.
 - Identify all creative works.
 - Identify all potentially proprietary information, reports, data & analyses resulting from processes, R&D, management, marketing, and customer relations.
- Relationships
- What inputs and internal sources are related to the corresponding outputs?

Classification of Intellectual Property

- Intangibles can be protected if they fit under any one of the following categories:

Trade Secret

- Is it generally known or readily ascertainable?

Trade secret law only protects information that is not generally known and not readily ascertainable.

- A trade secret generally must also be the *subject of reasonable efforts to maintain secrecy* and must have *commercial value*.
- Public disclosure to one person may destroy the secret if it becomes *generally known*.
- Reverse engineering, independent development, and availability in public materials can make the information *readily ascertainable*.

Copyright

- Is it a fixed and original work of authorship?

Copyright law only protects fixed and original works of authorship.

- Copyright protection is generally available for the life of the author plus 70 years for individuals, or the shorter of 95 years from the date of publication or 120 years from creation for corporations or works for hire.
- Copyright protection is not available for de minimis contributions (words, titles, short phrases, and ornamentation), facts (including research and history), forms (format, layout, and style), color, typeface, photographic subjects, athletic events, scenes a faire (common themes and plots), ideas, procedures, processes,

systems, methods of operation, concepts, principles, discoveries, and government works.

- Originality requires some amount of creativity from an original author.
- Copyright protection is unavailable for useful pictorial, graphic, or sculptural works when the form and function of the article are inextricably intertwined such that the utilitarian aspects of the design are not physically or conceptually separable from the artistic expression.
 - Pictorial, graphic, and sculptural works include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, and sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified from, and are capable of existing independently of, the utilitarian aspects of the article. 17 U.S.C. §101.
 - An architectural work is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features. 17 U.S.C. §101. The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located or ordinarily visible from a public place. 17 U.S.C. §120.
 - A work can be fixed in a number of ways, including being painted on a canvas, written on a piece of paper, stored on a hard drive, or recorded on a tape, video cassette, CD, or DVD.

Trademark & Trade Dress

- Is it a distinctive source identifier used on goods or services?

Trademark law protects a source identifier on goods or services.

- Trademark and trade dress protection can last forever, but they do not extend to protect a non-reputation related disadvantage based on use, cost, quality, or efficiency.
- A mark that is arbitrary (Apple for computers, Red Baron for pizza, Starkist for tuna, and Dutch Boy for paint), fanciful (Exxon for gasoline, Kodak for film, and Colgate for toothpaste) or suggestive (Greyhound for buses, Pepsi for soda, Snap-On for tools, Velveeta for cheese, and Windex for glass cleaner) is protected upon its first use in interstate commerce; whereas, a mark that is descriptive (Apple for a fruit grower, and Puppy Chow for dog food) of the product or service requires established secondary meaning to gain distinctiveness. A generic mark (Zipper for zippers, Aspirin for aspirin, Thermos for thermoses or vacuum packed bottles, Cellophane for cellophane, and Cola for cola) is never protected, and a mark can become generic through common use as a noun or verb.
- Trade dress in the form of product packaging can be inherently distinctive, but product design always requires established secondary meaning to gain protection.

Patent (Utility, Design & Plant)

- Is it a new, non-obvious, and useful idea?
 - Utility
A utility patent protects a new, non-obvious, and useful idea.
 - An idea is not new if:
 - the idea was in a printed publication anywhere in the world or in public use or on sale in the U.S. more than one year before the filing date of a patent application;
 - the idea was in a printed publication anywhere in the world or known or used by others in the U.S. before the subject inventor's invention date;
 - the idea was abandoned; or
 - the idea originated with someone else.
 - An idea is obvious if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.
 - An idea is not useful if it is merely a law of nature, a physical phenomenon, or an abstract idea.

- Is it a new, original, and ornamental design for an article of manufacture?
 - Design
 - A design patent protects a new, original, and ornamental design that is applied or embodied in an article of manufacture.
- Is it a distinct and new variety of plant that the inventor or discoverer has asexually reproduced?
 - Plant
 - A plant patent protects a distinct and new variety of plant that the inventor or discoverer has asexually reproduced.

