

# Building an Intellectual Property Management Strategy

In the 20th century, corporate worth was determined by the value of physical property, but in the 21st century, it will be measured in terms of intellectual property (IP). In recent years, intellectual property has become the competitive differentiator in today's globally wired environment. This transition from tangible to intangible corporate assets as a defining factor for commercial value is the by-product of today's corporate preference for outsourcing. In times of economic pressure it is more important than ever to maximize every potential income stream, and intellectual property is no exception. IP fuels the profitable core competency on which your company relies. As such, business managers are recognizing the importance and prevalence that a well-conceived intellectual property management strategy is taking in today's global environment.

**In this white paper, we will discuss:**

- 1 What is intellectual property (IP)?**
- 2 IP guardians within an organization**
- 3 Building an IP management strategy**

### What is Intellectual Property (IP)?

Intellectual property (IP) is a product of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.

The most common forms of legal IP protection are copyrights, patents, trademarks and trade secrets. All of these types of IP have a perceived commercial value – which sets them distinctly apart from other types of information. Unlike generic information or ‘facts,’ IP receives the legal protection of a property right. Examples of these protection methods follow:

- **Copyrights** provide the legal protection for original works of authorship that include such items as books, manuals, packaging copy, software/firmware source code, images, music and websites.
- **Trademarks** protect a word, name, symbol, device or combination of any number of the four. It is for the use or intended use in commerce, such as a logo; it identifies and distinguishes goods or services, or to indicate the source of the goods in a free market. Examples of trademarks are the Nike swoosh symbol or the Iron Mountain logo.
- **Patents** are meant to provide protection for inventions that are useful, new, not obvious and not disclosed. There are utility patents for machines, formulas, processes and methods, as well as design patents for industrial designs that are based upon the uniqueness of appearance and are not functionally impactful.
- **Trade Secrets** consist of information that provides benefit or competitive advantage and is treated as confidential. This includes operational information such as processes, methods, machines; or other information such as customer lists, materials, and terms and prices. These are the secrets that management and all

employees must safeguard because your organization does not want to have to publicly disclose them, as would be required under a public patent. Examples of trade secrets include the recipe for Coca-Cola, sales and marketing databases, business or marketing plans, etc. These are the blue prints to your organization’s success. How valuable would this type of information be to one of your competitors?

### Technology Escrow

Technology escrow helps safeguard technology ownership and enhances existing legal protection under copyright, patent and trade secret laws. This lends itself as a best practice; it works in conjunction with current laws and adds credence to IP claims. It provides evidence of when and how an IP asset was developed. This can significantly strengthen a company’s position in any legal dispute concerning IP rights and is commonly used to administrate the documentation of the development of a company’s technology.

Due to its frequently intangible nature, organizations are oftentimes not aware that someone has stolen some aspect of its IP until it is too late. The damage to your organization and your ability to preserve your competitive market advantage through your IP is lost. At that point, the only available option is to seek enforcement through the courts in order to obtain compensation for your losses. Ultimately, that takes time and resources, both from a monetary as well as personnel perspective, and depending upon how diligent your organization has been in protecting and managing its IP at the onslaught, it may result in further losses.

The Internet has created a world in which all organizations operate in a global marketplace. All organizations, whether small, medium, or large, can reap the benefits of the Internet by capitalizing on market share, brand awareness, customer acquisition and retention, etc. — it also enables potential IP infringement on a global scale. Therefore, it is critical that steps taken to manage your organization's investments in its IP begin immediately.

Protecting investments in IP in a market where outsourcing, partnerships, etc., are the normal method of business is a challenge that needs to be addressed. For instance, there are implications in recent regulations (i.e., Sarbanes-Oxley) surrounding corporate compliance and IP management. As applied to IP assets, Sarbanes-Oxley clearly requires companies to report the value and use of these assets as they affect the company's financial condition and enable investors to assess the company as a whole. With today's clear trends in regards to business outsourcing and market globalization, IP is increasingly becoming the main corporate asset that an organization has and managing that asset begins inside the organization.

