

Establishing Intellectual Property Within Corporate Governance

Most companies have knowledge of Intellectual Property (IP). However, their use of it varies greatly from industry to industry and company to company. Some rely on IP to start and stay in business, while others have little documented IP in their operation. Usually, IP usage is related to factors such as company size, technology used in products, or the need for venture capital. Combinations of these factors can affect the use of IP even more. Whatever the reasons for justifying investments in IP, every company views this process differently. Therefore, in the case of IP, Return on Investment (ROI) calculations show results that are all over the map. Often the objectives of IP investments are unclear, not based on market realities, not based on R&D development activities, but are in reality based on setting trademark and patent quotas to stock up the corporate arsenal.

Most managers do agree that some businesses need more IP protection than others. But how is this determined? Many marketing professionals agree that trademarks keep competitors from knocking off their clever marketing campaigns. But few marketing professionals know how patents can help a marketing effort. Just how does a company leverage a strong patent portfolio in a marketing campaign? Unfortunately, general confusion about IP on the “line” remains. Too few training programs are available to put departmental programs in place to address this issue. Then where is the best place to start an effective IP program? In just about every case, it’s at the top.

Typically companies use an executive management structure that is organized around the functions of sales, marketing, administrative, development, and a short list of industry-specific areas. When IP goals are set, they generally appear as an objective in a business plan and arbitrarily assigned to one of the above functional groups to create/manage. Since smaller companies do not have full-time IP Counsel on staff, these decisions are often done without much guidance. But when legal advice is sought the answer is often to make IP an integral part of the Corporate Governance and make it functionally reportable to the Administrative Group. There are good reasons for this, the most important of which is to focus IP on projects that maximize ROI and to keep IP aware of the content of reported information coming in from all other groups.

As an understatement, IP work is expensive. Any activity that is expensive must be extremely focused on work that will pay back as soon as possible. This is what keeps IP close to Corporate Governance. Consequently, it is no accident that IP administration normally resides at a central point within the organization. From that vantage point, it is relatively easy to examine each of the functional areas for opportunities that will allow IP to be applied appropriately.

Normally, that starts with Product Development. If a company is in a high technology industry, Product Development generally needs patents to backup externally distributed products, so Product Development often goes on the “IP critical list” quickly. If a company performs a pure service, like water purification, most of the engineering work is process oriented, limiting patent applicability to internal process improvements that provide a competitive advantage. Regardless of the business needs analysis, just about any enterprise requires some degree of IP protection for products and processes that are applied every day to meet customer requirements while still maintaining a competitive advantage. Determining the proper applicability of IP to a wide spectrum of business practices is a challenge.

One good way to examine a justification for IP is to create two documents (or databases). One contains a portfolio-style compilation of all the products and services that a company offers. The other contains a list of projects, often controlled by Project Management, that are currently underway to advance the product/service portfolio. By contrasting the two sets of information, a pattern often emerges showing the life cycle positions of product/service offerings in the company. From that information, Corporate Governance can start a planning process to determine the best type of IP protection to apply to the product/service offerings over the intermediate term.

Turning to Sales & Marketing, a compilation of current and planned campaigns is created and cross referenced to the data compilations examined above. Critical to this analysis are products/services at the beginning of their life and products/services at the mid-point in their life. For trademarks, it is straightforward to determine from this analysis that all new and existing efforts must be registered, properly labeled, and supported. Where there are products that have existing patent portfolio applicability, it is essential to list the patent numbers on key public documents and also to mention the “patented functions” within sales materials that highlight the capabilities covered by the patent. In areas where Corporate Governance has determined that future IP protection is to be obtained by the IP group, it is essential that “patent pending” language be used. In areas where new campaigns are being formulated, it is essential that new trademark ideas be shared with the IP group so that searches can help narrow down and apply a list of eligible names for filing with the USPTO.

For other company functional areas, that are conducting marketing or providing services internationally, often a repeat performance of the same process is required, simply because different markets require different IP protection. If there is an interaction with government agencies, IP adjustments may have to be made to keep the operation of certain products and services secret. These areas must be reviewed by Corporate Governance, possibly creating new objectives for the IP group.

As plans are executed, Corporate Governance typically has access to a cadre of reports and information showing the progress of projects, addition of products, product sales results, and feedback from marketing campaigns. This updated information should be forwarded to the IP legal group regularly. This allows IP projects to be prioritized and selected for investment accordingly. Then, going forward, decisions are made by the IP group allocate more resources to high priority, high return, well accepted products/services and to apply fewer resources to those projects that are experiencing negatives such as development delays and low market acceptance. Corporate Governance should not allow the continuation of IP expenses that are not contributing positive ROI results to the product/services mix.

There are numerous support systems available for portfolio management, many of which are available on line. These must be evaluated carefully. It is essential that the company's IP portfolio be available in a shared database, with various views and reports easily accessible by Corporate Governance. This will assure that management is not only aware of what assets are contained within the IP portfolio but that they are aware of how the portfolio is changing from quarter to quarter. It is also a good idea to have visibility into how much the IP portfolio is costing because additive maintenance fees are often overlooked during the life of trademarks and patents. Being able to see how much the portfolio costs will keep the options of strategic abandonment for non-contributory assets and the sale of certain assets to outside-industry companies in focus.

Once Corporate Governance has taken on the responsibility of adding the IP portfolio to the balance sheet as an asset to be managed like other assets such as property and equipment, a significant amount of leverage will be obtained. By keeping the IP portfolio limited to only those items that are actively "in the game" of enforcing infringement and supporting cross-licensing negotiations, the company will realize competitive parity and even an advantage when using IP in the competitive environment.

In summary, the type of company is main determining factor in settling on the most appropriate use of IP within the business. The overall determination of objectives for a IP portfolio management should be centrally established by Corporate Governance. The IP portfolio must be actively managed with visibility to the ROI of the IP group's activities. Once the IP portfolio management process has been properly established, it becomes integrated into Corporate Governance with its day-to-day operation a part of the administrative function.

Process Focus Areas

- Corporate Governance
- Product Portfolio
- Project List
- Product Development
- Sales & Marketing
- Project Management
- IP Legal
- Patent Portfolio