Identification of the Documentation Relating to Intellectual Property

- Identify all agreements between the Company and any third party
 - License agreements
 - Assignment agreements
 - Maintenance agreements
 - Distribution agreements
 - Government contracts
 - Employment agreements
 - Consulting agreements
 - Joint development agreements
 - Technology transfer agreements
 - Sponsored research agreements
 - Non-disclosure agreements
 - Non-competition agreements
 - Work for hire agreements
 - Contracts with independent contractors
- Identify Filings and Registrations
 - All U.S. state and foreign IP applications
 - Registration and recordation materials
- Identify any other documents relating to IP rights
 - Contracts with suppliers and customers
 - Correspondence relating to IP rights
 - List of computer software owned by the company; including all versions and source and object code, flow charts, other development documents
 - Hiring and exit interview materials
 - Publications and other documents
 - Federal registration documents

- State commercial code filings
- Journal articles
- Published papers
- Competitive analysis documents
- Marketing files
- Confidentiality procedure documents and manuals

Examination of the Documentation

- For each agreement, identify:
 - The parties to the agreement
 - The rights being transferred
 - The owner of any technology developed under the agreement
 - The holder of any right to file a patent application on any technology developed under the agreement

- Verify that:
 - Employees and others obtaining confidential information, secrets, or inventions have signed confidentiality or non-disclosure agreements.
 - Employees and others in R&D have signed invention assignment agreements.
 - Be sure that each assignment references the Illinois Employee Patent Act (765 ILCS 1060/et seq.) and has the following language: “[This] agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless[:]
 - the invention relates
 - to the business of the employer, or
 - to the employer's actual or demonstrably anticipated research or development, or
 - the invention results from any work performed by the employee for the employer.”
 - Employees and others obtaining confidential information, secrets, or inventions which can be used by competitors have signed non-competition agreements.
 - In Illinois, non-competition agreements are enforceable when the limitations as to time and territory are not unreasonable, enforcement will not be injurious to the public or cause undue hardship to the employee, and the restraint imposed is not greater than is necessary to protect a legitimate business interest of the employer.
 - Agreements have arbitration or other dispute resolution language as appropriate to avoid costly litigation.

Identify Owners

- For each piece of intellectual property, identify the owner(s):
 - The Company?
 - Customers?
 - Vendors?
 - Independent contractors?
 - Employees?
 - Corporate owners?
 - Competitors?
 - Joint works?
 - Co-inventors?

- Search for Indicators of Clouded Title:
 - Filed financing statements
 - USPTO and Copyright Office title searches
 - State filings
 - Foreign filings
 - Filings with domain name registrar (i.e., Network Solutions, Inc.)

- Search for Assignments of Intellectual Property Rights
 - USPTO assignment database (for Trademark and Patent information)
 - Trademark assignments must assign the goodwill along with the mark itself.
 - Patent assignments must be recorded to bind later innocent third party purchasers.
 - Copyright Office (for Copyright Assignments)
 - The author of a work other than a work made for hire generally has the right to terminate any license or assignment 35 years after the grant was made. The termination right cannot be waived in advance. If the author dies before the termination period begins, the termination right can be exercised by the author's heirs. 17 U.S.C. § 203.

Confirm Validity

- Trade Secret
 - Not generally known?
 - Not readily ascertainable?
 - Subject of reasonable efforts to maintain secrecy?
 - Commercially valuable?

- Copyright
 - Fixed in a tangible medium of expression?
 - Original work of authorship?
 - Not an unauthorized derivative work?

- Modicum of creativity?
- Not expired? (life plus 70 for individuals and at least 95 years for corporations and works for hire)
- Not a useful pictorial, graphic, or sculptural work with the form and function of the article inextricably intertwined such that the utilitarian aspects of the design are not physically or conceptually separable from the artistic expression?
- Not a de minimis contribution, fact, form, color, typeface, photographic subject, athletic event, scenes a faire, idea, procedure, processes, system, method of operation, concept, principle, discovery, or government work?

- Trademark & Trade Dress
 - Source identifier?
 - Distinctive?
 - Not generic?
 - If descriptive, then secondary meaning?
 - If product design, then secondary meaning?
 - Used on goods in interstate commerce?
 - Not used to protect a non-reputation related disadvantage based on use, cost, quality, or efficiency?
 - Not abandoned?
 - Still in use?
 - Renewal fees paid?

