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Intellectual property protection in an economic downturn

By: John J. Cunniff, Esq.

In good economic times or bad, all companies should conduct an audit of their intellectual property (IP) holdings. Intellectual property includes patents, copyrights, trademarks, and trade secrets. A good audit should include not just a raw listing of holdings, but a prioritization of those holdings. Conducting reviews on a periodic basis is essential in order to account for changes in the marketplace and in the specific technological area(s) of the IP at hand. Optimally, an audit will include an account of the intellectual property of competitors as well as the intended direction of the company for the next year or more. In light of this information, key considerations should then be evaluated, such as whether any particular IP asset is still valuable, or whether the focus of the company or technology in general has shifted away from that particular asset.

Following analysis of a company's IP holdings, there is the possibility that enforcement or defense against a claim of infringement is now an issue. Litigation is typically expensive regardless of your company's balance sheet. While it may be essential to protect a key holding such as a patent or trademark for a critical line of business (or perhaps even the future of the entire company), alternatives to litigation are sometimes available when economic reality indicates that it would be difficult or impossible to see traditional litigation through to completion.

From the defensive perspective, there are procedures from the United States Patent and Trademark Office (USPTO) that may mitigate or even prevent infringement claims against your company. On the patent side, reexamination procedures can result in a patent of narrowed scope, or even the invalidation of a patent. A requirement of reexamination is that there be some "substantial new question of patentability." Typically, that "new question" is a publication that was not found or brought to the patent examiner's attention in the original patent application. For trademarks, opposition and cancellation proceedings are available where registration of an approved, but not yet issued, mark (opposition) or continued holding of an issued registration (cancellation) would likely damage the opposing party and where the mark should not be issued or continue to be held as a matter of law. In reexamination, opposition and cancellation proceedings, the time and cost involved are generally significantly less than litigation.

From the perspective of asserting intellectual property rights, alternatives to litigation exist outside of the USPTO. One significant source of IP infringement is the abundance of counterfeit goods imported into this country. In the event of the importation of goods that infringe either a registered trademark or a registered copyright, recordation of the registration with the Bureau of Customs and Border Enforcement (Customs) can provide an extremely cost-effective enforcement mechanism.

The assistance of Customs can also be enlisted regarding the importation of goods that infringe a patent. To obtain this help, a complaint must be filed with the International Trade Commission (ITC), which, upon finding patent or trademark infringement, or other "unfair trade practices," can issue an exclusion order, which orders Customs to prevent the importation of the infringing goods. Decisions are typically rendered by the ITC within two years of filing (litigation proceedings typically far exceed two years) and the overall cost is less than typical litigation in a U.S. District Court; however, the issuance of an exclusion order is the only remedy available thought the ITC. Damages for infringement are not awarded by the ITC. Additionally, care should be taken before filing a complaint before the ITC, as the filing of a counterclaim by a defendant can result in the case being removed to District Court, eliminating any cost savings.

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Finally, although trade secrets are often treated like the "second-class citizen" of intellectual property categories, it is important to make as much of an effort to secure them as any other item in the IP portfolio. A significant advantage of trade secret protection is that, unlike with patents, trade secrets can theoretically last in perpetuity. Trade secrets can include scientific or technical information, designs, processes, procedures, formulas, patterns, compilations, programs, devices, methods, techniques, or improvements; or any business information or plans, financial information, or listings of names, addresses, or telephone numbers. Reasonable efforts to keep trade secrets confidential must be made, however, in order to obtain the enforcement of rights. "Reasonable efforts" may include requiring employees to sign confidentiality agreements, sending employees periodic reminders of the confidentiality agreement, placing notices in the workplace and/or within work-related materials to remind employees of the nature of certain confidential information, and the proper designation and securing of confidential information.

While there are no "one size fits all" solutions to IP protection, even when financial resources are tight, your attorney can be a valuable partner when it comes to finding cost-effective ways to the maximize value in your IP portfolio.

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Additional information:

The components of an intellectual property audit:
http://www.hahnloeser.com/references/880.pdf

The substantial new question of patentability:
http://www.hahnloeser.com/references/855.pdf

Opposition and cancellation proceedings:
http://www.hahnloeser.com/references/722.pdf

Recordation with Customs:
http://www.hahnloeser.com/references/701.pdf

International Trade Commission (ITC) procedures:
http://www.hahnloeser.com/references/716.pdf

Trade secret protection in connection with chemical companies
http://www.hahnloeser.com/references/756.pdf