



Toy Industry Association White Paper

Protecting Ideas: Perspectives for Individuals and Companies

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PROTECTING IDEAS: PERSPECTIVES FOR INDIVIDUALS AND COMPANIES

Whether you are an individual or a company, protecting ideas and documenting ownership of those ideas may be crucial to both your present and future success.

We have all heard the story of an individual submitting an idea to a company, and then discovering, sometime in the future, that the idea they submitted was developed, produced and sold by the company without the individual's permission or any payment to the individual. On its face, this does not seem right or fair. How can this happen? Was there anything the individual could have done differently when submitting the idea? Did the company actually do anything wrong? Did the company actually steal the idea that was submitted to them?

As an initial matter, the reader should understand that not all ideas are protectable. In order for an idea to be protectable, the idea must meet certain criteria. It follows that those ideas not meeting these criteria are not protectable, and remain just plain ideas. However, if a protectable idea is actually protected, then various assertions of misappropriation or theft may be asserted. On the other hand, if an idea is not protectable or if a protectable idea is not protected, then an assertion that the idea was stolen is either not available or very difficult, if not impossible, to maintain.

Here are several ways individuals and/or companies might protect their ideas, and thus, position themselves against theft of their ideas.

THE INDIVIDUAL

A goal for individuals interested in submitting an idea to a prospective company or group, (e.g., for investment, licensing, manufacturing, etc.), is to pursue some protection for that idea prior to submission, and thus minimize the likelihood of theft or unauthorized use of the idea. Below are several suggestions that individuals can employ to achieve that goal prior to submitting any idea.

PATENT PROTECTION

Prior to revealing an idea to a company, consider filing for patent protection so that at least have some basis exists to try and stop others from making, using and/or selling any product embodying the idea without permission. An initial consideration when filing for patent protection is determining whether the idea is even protectable via patents. In order for an idea to be protectable via a patent (i.e., “patentable”), the idea must be new, useful, and not obvious in view of existing prior art. In some cases, time constraints (a meeting with a company is coming up in a few days) or budgetary concerns (no funds to pay for a patentability study) may dictate that patent protection be sought whether or not a determination was made that the idea is patentable.

At a minimum, prior to revealing an idea to a company or to a third party, a Provisional Patent Application should be prepared and filed with the U.S. Patent Office. A Provisional Patent Application does not provide any immediate, enforceable rights in the idea until that Provisional Patent Application becomes a fully granted Patent. For many reasons, this may or may not happen. However, the Provisional Patent Application can serve as a valuable

negotiating tool and provide evidence of ownership of the idea should the idea become the subject of theft or accusations of theft.

It is important to note that the Provisional Patent Application must be converted to a Non-Provisional Patent Application within one year of filing in order to take full benefit thereof. The Non-Provisional Patent Application will be examined by the Patent Office to determine whether the idea is actually protectable via a patent. Frequently the Patent Office will issue an initial indication that the idea is not protectable, but an experienced patent attorney can help overcome this initial rejection and assist in issuing a valid, enforceable U.S. Patent. One or more Patents issued relating to the idea provides an excellent position to protect against theft or unauthorized use of an idea.

To learn more about the patent process, visit the U.S. Patent Office website (which has an excellent overview of the patent process (<http://www.uspto.gov/patents-getting-started/patent-process-overview>)), and/or meet with a patent attorney or patent agent to explore the possibilities, the process, and the costs associated with seeking patent protection for your ideas.

RESEARCH THE COMPANY OR ORGANIZATION

Also prior to submitting or revealing an idea to a company (as a possible investor, client or contractor), some diligence and research should be conducted about that company. Information about most companies is readily available on-line. Many companies publish their idea submission policies and requirements. One important factor to consider when evaluating

a company is the reputation of that company (or its representative(s)). Thus, when researching a company, see if the company has ever had any disputes regarding idea submissions, and/or if the company has established a positive reputation related to product development and acquisition.