- Utility Patent
 - New?
 - No anticipating reference before invention date?
 - No anticipating reference one year before filing date?
 - Not abandoned?
 - True inventor?
 - Non-obvious?
 - Consider scope and content of the prior art, difference between the invention and the prior art, and level of skill in the art.
 - Also consider commercial success, long felt but unsolved needs, failure of others, copying of patent, licensing, unexpected results, and disbelief of experts.
 - Useful?
 - If patent is issued or in prosecution:
 - Sufficient disclosure to support the claims?
 - No inequitable conduct before the patent office?
 - All known relevant and non-cumulative references disclosed during patent prosecution?
 - No fraud on the patent office?
 - No double patenting?

- Application not abandoned?
- Expired for failure to pay maintenance fees?
- Expired due to its limited duration now typically but not always 20 years U.S. filing date?

Design Patent

- New?
- Original?
- Ornamental?
- Design for an article of manufacture?
- Expired due to its limited duration (currently 14 years from grant)?

Plant Patent

- Distinct and new variety of plant?
- Inventor or discoverer has asexually reproduced?
- Expired due to its limited duration now typically but not always 20 years from the U.S. filing date?

Retrospective Protection of Identified Intellectual Property

- Patents
 - ❑ A U.S. patent application must be filed if at all within one year of any public disclosure of an invention.
 - ❑ Check the availability of international rights. Most countries bar the right to a patent if there is any publication before the filing date. Also, check any PCT applications to see if a U.S. application is due.
 - ❑ Inform patent owners of their rights and encourage owners to license, market, and use the invention.
 - ❑ Discovery of new prior art, errors in inventorship, confusing typographical errors, and other errors should be corrected on any pending patent application.
 - A correct inventor or co-inventor is anyone who contributed to the conception of a single claim.
 - ❑ Verify that the patent owner's rights (exclusive right to make, use, sell, and offer for sale in the U.S., and to import into the U.S.) are not currently being infringed by performing a search of products on the marketplace.
 - ❑ Advise the client of the infringement and the benefit of negotiating with the infringer, and the consequences of not immediately suing for infringement (a six year presumption for laches and a six year limitation on damages under the statute of limitations). 35 U.S.C. § 286.
 - ❑ Verify that the proper prior art references have been disclosed, including real products in the marketplace, publications, and other evidence of knowledge, use, or sale of the invention in the U.S. (keeping in mind there is no duty to do a search of prior art).

- Verify that the practice of a patented or patent-pending invention does not infringe any of the prior art patent references for that invention.
- Verify that outgoing products are properly marked so that purchasers will have imputed knowledge of the underlying patent.
 - To mark a patent, fix the word “patent” or the abbreviation “pat.”, together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. 35 U.S.C. § 287.
 - In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement except on proof that the infringer was notified of infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice. 35 U.S.C. § 287.
- Inform inventors of the need to diligently reduce their currently conceived inventions to practice.
- Timestamp or ask the inventors to date any documents or objects showing a possible date of conception or reduction to practice.
- If possible and practical, use direct language instead of means-plus-function language or step-plus-function language in claims.
 - Functional claiming is limited to the specification and equivalents at the time of filing; whereas, direct claim language is entitled to the claim language and equivalents, including after-arising technology.
- Verify that pending applications cover, if possible, later conceived competing products.
- Consider any narrowing amendments to a patent application made during prosecution history.
 - If the claim is amended and narrowed, then the patentee loses the entire scope and equivalence between the amendment and the original unless the changes fall under a few narrow exceptions.
- Verify that all new, useful, and non-obvious ideas disclosed in the patent application are claimed.
- Verify that the inventor or owner documents any and all experimental use.
- Address any long delays (multiple continuations, continuations-in-part, and requests for continued examination) for patent applications currently in prosecution.
- Pay any maintenance fees due, and respond to any pending office actions.
 - Maintenance fees are due three times after the patent issues, and they cannot be paid early. These fees may be paid without surcharge between 3 years and 3 ½ years after issue (first maintenance fee), between 7 years and 7 ½ years after issue (second maintenance fee), and between 11 years and 11 ½ years after issue (third maintenance fee). 35 U.S.C. § 41(b); MPEP § 2506.

