

IP audits

How evaluating intellectual property and ensuring proper protection pays off **Interviewed by Heather Tunstall**

For many companies, intellectual property (IP) – ranging from names and logos to products, websites and beyond – can be their most valuable asset. IP is protectable under federal and state laws to ensure that it will not be copied or used by other people or organizations.

IP can be separated into four main areas: copyrights, trademarks, patents and trade secrets. It is important for a company to not only identify what IP assets they have, but also to protect them, says Robert Andris, a partner at Ropers Majeski Kohn & Bentley PC.

Smart Business spoke to Andris about performing an IP audit to ensure protection from infringement.

Why is it important for a company to clearly identify and safeguard its IP?

Each one of the forms of IP is a valuable asset in and of itself. The use of illicit IP not only deprives the true owner of a sale, if the fake goods are of lower quality than the original, it can ruin or at least tarnish the image of the IP's true owner. In some situations, when a business allows an individual or company to infringe on or use its IP for an extended period of time without contesting that use, the first owner can lose its rights to that IP.

In order to maximize the value of IP, businesses should take the steps to register trademarks or obtain patents from the U.S. Patent and Trademark Office. Similarly, the value of any copyrighted material can be maximized by registering it with the U.S. Copyright Office. Trade secrets are not registerable, and are generally governed more by state laws.

If a business or individual starts copying a business's software, artwork, photographs or blueprints, the business who rightfully owns the IP can't recover certain forms of damages unless and until it files a copyright registration. To protect a company's IP to the greatest extent possible, proceeding forward with the registration process is critical. It increases the value to the company and discourages others from infringing. To further protect IP, many companies implement a protocol of performing an IP audit on a regular basis, usually every



Robert Andris
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year or every two years depending on the business.

What is an IP audit, and what steps are involved?

Audits are designed to identify and determine the status of as much of a company's IP as possible. What this generally entails is company representatives in various areas of the business sitting down with an IP attorney to identify what advertising has gone on in the past few years, what names and logos the company has been using and what products the company has been putting out on the market over a given period of time. Further, the process involves discussing whether or not there has been any attempt to obtain IP protection for names or products used, and what products in the works contain parts that are protectable IP.

For example, if a business has a base software program that it is selling but customizes for various customers, all the variations of the software should be copyrighted separately. Once an initial audit is performed to identify all the various company assets that are protectable under the IP laws, then subsequent

audits become simply a matter of updating what has already been done and finding out whether the company has moved into any additional areas.

What if a business waits too long between audits?

If a business waits until after the infringement takes place in order to register its IP, it will oftentimes significantly lessen the exposure of potential harm that could befall the infringer. If a business or individual causes extensive damage for years before the rightful owner of the IP in question registers a copyright, then that owner will not be able to recover what are known as statutory damages that can range in the area of hundreds of thousands of dollars until the date that the registration is actually issued by the copyright office. An infringer still could face some exposure for actual damages if their causation can be proven with reasonable certainty, but significant power is lost in a cease-and-desist letter that a company might send to a potential infringer. If the trademark registration, copyright registration, or the patent is in existence, it will cause a potential infringer to pause and consider whether it wants to continue that business practice or discontinue it immediately until the dispute is resolved.

How can a company educate its employees about IP?

Most employment agreements have a provision in them that provides that all intellectual property generated by an employee is the property of the company. Some companies will not only set up protocols for employees, but also put in place incentives for individuals to come forward with patentable inventions. A best practice for companies is to try to gain trademark rights for a product or service before going ahead and placing a name or logo on it. Savvy companies will want to perform an IP audit to investigate whether or not anyone else has registered a name or whether anyone else is using a name that is desired. <<

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