

**INTELLECTUAL PROPERTY AUDIT CHECKLIST**

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### Establishing the Goals of Your Audit

- Why are you conducting an audit?
  - Establishing procedures?
  - Preparing for a sale, purchase or license?
  - In contemplation of litigation?
  - Making sure all IP is “in the box”?
  
- What will the scope be? What assets will be involved?
  - Broad
    - Overall review of procedures and policies
    - Developing an index of all intellectual property
  - Narrow
    - Focus on a specific asset for purposes of sale, purchase or license
  - Generic
    - Overview of IP sources
  
- What do you want the final product of the audit to be?
  - Comprehensive snapshot of your intangible assets and related procedures?
  - List of new procedures to be implemented?
  - Index of catalogue of all intangible assets?
  
- Phone call or in person meeting for items where it would be better not to reduce the findings to writing.

## Identification of Potential Intellectual Property

- Identify all potential intangible assets; each element of the Company's:
  - ☐ Inputs
    - Independent contractors
    - Suppliers
    - Vendors
    - Customers
    - Third party research
  
  - ☐ Resources and processes
    - Identify the source(s) of each of the Company's:
      - Processes & production information, know-how & negative know-how
      - Machines & manufacturing information
      - Customer lists & confidential customer information, reports & analyses
      - Operation & design manuals
      - Designs, drawings diagrams & artwork
      - Ideas & plans
      - Technology information
      - Formulas & calculations
      - Compounds
      - Prototypes
      - Laboratory notebooks & experiments
      - Experimental, analytical & design data
      - Vendor & supplier information
      - R&D information, reports, know-how & negative know-how
      - Cost, price, profit, loss & margins data, reports & analyses
      - Quality control information, procedures, manuals & records
      - Maintenance know-how & negative know-how
      - Sales & marketing information, reports, forecasts & plans, advertising materials
      - Financial information, documents, budgets & forecasts
      - Computer printouts, operating reports
      - Administrative & managerial information, key decision makers, internal organization
      - Computer software & source code
      - Creative individual works & collaborative works

- Outputs
  - Identify all potential marks for Company products/services by reviewing packaging, marketing literature and advertising.
  - Identify all creative works.
  - Identify all potentially proprietary information reports, data & analyses resulting from processes, R&D, management, marketing and customer relations.
  
- Relationships
  - What inputs and internal sources are related to the corresponding outputs?

## Classification of Intellectual Property

- Intangibles can be protected if they fit under any one of the following categories:
  - Trade Secret
    - Is it generally known or readily ascertainable?
      - If yes, then there is *no* trade secret, as trade secret law only protects information that is not generally known and not readily ascertainable
    - Trade secret generally must also be the *subject of reasonable efforts to maintain secrecy* and must have *commercial value*.
    - Public disclosure to one person may destroy the secret if it becomes *generally known*.
    - Reverse engineering, independent development and availability in public materials can make the information *readily ascertainable*.
  - Copyright
    - Is it a fixed and original work of authorship?
      - If yes, then there is copyright as copyright law only protects fixed and original works of authorship
    - Copyright protection is generally available for the life of the author plus 70 years for individuals, or the shorter of 95 years from the date of publication or 120 years from date of creation for corporations or works for hire.
    - Copyright protection is not available for de minimis contributions (words, titles, short phrases and ornamentation), facts (including research and history), forms (format, layout and style), color, typeface, photographic subjects, athletic events, scenes a faire (common themes and plots), ideas procedures, processes, systems, methods of operation, concepts, principles, discoveries and government works.
    - Originality requires some amount of creativity from an original author.
    - Copyright protection is unavailable for useful pictorial, graphic or sculptural works when the form and function of the article are inextricably intertwined such that the utilitarian aspects of the design are not physically or conceptually separable from the artistic expression.
      - Pictorial, graphic, and sculptural works include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical

drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, and sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified from, and are capable of existing independently of, the utilitarian aspects of the article.