- Maintenance fees may be paid with a surcharge between 3 ½ years and 4 years after issue (first maintenance fee), between 7 years and 7 ½ years after issue (second maintenance fee), and between 11 years and 11 ½ years after issue (third maintenance fee). MPEP § 2506; 35 U.S.C. § 41(f); 37 C.F.R. § 1.20.
 - Failure to pay the current maintenance fee on time may result in expiration of the patent. It may be possible to pay the maintenance fee after expiration where the delay is shown to the satisfaction of the Director to have been unavoidable or unintentional. 37 C.F.R. § 1.20.
 - Maintenance fees are not required for any plant patents or for any design patents. 37 C.F.R. § 1.362.
 - Document profits and sales figures for products based on the patent.
- Trademarks
- Verify that trademarks for company products or services have been registered at:
 - Federal level (USPTO)
 - State level (Secretary of State's Office) (not necessary to sue in federal court)
 - Foreign (USPTO via Madrid Protocol)
 - Verify that the class or classes in which the mark is requested matches the marks correct use
 - Verify that the Company's trademarks are being properly used.
 - The latest versions of the marks are being used.
 - Any licensees of the mark are supervised for quality control.
 - Determine whether and in what manner others are using the Company's trademarks.
 - Conduct searches on the Internet (Google or Dogpile are recommended) to investigate how the Company's marks are being used.
 - Determine whether this use exposes the Company to risk of loss of value of the trademark by it becoming generic or being otherwise misused.
 - Conduct the following trademark searches:
 - Federal level - USPTO database
 - State level - Secretary of State's Office
 - Common Law Usage - Google, Dogpile, and other search engines
 - Commercial Databases such as TRADEMARKSCAN in Westlaw
 - Outside search firm such as Dialog or Thomson & Thomson
 - Verify that the TM or SM (common law notice) or ® (notice of federal registration) notice is properly displayed on all:
 - Company literature displaying or discussing the product or service
 - Promotional/marketing materials displaying or discussing the product or service
 - Advertisements for the product or service

- Websites displaying or discussing the product or service
- In-house publications displaying or discussing the product or service.
- Products or services
- Verify that there are licensing agreements in place with any parties that may need to use company trademarks, such as distributors, suppliers (for example, putting logos on shopping bags).
- Verify that the Company has received permission to use the marks of others and is using them properly.
- Verify that sales figures are available for the amount of goods or services sold under each mark.

➤ Copyrights

- Verify that copyrighted material is properly marked to put others on notice of copyright (e.g., © 2007 Joe Smith or Copyright 2007 Jane Jones).
- Verify that important copyrights have been properly registered or that registration has been sought with the Copyright Office (e.g., instruction manuals for products, drawings, books, etc.).
- The use of a copyright notice was mandatory on all published works before March 1, 1989. Verify that such notice was present.
- Verify that employment agreements stipulate that all work by employees is done on a “work for hire” basis and all copyrightable work belongs to the Company and that the employee will create any assignments requested by the company.
- Verify that written work for hire agreements accompany any copyrightable work created by independent contractors for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas.
- Verify that all copyrightable work created by independent contractors has been assigned to the company and that the assignment has been filed with the Copyright Office.
- Verify that any assignments over 35 years old have been re-assigned by the author. Sec U.S.C. § 203.
- Verify and document the Company’s permission to use the copyrightable material of others’:
 - Graphics
 - Artwork
 - Photographs
 - Character drawings
 - Other original & fixed expression

➤ Trade Secrets

- Physical Security Measures & Notice

- What are the plant physical security precautions, such as a fenced perimeter of the Company premises, limited entries and exits, alarms and self-locking doors, and after-hours security personnel?
- Are there “KEEP OUT” and “AUTHORIZED PERSONNEL ONLY” signs at the access points to sensitive areas of the plant, and is there a policy of enforcing these restrictions?
- What keeps visitors from obtaining confidential information?
- Are ingredients or data secretly coded or encrypted?
- Are drawers or areas for secret documents and drawings separated and locked?
- Are there physical barriers that prevent unauthorized viewing of proprietary process technology?
- Are there sign in and sign out procedures for accessing and returning sensitive materials?
- Are sensitive documents reproduced in only a limited number, and is there a policy to collect all copies after use?
- Are authorized codes and passwords used for access to copying machines and computers?
- Is computer data stored and transmitted in an encrypted, secure manner?
- Are there policies and procedures to destroy (shred) sensitive documents rather than discarding them in whole?
- Are confidential drawings and documents marked as confidential with a stamp, watermark, or confidentiality legend?