### **IP Guardians within the Organization**

IP delivers core competencies, which fuel long-term sustainable competitive advantage. Yet, it is difficult to think of another class of corporate asset that is subject to such careless guardianship. Most organizations have a confidentiality standard and/or policy in place, but it is often loosely adhered to and sometimes difficult to enforce, especially when an organization is not even aware that an infringement has occurred. Unfortunately, IP is often lost within the organization because responsibility for it is often scattered throughout the organization. Who is responsible for guarding your organization's most precious corporate asset? Consider the following common scenarios of IP stewardship:

- Trademark protection involves marketing and corporate counsel.
- Copyright for internal development includes decisions from the IT/IS department and often times does not involve corporate counsel — especially if software is not tied to the organization's core offering.
- Domain names management can fall into any number of areas such as with the webmaster, IT, legal, or marketing.
- The legal department primarily drives patents.
- Trade secrets — Is anyone solely responsible for managing proprietary information within your organization? The reality is everyone is responsible, but no one is held accountable.

Another possible scenario: the stewards entrusted with an organization's IP may not be educated on the value of the IP, nor may they be aware of how to manage it or how to enforce its management. So, how can you be instrumental in creating an IP management strategy for your organization? What does an effective IP management strategy encompass?

### **Building an IP Management Strategy**

In this age of information and transformation, managing an organization's IP in a competitive environment is a key issue. While it is largely recognized that IP management is necessary, the measures with which it needs to be managed often remain unbudgeted. In this economic time of cost versus benefit, it is recommended that business managers provide a better understanding of, and business case for, protecting your organization's most critical IP assets. Organizations must develop a defensible IP management program to avoid being in a position where it is necessary to have to seek methods to enforce IP rights.

**“MORE THAN 30 FORMERLY INDEPENDENT SOFTWARE COMPANIES DISAPPEARED LAST YEAR IN A FLURRY OF OVER \$13 BILLION IN M&A TRANSACTIONS. AT LEAST 100 VENTURE-FUNDED SOFTWARE COMPANIES CLOSED THEIR DOORS IN 2003, NEVER TO BE HEARD FROM AGAIN.”**

— BOB EVANS, *THE ENTERPRISE SOFTWARE COMPANY OF THE 21ST CENTURY*,  
SOFTWARE BUSINESS, MARCH/APRIL 2004

It is recommended to adopt a best practice strategy that encompasses three main ideologies that will support your IP management strategy's success: create a standardized approach to IP management for your organization; think global, act local; and be critical of your management partners.

#### CREATE A STANDARDIZED APPROACH

Creating a standardized approach across your organization is a critical step to achieving success. It is recommended that you need to achieve corporate buy-in because an IP management strategy is an important element to your organization and it cannot be developed effectively in a vacuum. It also allows for a methodological checklist of items that need to be addressed during certain steps in the process and a team responsible for each. A recommended best practice strategy includes:

- Form a cross-functional internal team comprised of risk management, legal, and business professionals, as well as any other appropriate department.
- Plan ahead of time and include IP management in your budget to manage your investment and control risk.
- Be active vs. reactive — A much more powerful position is attained when you are on the offensive.
- Communicate to IP business owners throughout the organization what the strategy is and how they are accountable for ensuring its seamless execution.
- Measure what you are doing regularly, as a strategy without follow through is baseless.

#### THINK GLOBAL, ACT LOCAL

The Internet is the great equalizer and your organization resides in a global marketplace. It minimizes geographic

barriers, while making it impossible to distinguish between size or location of companies competing for, and against, your business. A complete IP management strategy maintains progressive thinking.

IP management on a global scale has its benefits and disadvantages: it allows for global competition. IP asset infringement is also more impactful and enforcement is more challenging. Prior to the Internet, the scope of a possible infringement of brand or some other IP asset was limited, and the impact to your business minimal, due to regional or geographic constrictions. Today, your global brand or trademark can be used to sell/market goods and services over the Internet — the same Internet that your organization's buyers are looking for you to use in order to conduct business. Consider the countries that are most critical to the operational success of your organization, not only today, but also tomorrow, and keep them on radar. Think proactively about managing your organization's IP within those countries.