- An architectural work is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features. The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located or ordinarily visible from a public place.
    - A work can be fixed in a number of ways, including being painted on a canvas, written on a piece of paper, stored on a hard drive or recorded on a tape, video cassette, CD or DVD.
- Trademark & Trade Dress
- Is it a distinctive source identifier used on goods or services?
    - If yes, then there is a trademark as trademark law protects a source identifier on goods or services.
  - Trademark and trade dress protection can last forever, but they do not extend to protect a non-reputation related disadvantage based on use, cost quality or efficiency.
  - A mark that is arbitrary (Apple for computers, Red Baron for pizza, Starkist for tuna and Dutch Boy for paint), fanciful (Exxon for gasoline, Kodak for film and Colgate for toothpaste) or suggestive (Greyhound for bus, Pepsi for soda, Snap-On for tools, Velveeta for cheese and Windex for glass cleaner) is protected upon its first use in interstate commerce; whereas, a mark that is merely descriptive (Apple for a fruit grower and Puppy Chow for dog food) of the product or services requires establishing secondary meaning in order to gain distinctiveness. A generic mark (Zipper for zippers, Aspirin for aspirin, Thermos for thermos or vacuum packed bottles,

- Cellophane for cellophane and Cola for cola) is never protected; a mark can become generic through common use as a noun or verb.
- Trade dress in the form of product packaging can be inherently distinctive, but product design requires establishing secondary meaning in order to gain protection.

Patent

- Is it a new, non-obvious and useful idea?
  - If so, it may be eligible for a utility patent
- Is it a new, original and ornamental design for an article of manufacture?
  - If so, it may be eligible for a design patent
- Is it a distinct and new variety of plant that the inventor or discoverer has asexually reproduced?
  - If so, it may be eligible for a plant patent

Utility patent

- A utility patent protects a new, non-obvious and useful idea that is a process, machine, article of manufacture, composition of matter or improvement of any of the previous.
- Laws of nature, physical phenomena, abstract ideas, copyrightable works are not patentable subject matters.
- The invention is not new if:
  - The invention was in a printed publication, in public use, on sale or otherwise available to the public anywhere in the world before the filing date of a patent application;
  - The invention was abandoned; or
  - The invention originated with someone else.
- The invention is obvious if the difference between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.

Design patent

- A design patent protects a new, original and ornamental design that is applied or embodied in an article of manufacture.

Plant patent

- A plant patent protects a distinct and new variety of plant that the inventor or discoverer has asexually reproduced.

## Identification of the Documents Relating to Intellectual Property

- Identify all agreements between the Company and any third party
  - License agreements
  - Assignment agreements
  - Maintenance agreements
  - Distribution agreements
  - Government agreements
  - Employment agreements
  - Consulting agreements
  - Joint development agreements
  - Technology transfer agreements
  - Sponsored research agreements
  - Nondisclosure agreements
  - Noncompetition agreements
  - Work for hire agreements
  - Contracts with independent contractors
  
- Identify filings and registrations
  - All U.S. state and foreign IP applications
  - Registration and recordation materials
  
- Identify any other documents relating to IP rights
  - Contracts with suppliers and customers
  - Correspondence relating to IP rights
  - List of computer software owned by the Company; including all versions and source and object code, flow charts, other development documents
  - Hiring and exit interview materials
  - Publications and other documents
  - Federal registration documents
  - State commercial code filings
  - Journal articles
  - Published papers
  - Competitive analysis documents
  - Marketing files
  - Confidential procedure documents and manuals



## Examination of the Documentation

- For each agreement, identify:
  - The parties to the agreement
  - The rights being transferred
  - The owner of any technology developed under the agreement
  - The holder of any right to file a patent application on any technology developed under the agreement
  