Employee Policies

- Are employees subject to non-competition agreements?
 - Scope reasonable (length of time, geographical area)?
 - Would enforcement of the non-competition agreement be injurious to the public or cause undue hardship to the employee?
 - Is the restraint imposed greater than necessary to protect a legitimate business interest of the employer?
 - Has each employee signed a confidentiality agreement or a non-disclosure agreement?
 - What are the company’s oversight policies and procedures that prevent the inadvertent disclosure of trade secrets in written publications, seminars, speaking engagements, or at trade shows, by employees?
 - Are Company departments separated so that each employee does not have access to unnecessary confidential information?
 - Are components of trade secrets separated between or among departments so that each has only “a piece of the puzzle?”
 - Is the Company using confidential or proprietary information from a competitor brought in by an employee?

- Are there written rules and regulations that prohibit employees from remaining in the plant after hours without express permission from properly authorized personnel?
 - Are there rules and regulations requiring employees to stay in controlled areas about their work stations?
 - Are employees required to wear identification badges or carry identification cards?
 - Is there a policy and practice for advising employees on a regular basis regarding the Company's trade secrets and confidential business information?
 - Does the Company hold "exit interviews" to ensure return of company documents and to remind ex-employees of their obligation not to use confidential information of the Company for their own benefit or the benefit of others?
- Third Party Communications
- Have trade secrets been disclosed on public material, including advertisements, the Web site, and posters or billboards at the front of the office?
 - Have trade secrets been disclosed in patent or copyright applications?
 - Has each third party recipient of confidential information signed a confidentiality agreement or a non-disclosure agreement?
 - Have trade secrets been maintained on a "need-to-know" basis only?
 - Review the relationships with suppliers and customers
 - Purchase order terms and conditions
 - Sales terms and conditions
 - Forms used for receipt, disclosure or exchange of proprietary/confidential information
 - Protocol for receipt of unsolicited ideas
 - Documents containing info relating to confidential information



- Domain Names
- Compile a list of all domain names that are:
 - currently registered and active
 - inactive and no longer used
 - list of domain names the company is considering using in the immediate future
 - Determine whether there have been any assignments made with respect to domain names
 - Search major domain name registries to verify ownership of each domain name listed by the company
 - Search for domain names confusingly similar to any company mark.
 - Determine whether any such domain name was acquired before or after the Company acquired rights in the mark.

- Determine whether any such domain name was acquired with a bona fide noncommercial or fair use of the mark in the domain name.
- Determine whether any such domain name was acquired with intent to divert consumers from the Company's online location in a manner that could harm the goodwill represented by the Company's mark.
- Determine whether any such domain name is for sale, and whether the sale price is reasonable.
- Determine whether any such domain name was acquired through the provision of misleading contact information.
- Determine whether any such domain name was purchased along with other domain names that were confusingly similar to the Company's marks or the marks of others.
- Evaluate the distinctiveness and fame of the subject mark.

Prospective Protection of Intellectual Property Review of Policies and Procedures

- General
 - Verify that confidentiality agreements/non-disclosure agreements are required for:
 - All employees
 - Only certain employees
 - Consultants
 - Independent contractors
 - Distributors
 - Suppliers
 - Visitors and maintenance workers
 - Verify that those incapable of consenting to a confidentiality agreement are not allowed to receive confidential information (i.e., children under the age of 18).
 - Verify that exit interviews are required for all employees.
 - Require dated Inventor/Lab notebooks for all potential inventors.
 - Determine whether there is a communication process for inventors/developers to share research developments with counsel
 - Determine whether there is a system in place that encourages employees to report infringement, misappropriation, or theft.
- Patent
 - Determine whether there is a process that ensures inventors and relevant decision-makers know that a patent application should be filed within one year of any public disclosure of an invention and that any publication before filing could destroy international rights.
 - Determine whether there is a process for informing patent owners of their rights and encouraging owners to license, market, and use the invention.