The bottom line is that establishing an IP management strategy that is not global in nature is not an option in today's business environment. Apply the same due diligence to determining protection and management strategies as you would if you were looking to purchase a home, invest in a stock portfolio, etc. Not only is it necessary to prioritize your management strategies based upon cost and benefit of the IP asset's value and weight, it is also necessary to prioritize the geographic locations that your organization wants to protect and strategically manage its IP assets. Budget constrictions will play a large role in dictating this piece of the strategy.

### BE CRITICAL OF MANAGEMENT PARTNERS

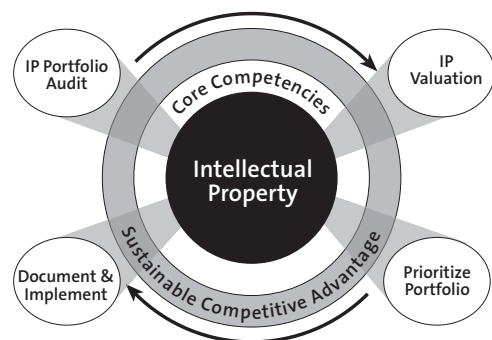
There are partners out there who can help you. Particularly with a partnership around protecting and managing your IP assets, due diligence on your part is necessary. At a minimum, here are the questions you should be asking. The due diligence and the level of IP management provided by the partner(s) that you have chosen will either support or detract from your ability to enforce your IP claim.

1. Are in-house legal advisors available?
2. Are consistent and verifiable standards in place?
3. Are they a stable, longstanding organization with clients worldwide?
4. Are advanced services offered?

### BEST PRACTICE PARADIGM FOR BUILDING AN IP MANAGEMENT STRATEGY<sup>1</sup>

An IP management strategy is multi-dimensional. The reality is that your IP management strategy is specific to your organization. This is driven by the core competencies of your business and the environment in which your organization operates everyday. While this initiative can be outsourced to consultants to help you through this process, the quality of their output will directly correlate to the quality of the input and focus that your organization has provided.

#### Building an IP Protection Strategy



At a bare minimum, there are five major components for building a successful IP management strategy for your organization. At the lowest common denominator, if you adhere to these five steps, it will ensure an adequate level of IP management for your organization.

1. Research and be proactive
2. Perform an IP audit – take inventory of all of your organization’s IP assets.
3. Assign a value to each of your organization’s IP assets.
4. Prioritize your organization’s IP portfolio.
5. Document and implement your organization’s IP management strategy.

More detail for each step follows:

#### 1. RESEARCH AND BE PROACTIVE

If budget constraints are an issue, conduct due diligence in-house. Search the patent, trademark and design databases, as well as other literature and the Internet to ensure your ideas are new and to avoid infringing upon the rights of others. This will also be a good exercise to search for new business opportunities and keep a tab on what your competition is doing.

Determine and employ a management partner that will enable you to perform due diligence for your organization as well as develop an infringement strategy. Consider insuring your IP against infringement and against your infringement of someone else’s IP. Ensure that effective trademarks are the core of your brand and image building strategy.

Consider the IP stewards within your organization. Identify key staff involved in developing, maintaining and protecting your IP and get them to sign agreements relating to confidentiality and competition. Educate staff on the nature of IP, how to manage it and their responsibilities. Maintain secrecy and be first to market.

<sup>1</sup> Source: Information derived from both Iron Mountain in-house counsel and the following website:  
[http://www.ipaustralia.gov.au/strategies/importance\\_developing.shtml](http://www.ipaustralia.gov.au/strategies/importance_developing.shtml)

## 2. PERFORM AN IP AUDIT

A best practice management strategy involves performing an IP portfolio audit and identifying all IP associated with your organization and itemizing them in your business plan. Ensure that your organization really owns all of the IP used in your organization or that you have the right to use it. It is also necessary to list all registered and unregistered IP assets. Be certain that other valuable assets such as client lists and corporate knowledge are listed as well.