- Verify that:
  - Employees and others obtaining confidential information, secrets or inventions have signed confidentiality or nondisclosure agreements.
  - Employees and others in R&D have signed invention assignment agreements.
    - Be sure that each assignment references the Illinois Employee Patent Act (765 ILCS 1060/et seq.) and has the following language: “[This] agreement does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless[:]”
      - the invention relates
        - to the business of the employer, or
        - to the employer's actual or demonstrably anticipated research or development, or
      - the invention results from any work performed by the employee for the employer.”
  - Employees and others obtaining confidential information, secrets, or inventions usable by competitors have signed noncompetition agreements.
    - In Illinois, noncompetition agreements are enforceable when time and territory limitations are not unreasonable, enforcement will not be injurious to the public or cause undue hardship to the employee, and the restraint imposed is not greater than is necessary to protect a legitimate business interest of the employer.
    - Illinois law now requires employers to offer consideration additional to mere employment, such as additional salary, bonus, promotion, or 2 years of continuous employment, before noncompetition agreements can be made enforceable.
  - Agreements have arbitration or other dispute resolution language as appropriate to avoid costly litigation.

## Identify Owners

- For each piece of intellectual property, identify the owner(s):
  - The Company?
  - Customers?
  - Vendors?
  - Independent contractors?
  - Employees?
  - Corporate owners?
  - Competitors?
  - Joint works?
  - Co-inventors?
  
- Search for indicators of clouded title:
  - Filed financing statements
  - USPTO and Copyright Office title searches
  - State filings
  - Foreign filings
  - Filings with domain name registrar (i.e., Network Solutions, Inc.)
  
- Search for assignment of intellectual property rights
  - USPTO assignment database (for trademark and patent information)
    - Trademark assignments must assign the goodwill along with the mark itself.
    - Patent assignment must be recorded to be effective against later innocent third party purchasers.
  - Copyright Office (for copyright assignments)
    - The author of a work other than a work made for hire generally has the right to terminate any license or assignment 35 years after the grant was made. The termination right cannot be waived in advance. If the author dies before the termination period begins, the termination right can be exercised by the author's heirs.

## Confirming Validity

- Trade Secret
  - Not generally known?
  - Not readily ascertainable?
  - Subject of reasonable efforts to maintain secrecy?
  - Commercially valuable?
  
- Copyright
  - Fixed in a tangible medium of expression?
  - Original work of authorship?
    - Not an unauthorized derivative work?
    - Modicum of creativity?
  - Not expired? (life plus 70 for individuals and at least 95 years for corporations and works for hire)
  - Not a useful pictorial, graphic, or sculptural work with the form and function of the article inextricably intertwined such that the utilitarian aspects of the design are not physically or conceptually separable from the artistic expression?
  - Not a de minimis contribution, fact, form, color, typeface, photographic subject, athletic event, scenes a faire, idea, procedure, processes, system, method of operation, concept, principle, discovery, or government work?
  
- Trademark & Trade Dress
  - Source identifier?
  - Distinctive?
    - Not generic?
    - If descriptive, then secondary meaning?
    - If product design, then secondary meaning?
  - Used on goods in interstate commerce?
  - Not used to protect a non-reputation related disadvantage based on use, cost, quality, or efficiency?
  - Not abandoned?
    - Still in use?
    - Renewal fees paid?
  
- Utility Patent
  - New?
    - No anticipating reference before filing date?
    - No public disclosure by inventor one year before filing date?

- Not abandoned?
    - True inventor?
  - Non-obvious?
    - Consider scope and content of the prior art, difference between the invention and the prior art, and level of skill in the art.
    - Also consider commercial success, long felt but unsolved needs, failure of others, copying of patent, licensing, unexpected results, and disbelief of experts.
  - Useful?
  - If patent is issued or in prosecution:
    - Sufficient disclosure to support the claims?
    - No inequitable conduct before the patent office?
      - All known relevant and non-cumulative references disclosed during patent prosecution?
      - No fraud on the patent office?
    - No double patenting?
    - Application not abandoned?
    - Expired for failure to pay maintenance fees?
    - Expired due to its limited term (now typically, but not always, 20 years from U.S. filing date)?
- Design Patent
- New?
  - Original?
  - Ornamental?
  - Design for an article of manufacture?
  - Expired due to its limited duration (currently 15 years from grant)?
- Plant Patent
- Distinct and new variety of plant?
  - Successfully asexually reproduced by inventor or discoverer?
  - Expired due to its limited duration (typically, but not always, 20 years from the U.S. filing date)?