- Determine whether there is a process for inventors and others involved in patent prosecution to report new prior art, errors in inventorship, and other errors in the patent application process.
- Determine whether there is a periodic procedure for assessing whether the patent owner's rights (exclusive right to make, use, sell, and offer for sale in the U.S., and to import into the U.S.) are being infringed.
- Determine whether a procedure is in place to notify the inventor and others involved in patent prosecution about the scope of prior art that should be disclosed.
- Determine whether there is a procedure to design around existing patents and published patent applications so that the Company's patented product does not infringe any other patents.
- Identify the procedure for marking outgoing products.
- Ensure that there is a process to inform inventors of the need to diligently reduce their currently conceived inventions to practice.
- Ensure that there is a procedure to inform inventors to timestamp any documents or objects showing a possible date of conception or reduction to practice.
- If possible and practical, use direct language instead of means-plus-function language or step-plus-function language in claims.
- Identify a procedure for ensuring that amendments to pending applications ensure that pending applications cover, if possible, later conceived competing products.
- Avoid, when possible, narrowing amendments to a patent application made during prosecution history.
- Ensure that all disclosed new, useful and non-obvious ideas are claimed in new applications.
- Determine whether there is a procedure for inventors to document any and all experimental use.
- Ensure that the Company keeps track of profits and sales figures for specific products based on the patent.
 - Damages for infringement can be based on a reasonable royalty or on the patent owner's lost profits. Evidence of profits and manufacturing capability can be important in a determination of damages.
- Determine whether there is a process for monitoring pre-filing disclosures of patentable information.
- Determine whether there is a process for reviewing sales literature to ensure that nothing is disclosed in the marketplace to potential customers.
- Determine whether invention assignment forms are required for new hires.
- Determine whether there is a Patent Review Committee in place to handle:
 - Invention selection criteria – patent v. trade secret
 - Cost benefit analysis in determining whether to file applications
 - Foreign filing strategy
 - Application process and procedures

- Periodic patent search process in key areas to keep abreast of efforts by competitors.
- Determine whether there are education programs to teach employees about the patent process and their role in protecting patentable intellectual property.
- Examine the in-house docketing system for monitoring deadlines regarding:
 - Any maintenance fee payments
 - Renewal filings

- Trademark
 - Determine whether there is a procedure for promptly registering trademarks for company products or services.
 - Verify that there is a procedure that ensures notices are properly displayed on all:
 - Company literature displaying or discussing the product or service
 - Promotional/marketing materials displaying or discussing the product or service
 - Advertisements for the product or service
 - Websites displaying or discussing the product or service
 - In-house publications displaying or discussing the product or service.
 - Products or services
 - Verify that there are policies and standards in place for granting licensing agreements with any parties that may need to use company trademarks, such as distributors, suppliers.
 - Verify that there is a system for calculating the sales figures and the amount of goods or services sold under each mark.
 - Determine whether there is a licensing manager and a quality control system in place to protect the goodwill associated with the trademarks
 - Determine whether there is a process in place for phasing out marks that are no longer in use
 - Identify and evaluate any guides for proper mark usage, specifying
 - Proper typeface
 - Color specifications
 - Mark placed in a consistent location on product or package
 - Determine whether there is a system in place for monitoring the registration and use of possible infringing marks or of the subject mark in an infringing manner.
 - Determine whether there is a policy in place outlining the process for dealing with infringement and whether cease and desist letters have been drafted
 - Examine the in-house docketing system for monitoring upcoming renewal deadlines
 - Due dates between the fifth and sixth year after registration and at the end of every successive ten year period after registration (between

years nine and ten, payable up to six months late for a fee of \$100 per class).

