

Identifying, Managing, and Evaluating Your Intellectual Property Assets

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Types of Intellectual Property (“IP”)

Confidential Information and Trade Secrets
Trademark, Service Mark and Trade Dress
Copyrights
Patents

Confidential Information and Trade Secrets

**Information that adds value to the business
and known only to the owner**

Product Plans
Inventory
Pricing
Internal policies
Business plans
Customers
Finances
Personnel data

Trade Secrets

A formula, practice, process, design, instrument, pattern, or compilation of information which is not generally known or reasonably ascertainable, by which a business can obtain an economic advantage over competitors or customers

Colonel Sander’s secret recipe
Coca-Cola’s formula
Patentable information
Technical and non-technical information
Know-how and show-how
Engineering and manufacturing documentation
Quality and reliability documentation
Source codes and object codes

How to Protect Confidential Information

Need fiduciary or contractual relationship

Express – Non-disclosure agreement,
Confidentiality Clause
Implied – Employment relationship
Statutory – state law

Causes of Action for Theft of Confidential Information

Misappropriation

trade secrets
confidential information

Conversion
Theft
Damages

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Statutory – Check state law
Actual damages
Defendant’s profits

Trademarks and Service Marks

“What It’s Called” or “What It Looks Like”
Always an adjective – never a noun

Trademark/Service Mark

Any word, a name, a symbol, a device, a color, a sound, a character (human or otherwise), or a combination of them that identifies the source of goods/services

- iPhone
- Apple logo
- Microsoft waving flag
- ML 450
- The BMW logo
- Geico Gekko
- eTrade baby
- NBC chimes
- Law & Order “ka-ching”

Trade Name

Company name can be a trademark or service mark – usually a “house mark”

- Apple
- Motorola
- RIM
- Mercedes
- Ford
- Geico
- eTrade
- NBC

Trade Dress

The non-functional, unique appearance of a product or packaging

Overall commercial impression identifies the source

- Coca-Cola bottle
- McDonald’s restaurants
- Shell gas stations
- Volkswagen Beetle
- American Airlines airplane appearance

Types of Marks

Arbitrary or fanciful

Mark bears no logical relationship to the product and/or is made up

- Apple for computers
- Kodak cameras
- Xerox photocopiers

Suggestive

Suggestive of the features or purpose of the product

- Chips Ahoy
- Herbal Essence

Descriptive

Describes the product and can only obtain trademark protection through “secondary meaning”

- Windows
- Mr. Clean



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Generic

IS the underlying product and not protectable

Super Glue
Shredded Wheat
Ice Pak

in foreign countries
Registration may be filed with U.S. Customs Service to prevent importation of infringing foreign goods
Generally the only way to protect mark internationally

Protection and Enforcement

United States

Common Law – limited rights arise on use

Statutory – rights arise on use and registration

State – intrastate
Federal -- interstate

International

Common Law – use
Civil Law – registration

Not Extra-Territorial

Exceptions:

Community Trademark
Benelux

Benefits of Registration

Constructive notice nationwide of the trademark owner’s claim
Evidence of ownership of the trademark
Jurisdiction of federal courts may be invoked
Registration can be used as a basis for obtaining registration

Trademark Infringement

Valid and enforceable trademark/service mark
“Secondary meaning” or
“Acquired distinctiveness”
“Likelihood of confusion”

Dilution

Blurring or tarnishment of “famous” trademark

Unfair Competition

False Advertising
False Representation

Counterfeiting

Only applies to registered marks
Both civil and criminal statutes

Defenses (civil)

Invalidity
No secondary meaning
Fraud on the trademark office
No likelihood of confusion
Fair use
Nominative use
Collateral use
Parody or Satire
Laches, estoppel



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Damages

- Actual damages
- Defendant's profits
- Reasonable royalty
- Enhanced damages
- Corrective advertising damages
- Attorneys fees and costs if exceptional case
- Destruction of all goods|
- Interest
- Additional Damages for counterfeit goods
- Statutory damages
- Ex Parte injunctive relief

Copyrights

“What it looks like”, “what it sounds like”

- Constitutional and statutory protection
- Original expression of ideas (but not ideas)

- Books
- Song lyrics
- Plays
- Text, graphics, artwork, music, database, software, documentation, packaging, advertisements, commercials, websites

Copyright Rights

- Right to reproduce
- Right to prepare derivative works
- Right to distribute copies
- Right to perform publicly
- Right to display publicly

Types of copyrights

- Joint Works
- Derivative Works

- Compilations
- Work for Hire

Duration of Copyright

Works published after 1922 and before 1978:

95 years from date of first publication

Works created after 1978:

70 years after death of Author (the creator)

95 years of first publication works made for hire, anonymous and pseudonymous works

120 years from date of creation unpublished works made for hire, anonymous and pseudonymous

Copyright Reversion Clause

Enables copyright owner to revoke a license or assignment after a set term of years

Enforceable only if registered

NOT necessary to register in each country
International copyright treaties

Copyright Infringement

“Substantial similarity”
Access and copying

Common Defenses

- Fair Use
- Copyright invalidity
- Independent creation
- Abandonment
- Unclean hands
- Copyright misuse



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Copyright Damages

- Actual damages
- Defendant's profits
- Statutory damages (if qualified)
- Injunctive relief
- Destruction of infringing materials
- Attorneys' fees and costs
- Additional damages for counterfeits
- Ex parte relief, seizure orders, asset freezes, expedited discovery
- Separate Criminal Statute for Counterfeiting

Patents

"what it does" – method, process or apparatus

Types of Patents

- Utility Patents
- Plant Patents
- Design Patents

Types of Patent Applications

- Provisional
- Traditional
- One year bar date

Duration of Patent Protection

20 years from the earliest filing date or 18 years from the date of issue, whichever is the latest

Design patents are 14 years from date of issue.