## Retrospective Protection of Identified Intellectual Property

### ➤ Patents

- A U.S. patent application must be filed, if at all, within one year of any public disclosure of an invention.
- Check the availability of international rights. Most countries bar the right to a patent if there is any publication before the filing date. Also, check any PCT applications to see if a U.S. application is due.
- Inform patent owners of their rights and encourage owners to license, market, and use the invention.
- Discovery of new prior art, errors in inventorship, confusing typographical errors, and other errors should be corrected on any pending application.
  - A correct inventor or co-inventor is anyone who contributed to the conception of a single claim.
- Verify that the patent owner's rights (exclusive right to make, use, sell, and offer for sale in the U.S., and to import into the U.S.) are not currently being infringed by performing a search of products on the marketplace.
- Advise the client of the infringement and the benefit of negotiating with the infringer, and the consequences of not immediately suing for infringement (a six year presumption for laches and a six year limitation on damages under the statute of limitations).
- Verify that the proper prior art references have been disclosed, including real products in the marketplace, publications, and other evidence of knowledge, use, or sale of the invention in the U.S. (keeping in mind there is no duty to do a search of prior art).
- Verify that the practice of a patented or patent-pending invention does not infringe any of the prior art patent references for that invention.
- Verify that outgoing products are properly marked so that purchasers will have imputed knowledge of the underlying patent.
  - To mark a patent, fix the word "patent" or the abbreviation "pat.", together with the number of the patent or with a Web address (accessible to the public without charge) that associates the article with the number of the patent; or, when from the character of the article this cannot be done, by fixing to the article, or to the package wherein one or more of the article is contained, a label containing a like notice.
  - In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement except on proof that the infringer was notified of infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

- Inform inventors of the need to diligently reduce their currently conceived inventions to practice.
- Timestamp or ask the inventors to date any documents or objects showing a possible date of conception or reduction to practice.
- If possible and practical, use direct language instead of means-plus-function language or step-plus-function language in claims.
  - Functional claiming is limited to the specification and equivalents at the time of filing; whereas, direct claim language is entitled to the claim language and equivalents, including after-arising technology.
- Verify that pending applications cover, if possible, later conceived competing products.
- Consider any narrowing amendments to a patent application made during prosecution history.
  - If the claim is amended and narrowed, then the patentee loses the entire scope and equivalence between the amendment and the original unless the changes fall under a few narrow exceptions.
- Verify that all new, useful, and non-obvious ideas disclosed in the patent application are claimed.
- Verify that the inventor or owner documents any and all experimental use.
- Address any long delays (multiple continuations, continuations-in-part, and requests for continued examination) for patent applications currently in prosecution.
- Pay any maintenance fees due, and respond to any pending office actions.
  - Maintenance fees are due three times after the patent issues, and they cannot be paid early. These fees may be paid without surcharge between 3 years and 3 ½ years after issue (first maintenance fee), between 7 years and 7 ½ years after issue (second maintenance fee), and between 11 years and 11 ½ years after issue (third maintenance fee).
  - Maintenance fees may be paid with a surcharge between 3 ½ years and 4 years after issue (first maintenance fee), between 7 ½ years and 8 years after issue (second maintenance fee), and between 11 ½ years and 12 years after issue (third maintenance fee).
  - Failure to pay the current maintenance fee on time may result in expiration of the patent. It may be possible to pay the maintenance fee after expiration where the delay is shown to the satisfaction of the Director to have been unavoidable or unintentional.
  - Maintenance fees are not required for any plant patents or for any design patents.
- Document profits and sales figures for products based on the patent.