- Copyright
 - Verify that procedures are in place to properly mark copyrighted material
 - Determine whether there is a disconnect between valuable creative expression and the registration process, and suggest procedures that encourage the registration of important copyrights
 - Verify that standard employment agreements stipulate that all work by employees is done on a “work for hire” basis and all copyrightable work belongs to the Company.
 - Ensure that there is a procedure to obtain a written work for hire agreement from independent contractors working on a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, or an atlas.
 - Verify that there is a procedure for obtaining assignment agreements from independent contractors for copyrightable work.
 - Verify that there is a process for obtaining a re-assignment from the author after 35 years.
 - Determine whether there are “Clean Room” procedures in place that bar access by unnecessary employees during development of copyrightable material
 - Examine whether employees are respecting the copyrights of others and the Company’s policy for:
 - Monitoring employee computer/laptop use to prevent unauthorized software distribution
 - Monitoring employee computer use to ensure that there is no illegal downloading of movies, music, other copyrighted materials
 - Examine the copyright policies and education programs to train employees about protecting company copyrights

➤ Trade Secrets

- Physical Security Measures & Notice
 - Verify that the plant or business has physical security precautions, such as a fenced perimeter of the Company premises, limited entries and exits, alarms and self-locking doors, and after-hours security personnel.
 - Verify that there “KEEP OUT” and “AUTHORIZED PERSONNEL ONLY” signs at the access points to sensitive areas of the plant, and that there is a policy for enforcing these restrictions.
 - Review visitor policies to determine whether:
 - Visitors are required to wear temporary ID badges.

- Visitors are required to sign in and enter and exit through only one door.
 - Bags are searched by security upon exit of the building.
 - Escorts are required for visitors.
 - Visitors do not have access to any confidential information without signing a confidentiality or non-disclosure agreement.
 - Visitors are required to be 18 years of age or older.
 - Verify that there is a policy to encode or encrypt ingredients or data.
 - Verify that drawers or areas for secret documents and drawings are separated and locked.
 - Verify that there physical barriers that prevent unauthorized viewing of proprietary process technology.
 - Determine whether there are sign in and sign out procedures for accessing and returning sensitive materials.
 - Ensure that sensitive documents are reproduced in only a limited number, and is there a policy to collect all copies after use.
 - Verify that authorized codes and passwords are used for access to copying machines and computers.
 - Verify that computer data is stored and transmitted in an encrypted, secure manner. Be sure to check:
 - Laptops
 - Internet/Email
 - PDAs/Blackberrys
 - Verify that there are policies and procedures to destroy (shred) sensitive documents rather than discarding them in whole.
 - Determine whether there is a procedure to require that confidential drawings and documents be marked as confidential with a stamp, watermark, or confidentiality legend.
- Employee Policies
- Ensure that there is a policy to require all new employees to sign enforceable non-competition agreements.
 - Verify that each employee is required to sign a confidentiality agreement or a non-disclosure agreement.
 - Ensure that the company has oversight policies and procedures that prevent the inadvertent disclosure of trade secrets in written publications, seminars, speaking engagements, or at trade shows, by employees.
 - Determine whether Company departments are separated so that each employee does not have access to unnecessary confidential information.
 - Determine whether components of trade secrets are separated between or among departments so that each has only “a piece of the puzzle.”

- Ensure that the Company is not using confidential or proprietary information from a competitor brought in by an employee.
 - Determine whether there are written rules and regulations that prohibit employees from remaining in the plant after hours without express permission from properly authorized personnel.
 - Determine whether there are rules and regulations requiring employees to stay in controlled areas about their work stations.
 - Verify that employees are required to wear identification badges or carry identification cards.
 - Determine whether there is a policy and practice for advising employees on a regular basis regarding the Company's trade secrets and confidential business information.
 - Ensure that the Company holds "exit interviews" to obtain return of company documents and to remind ex-employees of their obligation not to use confidential information of the Company for their own benefit or the benefit of others.
- Third Party Communications
- Determine whether there is a procedure to prevent trade secrets from being disclosed on public material, including advertisements, the Web site, and posters of billboards at the front of the office.
 - Verify that each third party recipient of confidential information is required to sign a confidentiality agreement or a non-disclosure agreement.
 - Verify that trade secrets are maintained on a "need-to-know" basis only.

