



Protective Intellectual Property Services, LLC

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Maximizing Inventions' and Knowledge's Contribution to Your Company's Growth and Value™
Managing Intellectual Property Consistent with Your Business Plans™

How Not to Protect Your Company's Intellectual Property (IP)!

All companies regardless of their size are concerned about spending money unnecessarily. I speak with lots of companies at various stages of development to learn how they protect their intellectual property (IP) rights.

I have found that most companies consider their business plan and the strategy by which they protect their intellectual property to be two separate and unrelated items. They see their business plan as a means of growing their company and increasing its value, but view the money that they spend to protect their intellectual property to be a cost item. In general, I have found that while the companies may have saved money in the short run, they hurt the value of their company in the longer term, sometimes very severely.

As Jerry Mitchell of Jerry Mitchell Associates says *"Most people learn from their own mistakes – the fortunate learn from others"*. Therefore, I have created a summary of the results of a few incidences which were told to me by the CEOs of actual companies that decided to save money by trying to protect their intellectual property **by themselves**. They were **NOT** my clients. No names are mentioned for reasons that will be obvious. **These situations could all have been prevented.**

I have included them here so that you can avoid similar costly missteps.

Situation: A small software company decided that it was appropriate to protect its source code with a copyright so they downloaded the appropriate forms, attached their source code and filed them with the federal government.

Result: They received a copyright in their source code. However, because of the way that they did it, their source code is now available to anyone that wants to review it. This means that they are not protected against anyone who writes their own code without making use of the company's code. Since a copyright only protects the code itself and not the ideas behind it, they also missed protecting key inventions in their software. Therefore, when they tried to raise money, investors were not interested because of their weak IP position.



Situation: A company developed a new technology. In order to tell their potential customers about the new technology they decided to take advantage of an upcoming trade show. They put together a poster describing the technology and its advantages over the alternatives and had their lead scientist present their new discovery at the conference. Other company scientists also attended the conference and spoke with potential customers about their new discovery.

Result: The company immediately lost all foreign patent rights and started a clock running during which they had to file a US patent in order to retain US rights. Also, they may have compromised their company technology position by disclosing the technology to people outside their company without having filed for protection. These negative



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results could have been prevented while still taking advantage of the conference's marketing opportunity.



Situation: In order to expand, a small business decided to outsource the manufacturing of some of the components they use in their assemblies. The companies signed a non-disclosure agreement regarding the small business' IP. During the term of the agreement, the manufacturing company made some suggestions as to how to improve the product it was manufacturing. The suggestions were incorporated into an improved component which was manufactured by the outsource company and sold by the small business.

Result: The small business later found that the manufacturing company was selling the improved component to others, including their competition. The small business felt that the manufacturing company was in violation of their agreement. They learned that by improving the component, the manufacturing company became a joint inventor with the right to exercise the IP rights without accounting to the small business, as long as they didn't violate the terms of their agreement. Also, since the non-disclosure agreement was downloaded from the Internet by the company's president and was not tailored to the specific circumstances, the company didn't get the protection that it needed. The loss of the company's IP could have been prevented by a more appropriate non-disclosure agreement.



Situation: A startup software company had a business plan which included selling the company in approximately 3 years. The president and his financial advisors decided to save money and not file for patent protection because the company would be sold before the patents would issue.

Result: When they tried to sell the company, they found that it was difficult to sell, and they ended up selling the company for much less than they anticipated because purchasers responded that without anything making them unique, others could relatively easily duplicate their software. The company lost its ability to file for patents because of the "on sale bar".



Situation: A company was selling products that were tailored to the needs of its clients. During the design process, both the company and its clients would be exposed to each other's proprietary information (i.e., intellectual property) so the companies executed mutual confidentiality agreements (also known as NDAs) which were valid for a specified term period.

Result: The company signed 200 mutual confidentiality agreements over ten years and forgot about them once they were signed. As a result they lost control of their IP since the company's clients were not required to keep the company's IP confidential once the term of the agreement expired. Also, the company had potential liabilities since they had their client's intellectual property and were not adequately protecting it.



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PIPS works with "C" level personnel at small to medium size technology companies who worry whether their inventions and knowledge are providing the maximum growth and value to their company. We do this by identifying a company's intellectual property and creating and implementing an intellectual property strategy that is consistent with the company's business plans.

If you would like to learn how much energy your intellectual property can provide for the growth and value of your company please call:

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