## ➤ Trademarks

- Verify that trademarks for Company products or services have been registered at:
  - Federal level (USPTO)
  - State level (Secretary of State Office) (not necessary to sue in federal court)
  - Foreign (USPTO via Madrid Protocol)
  - Verify that the class or classes in which the mark is requested matches the marks' actual usage
- Verify that the Company's trademarks are being properly used.
  - The latest versions of the marks are being used.
  - Any licensees of the mark are supervised for quality control.
- Determine whether and in what manner others are using the Company's trademarks.
  - Conduct searches on the Internet (Google or Bing are recommended) to investigate how the Company's marks are being used.
  - Determine whether this use exposes the Company to risk of loss of value of the trademark by it becoming generic or being otherwise misused.
- Conduct the following trademark searches:
  - Federal level - USPTO database
  - State level - Secretary of State Office
  - Common Law Usage - Google, Bing, and other search engines
  - Commercial Databases such as TRADEMARKSCAN in Westlaw
  - Outside search firm such as Dialog or Thomson CompuMark
- Verify that the <sup>TM</sup> or <sup>SM</sup> (common law notice) or ® (notice of federal registration) notice is properly displayed on all:
  - Company literature displaying or discussing the product or service
  - Promotional/marketing materials displaying or discussing the product or service
  - Advertisements for the product or service
  - Websites displaying or discussing the product or service
  - In-house publications displaying or discussing the product or service.
  - Products or services
- Verify that there are licensing agreements in place with any parties that may need to use Company trademarks, such as distributors, suppliers (for example, putting logos on shopping bags).
- Verify that the Company has received permission to use the marks of others and is using them properly.
- Verify that sales figures are available for the amount of goods or services sold under each mark.

## ➤ Copyrights

- Verify that copyrighted material is properly marked to put others on notice of copyright (e.g., © 2007 Joe Smith or Copyright 2007 Jane Jones).
- Verify that important copyrights have been properly registered or that registration has been sought with the Copyright Office (e.g., instruction manuals for products, drawings, books, etc.).
- The use of a copyright notice was mandatory on all published works before March 1, 1989. Verify that such notice was present.
- Verify that employment agreements stipulate that all work by employees is done on a “work for hire” basis and all copyrightable work belongs to the Company and that the employee will create any assignments requested by the Company.
- Verify that written work for hire agreements accompany any copyrightable work created by independent contractors for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas.
- Verify that all copyrightable work created by independent contractors has been assigned to the Company and that the assignment has been filed with the Copyright Office.
- Verify that any assignments over 35 years old have been re-assigned to the Company by the author.
- Verify and document the Company’s permission to use the copyrightable material of others’:
  - Graphics
  - Artwork
  - Photographs
  - Character drawings
  - Other original & fixed expression

## ➤ Trade Secrets

- Physical Security Measures & Notice
  - What are the facility’s physical security precautions, such as a fenced perimeter of the Company premises, limited entries and exits, alarms and self-locking doors, and after-hours security personnel?
  - Are there “KEEP OUT” and “AUTHORIZED PERSONNEL ONLY” signs at the access points to sensitive areas of the facility, and is there a policy of enforcing these restrictions?
  - What keeps visitors from obtaining confidential information?
  - Are ingredients or data secretly coded or encrypted?
  - Are drawers or areas for secret documents and drawings separated and locked?



- Are there physical barriers that prevent unauthorized viewing of proprietary process technology?
  - Are there sign in and sign out procedures for accessing and returning sensitive materials?
  - Are sensitive documents reproduced in only a limited number, and is there a policy to collect all copies after use?
  - Are authorized codes and passwords used for access to copying machines and computers?
  - Is computer data stored and transmitted in an encrypted, secure manner?
  - Are there policies and procedures to destroy (shred) sensitive documents rather than discarding them in whole?
  - Are confidential drawings and documents marked as confidential with a stamp, watermark, or confidentiality legend?
- Employee Policies
- Are employees subject to noncompetition agreements?
    - Scope reasonable (length of time, geographical area)?
    - Would enforcement of the noncompetition agreement be injurious to the public or cause undue hardship to the employee?
    - Is the restraint imposed greater than necessary to protect a legitimate business interest of the employer?
    - Is the noncompetition agreement supported by consideration additional to mere employment?
    - Has each employee signed a confidentiality agreement or a nondisclosure agreement?
    - What are the Company's oversight policies and procedures that prevent the inadvertent disclosure of trade secrets in written publications, seminars, speaking engagements, or at trade shows, by employees?
    - Are Company departments separated so that each employee does not have access to unnecessary confidential information?
    - Are components of trade secrets separated between or among departments so that each has only "a piece of the puzzle?"
    - Is the Company using confidential or proprietary information from a competitor brought in by an employee?
    - Are there written rules and regulations that prohibit employees from remaining in the plant after hours without express permission from properly authorized personnel?
    - Are there rules and regulations requiring employees to stay in controlled areas around their work stations?

