

DESIGNING AN EFFECTIVE PATENT PROGRAM¹

INTRODUCTION

In today's resource-constrained and highly competitive environment, companies have a keen interest in maximizing the value of inventions generated by their employees' R&D activities. One way to help build a valuable intellectual property portfolio is to establish a "patent program" – a simple but relatively structured process to systematically identify valuable inventions, assess their patentability early on, and improve the speed and effectiveness of patent prosecution efforts. Properly designed, a patent program can help maximize the commercial and competitive value of intellectual property rights and take full advantage of employees' valuable time and effort.

This memorandum outlines some of the key considerations in setting up a patent program. Of course, any company developing potentially useful intellectual property should implement other fundamental IP protections, such as ensuring staff members and consultants have signed confidentiality and assignment of invention agreements that secure ownership of inventions for the company, and educating employees from various departments (preferably including sales and marketing, as well as engineering and legal) about the basics of trade secret, patent and other intellectual property protection. In addition, a patent program should be seen as one part of an overall intellectual property protection plan that:

- Periodically considers how changes in the company's product and sales strategies, such as potential changes in geographic markets or industry standards, may affect IP protection needs;
- Considers intellectual property positions held or likely to be pursued by current and future competitors and business partners; and
- Makes IP protection an integral part of product development planning, and also includes IP considerations when planning for product marketing and publicity.

Run well, a patent program can help to focus the company on developing industry trends and can highlight competitive issues for management, in addition to helping to build a valuable intellectual property portfolio.

FEATURES OF PATENT PROGRAMS

No two patent programs are alike, just as no two companies have the same resources, volume of inventions, and patent strategy. However, in setting up a program to identify company-owned

¹ By David R. Lamarre, a transactional partner in the San Francisco office of Pillsbury Winthrop LLP and former general counsel of a high-technology company, with the assistance of David Jaffer of Pillsbury Winthrop's Intellectual Property Group.



inventions, most companies and their patent counsel will want to consider the following questions.

Who Will Run the Program?

Some companies rely entirely on outside patent counsel to manage their patent prosecution efforts. However, a successful patent program will benefit from close involvement by company personnel, including senior business and technical managers, who will tend to be more aware of strategic direction, product development plans, changing geographic markets for the company's products, and competitors' technology. In addition, engineering staff are often more willing to participate in a patent program if they receive encouragement and direction from others within the company who are sufficiently highly placed.

For this purpose, many companies use a "patent committee", typically including one or more managers or officers in the R&D/engineering area, as well as in-house or outside patent counsel. In addition, many patent committees include product management or marketing staff to provide input on market trends, where a particular invention fits into the competitive landscape, when the applicable product will likely be marketed, and other important topics. It can also be helpful to include a representative of the finance department, to speak to the cost/benefit decisions entailed in pursuing new patents.

Alternatively, some companies use a single patent program "director", who is responsible for soliciting input from relevant managers with respect to legal, strategic, technological and competitive matters and for running the invention program. If a single director is used, his or her authority to approve patent prosecution expenses should be decided and clearly communicated.

How Should Inventors be Motivated to Contribute?

To ensure that employees give the company the full benefit of their best thinking, the patent program should be designed in a way that encourages them to document and submit new inventions to the patent committee or patent director. Companies vary widely in their approach to this, given the obvious differences in corporate cultures and management styles.

At some companies, the nature and importance of patentable inventions are well understood, the engineers are very experienced at dealing with patent counsel from their prior jobs, and the company is small enough that each engineer feels a personal stake in helping the company expand its patent portfolio. These companies may feel that they need no special incentives to encourage R&D staff to identify and document new inventions. At the far extreme, some companies affirmatively resist the idea of providing extra incentives to contribute to patent work, on the basis that identifying and documenting new inventions should be an integral part of an engineer's job description.

