

BY MICHAEL D. SPECHT, KAREN WONG-CHAN

# IP Management Plans: A Key to Company Success

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**S**UCCESSFUL COMPANIES EMBRACE CHANGE. For successful companies, change is seen as an opportunity to expand market share and enhance shareholder value. Conversely, those companies that fail to adapt to change often fall behind and fail to remain relevant.

Change comes in all shapes and forms, whether it be disruptive technology, changes in market conditions or legal and regulatory changes. One area that has seen significant and even historic change in the past few years is the area of intellectual property (IP) laws and regulations. Successful companies will embrace these IP changes and evolve their IP management plans.

Specifically, companies that properly update and implement IP management plans that address the dramatic changes to the IP landscape will gain a significant competitive advantage. These advantages manifest themselves in, for example, stronger protection of IP rights, less patent litigation, enhancements to product offerings and sales, and improved negotiation positions with respect to mergers and acquisitions—all ultimately leading to higher company valuations.

What is an IP management plan? An IP management plan details a company's IP philosophy, objectives and specific IP-related actions. Critically, an IP management plan must support a company's business plan and strategy. A comprehensive IP management plan captures all aspects of how a company intends to protect and monetize its IP—including patents, trademarks, trade secrets and copyright protections.

Monetization may take the form of assertion of IP rights to seek damages and/or royalties (e.g., filing a patent lawsuit), using IP rights to enhance sales and marketing, using IP rights to prevent others from entering a market, and even creating an environment of innovation that stimulates employees to think outside-the-box and stimulate an innovative company culture. For early and mid-stage companies a comprehensive IP management plan demonstrates

management sophistication and enhances valuation to potential investors and investment bankers. Another key benefit is that the process of creating and updating an IP management plan ensures that management—sales and marketing, research and development, and legal—are aligned.

Companies should continuously review and update their IP management plans. This is absolutely critical now. IP management plans must dramatically change to reflect the impacts of, at least, the America Invents Act (AIA), Patent Trial and Appeal Board (PTAB) proceedings, the Supreme Court decision in *Alice v. CLS Bank* addressing what is patentable subject matter, the Defend Trade Secret Act of 2016, and global efforts to accelerate patent examination by patent offices throughout the World.



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Any one of these events represents a significant change to the patent law landscape. Collectively, they represent a seismic shift that cannot be ignored.

The AIA, which was enacted into law in September 2012, was the most significant change in the patent laws since the Patent Act of 1952. The impacts of the AIA are now being realized. Perhaps one of the most noteworthy impacts of the passage of the AIA was the establishment of PTAB proceedings—Inter Partes Reviews, Covered Business Method Reviews, and Post Grant Reviews—which has fundamentally changed patent litigation and dramatically thwarted entities that use questionable means and patents to file patent infringement lawsuits.

Specifically, PTAB proceedings provide a cost effective venue to invalidate questionable patents. Additionally, a more subtle impact of PTAB proceedings is that they have put patent quality under a long-needed microscope. Indeed, it is more difficult to secure a patent in the first instance from the U.S. Patent and Trademark Office (USPTO). More importantly, the bar has been raised significantly in terms of being able to sustain a patent's validity.

This has effectively created three classes of patents—those that simply issue (Level 1 Patent), those that may survive a validity challenge in a district court (Level 2 Patent) and those that at least have the perception of being able to survive a PTAB challenge (Level 3 Patent). As can be expected the cost to secure a Level 1 Patent versus the cost of securing a Level 3 Patent are quite different. An IP management plan must contemplate this new reality, which has the potential to befuddle many, but must be considered.

The Supreme Court decision in *Alice v. CLS Bank* in 2014 marked another significant change in the U.S. patent laws as to what constitutes patentable subject matter. The Patent Act of 1952

established 35 U.S.C. Section 101, which addresses what subject matter is patent eligible. *Alice* marked a shift in what is considered patent eligible subject matter, while creating many unanswered questions. *Alice*, and many subsequent court cases make up a Section 101 mosaic of what is and is not patent-eligible.

This new found uncertainty and complexity in securing patent protection for software, in particular, requires careful consideration as to the best approach to protect innovation. For example, how can a company use a combination of utility patent, design patent, copyright, and trademark protections to best protect software inventions? And when patent protection is pursued, how best can the application be drafted to navigate new USPTO guidelines and procedures.

Trade secret laws have also recently changed dramatically. In fact federal protection for trade secrets received a significant boost with the passage of the Defend Trade Secrets Act (DTSA) by Congress in May 2016. The DTSA now brings federal protection enforcement for trade secrets. In conjunction with other aspects of the AIA, innovators may now be inclined to choose trade secrets protection over or in conjunction with patent protection for certain intellectual property.

Compounding the challenge of keeping up with changes in IP law, in-house counsel are under intense pressure to secure and enforce IP rights faster and more cost effectively. In this regard, there are numerous alternatives at the USPTO to speed prosecution during all phases. Most notably the use of “fast track” applications has shown significant promise in allowing an applicant to secure patents more quickly and at less cost. The use of Patent Prosecution Highway (PPH) also enables patentees to secure global patent protections faster and for less money. Similarly,

patentees are seeking venues to enforce their patents that are faster. Parties seek to bring cases in district courts known for speed and are looking to the International Trade Commission increasingly due to its speed.

An IP management plan is essential, but very complex to develop in light of the many recent IP law changes and various options. Properly done an IP management plan can add significant shareholder value. Ignored or put together in a haphazard manner, an IP management plan can have the opposite effect and have severe negative ramifications. Through a series of articles we will explore the issues highlighted above to assist the reader in developing an effective IP management plan. The next article in this series will focus on how an IP management plan should consider the impacts of PTAB proceedings.

## CONTRIBUTING AUTHORS



**MICHAEL SPECHT** is a director and electrical practice group leader of Sterne, Kessler, Goldstein & Fox. He works closely with

companies to develop and implement IP management plans. Prior to joining Sterne Kessler, he was general counsel at an early stage technology company, where he learned the hard way of the perils of not having an effective IP management plan.

**KAREN WONG-CHAN** is a patent agent at Sterne, Kessler, Goldstein & Fox.