- Are employees required to wear identification badges or carry identification cards?
- Is there a policy and practice for advising employees on a regular basis regarding the Company's trade secrets and confidential business information?
- Does the Company hold "exit interviews" to ensure return of Company documents and to remind ex-employees of their obligation not to use confidential information of the Company for their own benefit or the benefit of others?
- Third Party Communications
  - Have trade secrets been disclosed on public material, including advertisements, the Company's website, and posters or billboards at the front of the office?
  - Have trade secrets been disclosed in patent or copyright applications?
  - Has each third party recipient of confidential information signed a confidentiality agreement or a nondisclosure agreement?
  - Have trade secrets been maintained on a "need-to-know" basis only?
  - Review the relationships with suppliers and customers
    - Purchase order terms and conditions
    - Sales terms and conditions
    - Forms used for receipt, disclosure or exchange of proprietary/confidential information
    - Protocol for receipt of unsolicited ideas
    - Documents containing info relating to confidential information
- Domain Names
  - Compile a list of all domain names that are:
    - currently registered and active
    - inactive and no longer used
    - list of domain names the Company is considering using in the immediate future
  - Determine whether there have been any assignments made with respect to domain names
  - Search major domain name registries to verify ownership of each domain name listed by the Company
  - Search for domain names confusingly similar to any of the Company's mark.
    - Determine whether any such domain name was acquired before or after the Company acquired rights in the mark.
    - Determine whether any such domain name was acquired with a bona fide noncommercial or fair use of the mark in the domain name.

- Determine whether any such domain name was acquired with an intent to divert consumers from the Company's online location in a manner that could harm the goodwill represented by the Company's mark.
- Determine whether any such domain name is for sale, and whether the sale price is reasonable.
- Determine whether any such domain name was acquired through the provision of misleading contact information.
- Determine whether any such domain name was purchased along with other domain names that were confusingly similar to the Company's marks or the marks of others.
- Evaluate the distinctiveness and fame of the subject mark.

Prospective Protection of Intellectual Property  
Review of Policies and Procedures

➤ General

- Verify that confidentiality agreements/nondisclosure agreements are required for:
  - All employees
  - Only certain employees
  - Consultants
  - Independent contractors
  - Distributors
  - Suppliers
  - Visitors and maintenance workers
- Verify that those incapable of consenting to a confidentiality agreement are not allowed to receive confidential information (i.e., children under the age of 18).
- Verify that exit interviews are required for all employees.
- Require dated inventor/lab notebooks for all potential inventors.
- Determine whether there is a communication process for inventors/developers to share research developments with counsel.
- Determine whether there is a system in place that encourages employees to report infringement, misappropriation, or theft.

➤ Patent

- Determine whether there is a process that ensures inventors and relevant decision-makers know that a patent application should be filed within one year of any public disclosure of an invention and that any publication before filing could destroy international rights.
- Determine whether there is a process for informing patent owners of their rights and encouraging owners to license, market, and use the invention.
- Determine whether there is a process for inventors and others involved in patent prosecution to report new prior art, errors in inventorship, and other errors in the patent application process.
- Determine whether there is a periodic procedure for assessing whether the patent owner's rights (exclusive right to make, use, sell, and offer for sale in the U.S., and to import into the U.S.) are being infringed.
- Determine whether a procedure is in place to notify the inventor and others involved in patent prosecution about the scope of prior art that should be disclosed.