Benefit of Obtaining a Patent

Prevent others from making, using, selling, offering for sale or importing the patented invention in the United States

for the duration of the Patent
Must have an issued patent to file a lawsuit

Registration

Patent protection is always statutory
Each country has its own patent laws
NOT extra-territorial

Patent Infringement

Direct infringement
Indirect/Contributory Infringement

Patent Infringement Defenses

Invalidity
Anticipation
Obviousness
Non-infringement
Patent Misuse
Inequitable conduct

Patent Infringement Damages

Must give notice in order to collect damages
File a lawsuit
Patent marking
Cease and desist letter
Lost profits
Reasonable royalty
Interest and costs
Enhanced damages – up to three times the award
Attorney's fees
Injunctive relief



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IP Licenses and Assignments

IP Licenses

- Exclusive vs. Non-exclusive
- Geographic limitation
- Quality control provisions
- Indemnification
- Control over infringement suits

IP Assignments

- A full and irrevocable transfer of certain intellectual property from the owner (assignor) to another (assignee) for an agreed payment
- Must assign the intellectual property and “the goodwill associated therewith”

IP Due Diligence – Inventory of Intangible Assets

Purpose

Identify what IP company owns and what it needs

Understand strategic goals

- Financing/VC investment
- IPO
- M&A
- Monetization/commercialization
- Litigation/Enforcement
- Licenses in/out
- “House-cleaning”
- Inventory
- New directions
- Planning for the future
- Commercialization
- Competitive Analysis

Audit

Company identifies all known IP

- Questionnaires
- Document requests
- Statutory filings (United States & International)

Scope

Patents/Trademarks/Copyrights/ Trade Secrets

- Ownership
- Author
- Employee
- Independent contractor
- Assignments
- Chain of title
- Scope of protection

Document Review/Interviews

- Confidential Information
- Employee agreements
- Independent consulting agreements
- Non-Disclosure agreements
- Internal policies
- Identify the “gaps” in coverage
- Assignments
- Registration
- Licenses in/out



Identifying, Managing, and Evaluating Your Intellectual Property Assets

Implement new or revised programs, agreements, policies, processes

Ensure protection follows strategic direction of the Company

Business plans

Product plans

Marketing plans

Advertising

IP Valuation

IP Assets = Intangible Assets = Critical Business Assets

No one way to determine \$\$\$ value of intellectual property

Intellectual Asset Management (IAM)

>50 Methods

Standards

Rule-based – objective technical standards

Statement for Standards on Valuation Services No. 1 (AICPA)

American National Standards Institute (ANSI)

Canadian Standards Council

Japanese Standards Association

Principal Based – subjective professional standards

Professional standards committees

Basic Process

Define context (IPO, M&A, Financing)

Identify Method

Parameters and data

Market information

External factors

International Organisation for Standardisation (ISO 10668)

Summary of best practices

Legal

Behavioral

Financial

Market approach

Income approach

Cost approach

Framework – outline and variable methodologies

Objectives

Bases of valuation

Approaches to valuation

Valuation methods

Data sourcing

Assumptions

Some Methods of Valuation

Initial Issues

Separate IP from Business (?)

Distinction between corporate brand value and product brand value

Does one over-value the other?



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“Double dipping” –overlapping valuation factors

What if corporate brand and product brand are the same?

What if only unique product brands involved?

Income Approach

Predicts future cash flow
Duration of IP viability
Risk factors to viability

Discount Rate Approach

Present value of cash flow over useful life

Discount = company’s market based rate of return

Venture Capital Method

Present value of cash flow over useful life
Discount = fixed non-market based rate

Market Approach

Present “fair market value”
Arms length/willing seller-willing buyer

Other Factors

“Can’t Market” value to competitors
Litigation damages
Royalties

Different Methodologies = Different Valuations

Interbrand Top 100 (2010)

www.interbrand.com

1. Coca-Cola
\$70,452,000
2. IBM
\$64,727,000
3. Microsoft
\$34,844,000
4. Google
\$43,557,000
5. General Electric (7)
\$42,808,000

The Brand Finance Global 500 (2010)

www.brandfinance.com

1. Wal-Mart (not on Interbrand Top 100)
\$41,365,000
2. Google
\$36,191,000
3. Coca-Cola
\$34,844,000
4. IBM
\$33,706,000
5. Microsoft
\$33,605,000



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More Rankings

	Interbrand	Brand Finance
Disney	9	19
McDonald's	6	18
Apple Logo	17	20
Target bullseye	--	34
UPS	31	44
Fedex	--	81
Starbucks logo	97	163
Harley-Davidson	98	309

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Recommended Resources:

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