By contrast, many companies find that setting up some modest incentives produces better results. Obviously, designing this aspect of the program depends heavily on the company's employee base and internal business culture, so there is no "one size fits all" approach. Companies vary

widely in their incentive practices, ranging from small tokens of appreciation (e.g., dinner for two for each qualifying invention) to more substantial monetary awards at various stages of the patent application and issuance process. In addition, many companies make it a point to recognize employees' IP-related efforts periodically, through an internal awards dinner, a companywide email complimenting contributors to the company's patent successes, or the like.

How Can We Obtain Useful Information Efficiently?

Once employees are motivated to contribute, the prime consideration will be how to leverage the program to expand the number – and quality – of patentable ideas that are brought to the company's attention, without wasting employees' valuable time or creating unnecessary paperwork.

Periodic on-site education can be very useful to keep R&D staff informed about the kinds of inventions that will be valuable to the company. Many companies invite outside patent counsel to conduct “teach-ins” periodically for engineering staff, to ensure all engineers understand why patents are valuable, what kinds of ideas are patentable, what the company's patent strategy is, and generally how a patent filing works. This can help the engineers to be much more effective at identifying truly valuable ideas, and capturing those ideas on paper in a way that makes it easier for the patent committee/director to make a decision about patenting a new invention. With a greater understanding of how an idea will translate into a set of patent claims, engineers will also tend to write up their inventions in a way that saves attorney time (and expense) in preparing the eventual patent application. In addition, R&D staff should receive training about how to keep proper notebook records of their inventive activities, which can be critical to establish early invention dates and clarify inventorship.

Assuming the R&D staff has a basic understanding of the patent system, an *invention disclosure form* usually becomes the program's basic building block. These forms typically cover sufficient topics to permit the patent committee or patent director to make an informed decision about whether to pursue the invention, or what additional information is needed.

These forms vary to company, but they usually cover topics such as:

- What is the invention, simply stated?
- Which employees contributed to the inventive concept? Did any non-employees contribute?
- What problem is the invention designed to solve?
- What have been the prior approaches to this problem? What are their shortcomings, and why is this invention superior?

- Is the invention based on another technology, process or approach? What are the closest published/patented/publicly marketed inventions, processes or products of others, that the inventor is aware of (i.e. “prior art”)?
- What competitive advantage will this invention give the company; what value does the inventor see it having in the marketplace?
- Does the company have any other inventions/processes to which this invention is related? Does this invention improve on a product or technology previously developed by the company?
- Is there any chance that a third party might assert rights in the invention? Was the development work pursuant to a government contract?

In addition, the disclosure form can request information that helps the program manager and counsel to decide whether the invention should be maintained as a trade secret rather than patented, as well as details relevant to any later patent prosecution – such as when and how the invention was first conceived, disclosed, documented, and reduced to practice (such as through a prototype or test), and where the applicable laboratory notebook or other documentation is located.

Some companies, particularly those with far-flung offices or large volumes of submissions, arrange for submissions of disclosure forms via their secure intranets.

What Should the Patent Committee or Director Consider?

The employee or committee charged with running the program will use the information in the disclosure forms to help assess each invention’s likely value (both in the company’s field and in other fields), whether it merits the time and expense commitment of applying for patent protection in the U.S. and in other countries, and whether the invention is best protected through the patent system or by other protections such as maintaining the invention as a trade secret. In addition, considering a new invention disclosure can trigger early consideration and discussion of strategic issues, such as whether a new idea or technology will be most effectively used in the company’s products or licensed to others (and if so, exclusively or non-exclusively?).

A number of considerations will factor into decisions about each invention, such as:

- the company’s product/technology strategy;
- changes in the competitive environment;
- the cost and time required for patent prosecution;
- any patentability issues such as the presence of arguable “prior art”; and



- the public disclosures eventually triggered by pursuing patent protection.

Where an invention is deemed unworthy of patent protection for some reason (such as cost or the inability to preserve trade secret status), the patent team should also consult patent counsel about steps that could be taken to prevent a competitor from coincidentally pursuing patent protection on the same invention.

In summary, as long as it is tailored to an individual company's needs and corporate culture, a structured patent program can be an important tool to capture the value of employees' R&D activities, improve the company's competitive position, and help management refine product development strategies.

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