- Determine whether there is a procedure to design around existing patents and published patent applications so that the Company's patented product does not infringe any other patents.
- Identify the procedure for marking products sold or offered for sale.
- Ensure that there is a process to inform inventors of the need to promptly file patent applications to obtain the earliest filing date.
- Ensure that there is a procedure to inform inventors to timestamp any documents or objects to prove inventorship and show date of conception or reduction to practice.
- If possible and practical, use direct language instead of means-plus-function language or step-plus-function language in claims.
- Identify a procedure for ensuring that pending applications or amendments thereto cover, if possible, later conceived competing products.
- Avoid, when possible, narrowing amendments to a patent application made during prosecution history.
- Ensure that all disclosed new, useful and non-obvious ideas are claimed in new applications.
- Determine whether there is a procedure for inventors to document any and all experimental use.
- Ensure that the Company keeps track of profits and sales figures for specific products based on the patent.
  - Damages for infringement can be based on a reasonable royalty or on the patent owner's lost profits. Evidence of profits and manufacturing capability can be important in a determination of damages.
- Determine whether there is a process for monitoring pre-filing disclosures of patentable information.
- Determine whether there is a process for reviewing sales literature to ensure that nothing is disclosed in the marketplace to potential customers.
- Determine whether invention assignment forms are required for new hires.
- Determine whether there is a Patent Review Committee in place to handle:
  - Invention selection criteria – patent v. trade secret
  - Cost benefit analysis in determining whether to file applications
  - Foreign filing strategy
  - Application process and procedures
  - Periodic patent search process in key areas to keep abreast of efforts by competitors.
  - Determine whether there are education programs to teach employees about the patent process and their role in protecting patentable intellectual property.

- Examine the in-house docketing system for monitoring deadlines regarding:
  - Any maintenance fee payments
  - Renewal filings
  
- Trademark
  - Determine whether there is a procedure for promptly registering trademarks for Company products or services.
  - Verify that there is a procedure that ensures notices are properly displayed on all:
    - Products or services
    - Company literature displaying or discussing the product or service
    - Promotional/marketing materials displaying or discussing the product or service
    - Advertisements for the product or service
    - Websites displaying or discussing the product or service
    - In-house publications displaying or discussing the product or service
  - Verify that there are policies and standards in place for granting licensing agreements with any parties that may need to use Company trademarks, such as distributors, suppliers.
  - Verify that there is a system for calculating the sales figures and the amount of goods or services sold under each mark.
  - Determine whether there is a licensing manager and a quality control system in place to protect the goodwill associated with the trademarks.
  - Determine whether there is a process in place for phasing out marks that are no longer in use.
  - Identify and evaluate any guides for proper mark usage, specifying
    - Proper typeface
    - Color specifications
    - Mark placed in a consistent location on product or package
  - Determine whether there is a system in place for monitoring the registration and use of possible infringing marks or of the subject mark in an infringing manner.
  - Determine whether there is a policy in place outlining the process for dealing with infringement and whether cease and desist letters have been drafted.
  - Examine the in-house docketing system for upcoming renewal deadlines.
    - Due dates between the fifth and sixth year after registration and at the end of every successive ten year period after registration (between years nine and ten, payable up to six months late for a fee of \$100 per class).

➤ Copyright

- Verify that procedures are in place to properly mark copyrighted material.
- Determine whether there is a disconnect between valuable creative expression and the registration process, and suggest procedures that encourage the registration of important copyrights.
- Verify that standard employment agreements stipulate that all work by employees is done on a “work for hire” basis and all copyrightable work belongs to the Company.
- Ensure that there is a procedure to obtain a written work for hire agreement from independent contractors working on a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, or an atlas.
- Verify that there is a procedure for obtaining assignment agreements from independent contractors for copyrightable work.
- Verify that there is a process for obtaining a re-assignment from the author after 35 years.
- Determine whether there are “Clean Room” procedures in place that bar access to third-party proprietary material by employees during development.
- Examine whether employees are respecting the copyrights of others and the Company’s policy for:
  - Monitoring employee computer/laptop use to prevent unauthorized software installation or distribution.
  - Monitoring employee computer use to ensure that there is no illegal downloading of movies, music, other copyrighted materials.
- Examine the copyright policies and education programs to train employees about protecting Company copyrights.