## 3. ASSIGN A VALUE TO EACH OF YOUR ORGANIZATION'S IP ASSETS

In order to develop a complete IP management strategy, it is necessary not only to identify the IP asset, but it is also important to quantify each identified asset by assigning a dollar value to it, as well. However, this step cannot be developed in a vacuum; work with business leaders and finance officials to build a realistic valuation for each asset. Items for value consideration include market values, market premiums, and licensing potentials. Make sure that the value is assessed as both a stand-alone and bundled value – remember that bundling can increase valuation. Remember that not all IP assets are alike – or have the same potential value or carry the same risk or impact to your organization. By providing weight/importance to these assets in the context of your business' core competency, you will be able to determine your organization's risk tolerance level for each asset.

Also consider the IP asset's life cycle – What is the expected life cycle? In some market places, such as technology, the time window for reaping your return off of an IP asset can be as short as 6 months. In other industries, such as pharmaceuticals, patent protection will safeguard your investment over a period of several years. Where is the asset in its life cycle? How long do you think your organization will reap the benefit of this IP asset? What is the full-expected life cycle?

## Domain Name Records Management

The domain name record industry has grown from the early stages of commercial Internet use in the early 1990s to a fast-paced complex global market. Today there are tens of millions of domain name records that reside in hundreds of different authoritative databases worldwide. These records allow companies to communicate, access information, and complete an increasing number of tasks online. The reality – for most of us – is that our domain name is our new storefront.

Your domain name records are your online trademarks. As such, trademarks are increasingly affected by the global capabilities of the Internet. Domain name records management is comprised of three main elements: acquisition, management, and enforcement. Internal protection and management of domain name record portfolios is expensive and risky, and showing first use can be a requirement for obtaining a trademark registration. With over 270 global domain name registrars in existence, acquiring, managing and enforcing your trademark and domain names on the web is a challenge that even Iron Mountain has undergone.

## 4. PRIORITIZE YOUR ORGANIZATION'S IP PORTFOLIO

Determine an IP asset priority level and assign a weight to each priority level. Standardize the weight levels across all assets by developing or defining some objective scaling criteria. An example of this would be critical, vital, sensitive, and non-critical. What each of these means and how they are weighted needs to be objectively defined by your business. Consider ways you can

use the IP system in your overall business strategy. Decide which markets (including overseas) your organization wishes to pursue.

#### **5. DOCUMENT AND IMPLEMENT YOUR ORGANIZATION'S IP MANAGEMENT STRATEGY**

Once you have completed steps 1 - 4, it is important that step 5 is executed: document and implement your organization's IP management strategy. It is important to document your management methods based upon a basic cost and/or benefit analysis. What are the options for IP management and the costs associated with each? It is recommended to assign a management strategy that is in line with the value of the protection it's providing. The reality is that your IP management budget is not unlimited so this method will help you map and justify the protection costs to each of the assets.

Education to key business owners for these IP assets is also an important element during the implementation phase and it should always be included. Lastly, this is an iterative process. Your organization will need to frequently revisit this process as IP changes and evolves within your organization. As with any strategy, consistency and maintenance is the key to success.

#### **Summary**

To recap, an IP management strategy is critical in today's marketplace, therefore it is important for your organization to identify and protect its IP assets. An effective protection strategy may involve a range of IP management options including the more obvious protection options of copyright, registered trade marks, patents and designs. However, there are other options that you may find beneficial to help enforce IP management, such as technology escrow and domain name records management services.

Depending on your organization's business goals, target markets and resources, you can combine IP strategies to optimize the potential of your business. Internally, it is a best practice to perform due diligence in regards to creating a standardized approach, thinking beyond regional and geographic boundaries, and using qualified management partners. By using a range of protective measures, your organization will gain multiple layers of protection and a stronger market position.

#### **About Iron Mountain**

Iron Mountain is the leading global service provider of intellectual property management services specializing in technology escrow and domain name records management. As the founder of the industry, Iron Mountain has the integrity, reputation, resources, and experience to ensure intellectual property is properly managed and protected. Iron Mountain's Intellectual Property Management services set the industry standard by providing quality customer service and unmatched solutions to three-fourths of the Fortune 500. Since 1951, Iron Mountain has provided service to over 200,000 customer accounts worldwide. For more information, visit the Company's Web site at [www.ironmountain.com/ipm](http://www.ironmountain.com/ipm).



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