

## PROTECTION OF INTANGIBLE ASSETS

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Tangible items, such as real property, equipment and inventory, are generally easy to identify for purposes of assigning value to and preserving a company's business assets.

It is often less obvious how to identify and protect the company's intangible assets – the product of the innovative and creative efforts of a company's principals and employees, also known as intellectual property, or IP.

The protection of intellectual property was one of the original provisions in the U.S. Constitution, even before we were guaranteed freedom of speech, religion and assembly. This provision is intended to promote the progress of science and useful arts by providing that authors and inventors may secure, for limited periods of time, exclusive rights to their writings and inventions by way of copyrights and patents. The purpose of this provision was to benefit society as a whole, not just the authors and inventors.

The following provides some of the basic aspects of one of the types of federal IP protection – the patent.

A patent is a government-approved monopoly that gives its owners the right to exclude others from making, using, selling, offering for sale or importing the patented invention. As an offensive tool, patents can be used to protect a company's research and development investments, maintain competitive advantage and generate royalty income to enhance revenue. As a defensive tool, patents can be used



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to define the state-of-the-art against which a competitor's patents will be judged. Patents can serve to establish the priority date of an invention (well-kept internal records are essential for this purpose as well), and as "trading cards" for cross-licensing agreements with competitors or collaborators. In addition, patents are assets for attracting investors/purchasers of your business. IP is often the only asset a startup company has. Large corporations will sometimes invest in or acquire a smaller company that owns important patents to avoid being required to pay damages in infringement litigation. Venture capitalists frequently will not consider investing in a technology-based startup that doesn't have patents or patent applications protecting its exclusivity to the technology.

There are minimum criteria that must be met in order to obtain a patent. A patentable invention can be any new and useful process, machine, manufacture, and

composition of matter or any new and useful improvement thereof. Most current inventions are combinations of known objects/processes. There haven't been any real "pioneering patents," like the light bulb or the transistor, for a long time. An applicant will not be granted a U.S. patent if the invention was previously invented by another, if the invention was on sale in the U.S. for more than one year before the filing date or if the invention was publicly disclosed more than one year before the filing date. To be patentable, the invention must also not be obvious from known art. Earlier this year, the U.S. Supreme Court decided a case against a patent owner on the grounds that common sense would have led a person to make the claimed invention from a combination of components that were already well known in the industry.

Important points to watch out for when your company is developing new technology include maintaining verifiable records of creation and reduction to practice of invention. Inventor's notebooks should be assigned to individuals who may be developing new technology, and they should be faithfully maintained by recording accurate dates during the development process. Entries should be witnessed by another employee who understands the technology. Employment agreements should include provisions requiring assignment of all inventions developed during employment. Inventorship is an important issue that can arise when a patent is challenged in litigation. A patent must name the correct inventors. To properly be an

inventor, a person must be more than a technician applying expertise in their field. Beware of naming an individual as an inventor out of appreciation for assistance or support, which is a common practice in technical publications. Finally, contrary to popular belief, there is no such thing as a "poor man's patent" that is created by mailing a copy of a description to yourself.

A successful intellectual property strategy for your company should

include careful monitoring and record keeping of company research and development activities, along with a defined but flexible policy for acquiring patent rights in the U.S. and, if appropriate, abroad. Your IP program also should include tracking and analysis of your competitors' patent application activity to anticipate and steer around obstacles that may arise relative to your own business plans. Keep in mind that the constitutional provision for granting patents was intended to encourage all types of

innovation, whether it was by creating new technology or by developing ways to avoid other people's patents.

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