➤ Trade Secrets

- Physical Security Measures & Notice
  - Verify that the facility or business has physical security precautions, such as a fenced perimeter of the Company premises, limited entries and exits, alarms and self-locking doors, and after-hours security personnel.
  - Verify that there “KEEP OUT” and “AUTHORIZED PERSONNEL ONLY” signs at the access points to sensitive areas of the facility, and that there is a policy for enforcing these restrictions.
  - Review visitor policies to determine whether:
    - Visitors are required to wear temporary ID badges.
    - Visitors are required to sign in and enter and exit through only one door.

- Bags are searched by security upon exit of the building.
  - Escorts are required for visitors.
  - Visitors do not have access to any confidential information without signing a confidentiality or nondisclosure agreement.
  - Visitors are required to be 18 years of age or older.
  - Verify that there is a policy to encode or encrypt ingredients or data.
  - Verify that drawers or areas for secret documents and drawings are separated and locked.
  - Verify that there physical barriers that prevent unauthorized viewing of proprietary process technology.
  - Determine whether there are sign in and sign out procedures for accessing and returning sensitive materials.
  - Ensure that sensitive documents are reproduced in only a limited number, and is there a policy to collect all copies after use.
  - Verify that authorized codes and passwords are used for access to copying machines and computers.
  - Verify that computer data is stored and transmitted in an encrypted, secure manner. Be sure to check:
    - Laptops
    - Internet/Email
    - Smartphones
  - Verify that there are policies and procedures to destroy (shred) sensitive documents rather than discarding them in whole.
  - Determine whether there is a procedure to require that confidential drawings and documents be marked as confidential with a stamp, watermark, or confidentiality legend.
- Employee Policies
- Ensure that there is a policy to require all new employees to sign enforceable noncompetition agreements.
  - Verify that each employee is required to sign a confidentiality agreement or a nondisclosure agreement.
  - Ensure that the Company has oversight policies and procedures that prevent the inadvertent disclosure of trade secrets in written publications, seminars, speaking engagements, or at trade shows, by employees.
  - Determine whether Company departments are isolated so that each employee does not have access to unnecessary confidential information.



- Determine whether components of trade secrets are separated between or among departments so that each has only “a piece of the puzzle.”
  - Ensure that the Company is not using confidential or proprietary information from a competitor brought in by an employee.
  - Determine whether there are written rules and regulations that prohibit employees from remaining in the facility after hours without express permission from properly authorized personnel.
  - Determine whether there are rules and regulations requiring employees to stay in controlled areas about their work stations.
  - Verify that employees are required to wear identification badges or carry identification cards.
  - Determine whether there is a policy and practice for advising employees on a regular basis regarding the Company’s trade secrets and confidential business information.
  - Ensure that the Company holds “exit interviews” to obtain return of Company documents and to remind ex-employees of their obligation not to use confidential information of the Company for their own benefit or the benefit of others.
- Third Party Communications
- Determine whether there is a procedure to prevent trade secrets from being disclosed on public materials, including advertisements, websites, and posters or billboards at the front of the office.
  - Verify that each third party recipient of confidential information is required to sign a confidentiality agreement or a nondisclosure agreement.
  - Verify that trade secrets are maintained on a “need-to-know” basis only.

### Methods for Conducting the Audit

- Interviews of management and technical staff
- Questionnaire to all employees who use or develop IP
- Physical inspection of employee workspaces
- Observation of building security procedures
- Inspection of handbooks, policy manuals and other guidance documents
- Searches of databases including USPTO, Google Patents, Google, UCC Filings, Copyright Office

## Final Product

- Telephone call or face-to-face meeting for sensitive issues better not put in writing
- Written report, including:
  - Catalog of IP assets
  - Development history of the identified IP
    - Date of acquisition/creation
    - Creator/owner
  - List of actions required to maintain each asset
  - Any IP defects uncovered during the audit
- List of filings to be pursued
  - Patent, trademark and copyright applications to be filed
  - Declarations of continued use of trademarks
  - Litigation and negotiation options for discovered potential infringement by third parties
  - Maintenance fees required to keep patents in force
- List of procedures to be implemented
  - Prioritized to-do list to be used as a starting point for subsequent audits