Methods for Conducting the Audit

- Interviews of management and technical staff
- Questionnaire to all employees who use or develop IP
- Physical inspection of employee workspaces
- Observation of building security procedures
- Inspection of handbooks, policy manuals and other guidance documents
- Searches of databases including USPTO, google patents, google, DogPile, UCC Filings, Copyright Office

Final Product

- Telephone call or face to face meeting for sensitive issues better not put in writing
- Written report, including:
 - Catalog of IP assets
 - Development history of the identified IP
 - Date of acquisition/creation

- Creator/owner
 - List of actions required to maintain each asset
 - Any IP defects uncovered during the audit
- List of filings to be pursued
 - Copyright, trademark and patent applications to be filed
 - Affidavits of continued use of trademarks
 - Litigation and negotiation options for discovered potential infringement by third parties
- Maintenance fees required to keep patents in force
 - List of procedures to be implemented
 - Prioritized to-do list to be used as a starting point for subsequent audits

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Mr. Singleton provides legal services to business clients in corporate, intellectual property, securities law, and real estate areas. He has frequently assisted entrepreneurs select and organize an appropriate entity and obtain capital. He has formed limited liability companies, subchapter S corporations, subchapter C corporations, professional corporations, and not-for-profit corporations, including publicly supported organizations and private foundations. Mr. Singleton has also assisted clients with mergers and acquisitions and with implementing stock option programs.

A member of the patent bar, Mr. Singleton has represented clients in patent prosecution, trademark registration, negotiation of licenses, research and development agreements and joint development agreements. He is familiar with the University of Illinois policies on technology transfer and has negotiated licenses of University technology. Mr. Singleton's real estate law experience includes purchases and sales, leases, installment contracts, like kind exchanges, and zoning and land use issues.

Mr. Singleton is active in both the business and educational communities. He has served on the Advisory Councils of numerous technology companies and served on the list of advisors at the Illinois Technology Center. He is a member of the business plan review group Second Saturday and has served as a judge for the Academy for Entrepreneurial Leadership Innovation Teams Competition and V. Dale Cozad Business Plan Competition.

Mr. Singleton maintains an adjunct faculty appointment with the University of Illinois College of Medicine. He has given guest lectures for the University of Illinois MBA course on technology commercialization, the senior Capstone Design Course in the Department of Agricultural and Biological Engineering, the Academy for Entrepreneurial Leadership Idea to Enterprise Workshop, the Technology Entrepreneur Center, the Advanced Invention to Venture workshop, the University of Illinois College of Veterinary Medicine and for medical residency programs throughout the state.

The recipient of the 2008 Entrepreneur Advocacy Award, and of the Chemical Rubber Company Chemistry Award as an undergraduate student, Mr. Singleton earned a Bachelor of Science Degree in Geology from the University of Illinois in 1988 and a Juris Doctorate from the University of Illinois College of Law in 1991. Following law school and prior to founding Singleton Law Firm, P.C., he practiced with Webber & Thies, P.C. as an associate and then shareholder.

Mr. Singleton is currently a member of the American Bar Association Sections on Business Law, Intellectual Property Law and Science and Technology Law, the Illinois State Bar Association Sections on Corporation and Securities Law (Member, Section Council) and Intellectual Property Law (Member, Section Council), the American Intellectual Property Law Association, the Intellectual Property Law Association of Chicago, and the Midwest Business Brokers and Intermediaries.

Mr. Singleton has chaired the EDC/techCommunity Mentoring Program, has served on the board of the Don Moyer Boys and Girls Club, and serves on the boards of the Mahomet Area Kids Endowment Foundation and the Mahomet Area Youth Club.

Mr. Singleton is married to local family practice physician Deborah Singleton, M.D. They have three children.

Singleton Law Firm, P.C. is dedicated to serving the legal needs of business and individual clients of east central Illinois and beyond with an emphasis in the areas of corporate, intellectual property (including patent) and real estate law. The firm was founded by attorney Alan R. Singleton and paralegal Elizabeth C. Kellner following Mr. Singleton's practice at another local firm as an associate and then shareholder. Ms. Kellner's experience includes work at the University of Illinois business incubator and then service as the coordinator and then executive director of techCommUnity. Both Mr. Singleton and Ms. Kellner are active in their efforts to grow the local business community. Both maintain contacts in the local business community and beyond which allow them to serve as a team to meet the needs of business and individual clients through the provision of value added quality legal services.