DISCLOSE ONLY WHAT IS NECESSARY

Another way to protect an idea is to not disclose each and every detail about the idea (especially if it has been determined that the idea is not protectable), or to only disclose that information about the idea that is included in a Provisional Patent Application. In other words, consider only disclosing information about the idea that is absolutely necessary for the submission. In some instances, the exact details of the idea are not necessary in order to convey enough information about the idea to the company so they can make a decision. For example, the company may only be concerned with the function of the idea, and if the idea can be profitable. Accordingly, strategically determine if there is a way to present the idea to the company without disclosing the exact details or all of the details thereof.

NON-DISCLOSURE AGREEMENT

A Non-Disclosure Agreement (NDA) can be an effective and cost efficient tool when trying to license an idea (e.g., a non-protected idea) to a company or third party. When approaching a company believed to be a good fit for the idea (following research of that company), it is good practice to ask the company to sign an NDA prior to revealing the plain idea to them.

An NDA is a document stating that confidential information that is disclosed, to the company about the idea, must remain confidential between the presenter and the company.

NDA's vary in format but generally include the following:

- 1 – a definition of what is and what is not confidential information;
- 2 – obligations of the party receiving the confidential information (i.e., the company);
- 3 – a term or duration; and
- 4 – consideration between the parties (typically agreement to evaluate the idea in exchange for disclosure of the idea).

Every NDA provides a definition of the confidential information. In some instances, the NDA may also specifically exclude some information from protection, meaning that the receiving party or company has no obligation to protect that information. It is important to note that information is not protected if that information was created or discovered before or independent of any involvement with the submitter.

The party receiving the confidential information (e.g., the company) generally must hold that information in confidence and limit its use. Under most state laws, the company cannot breach the confidential relationship, induce others to breach it or induce others to acquire the confidential information by improper means.

The term or duration of an NDA can be set between the parties, however, common terms of duration for NDA's range between 1 to 5 years, with 2 year terms being common. A 2 year term should provide an individual with enough time to determine if full patent protection (following the filing of a Provisional Patent Application, as discussed above) should be pursued for the idea, while still being a fair amount of time, after which, the company (receiving information about the idea) should be able to use that information about the idea, if they so choose.

Some companies may want to use their standard NDA. In many cases, this is acceptable, and the NDA provided by the company will provide the individual with enough protection. However, as with any legal document, the NDA should be reviewed before signing, to become familiar and comfortable with the details thereof, and to protect against a situation where the NDA is completely one-sided (e.g., eliminating any protection that should otherwise be available to the individual).

In some instances, a company may refuse to sign an NDA pursuant to the company's published idea submission policy. This does not necessarily mean that the company wants to steal the idea or take advantage of the individual. Many companies are worried about the prospect of being sued by individuals who feel that their idea was stolen by the company. Many times larger companies are working many different ideas that are at various stages of development. The concern is that an individual may bring to them an idea that they are currently working on, and when the company brings the product or idea to market, that the individual may think that the company has stolen that idea from them.

In the event that a company refuses to sign an NDA, the decision still remains with the individual if they wish to share the idea. In such instances, researching the history and reputation of the company and the existence of a Provisional Patent Application on the idea take on greater importance to the decision to disclose the idea to the company, in the absence of an NDA.

THE COMPANY

A goal for a company or organization which engages in investment, licensing, manufacturing activities, is to protect themselves against the allegation of idea theft, and, if available, to also protect their own developed ideas or inventions. Below are several suggestions that a company can employ prior to receiving idea submissions from individuals (third parties), or for protecting their own internally developed ideas or inventions.

PATENT PROTECTION

Prior to receiving idea submissions from third parties, a company should consider filing for patent protection for any internally developed idea. While filing for patent protection for company-developed ideas could eventually provide the company with the opportunity to stop others from making, using and/or selling those ideas, it may also serve the purpose of documenting and memorializing when the company had actually developed those ideas internally.

The decision to file for patent protection, and what type of patent protection to pursue, is a complex analysis, and is an important factor in any strategies or plans developed for

protecting ideas. Proper counseling should be undertaken before making any such decision regarding the potential filing for patent protection of company-developed ideas.

INNOVATION MANAGEMENT PROGRAMS

Innovation Management Programs (IMPs) help companies to gather ideas from many sources (internal and external to the company), evaluate the ideas, and bring the ideas to market in an ever increasingly efficient manner. Broadly, IMPs enable companies to gather ideas into a centralized location, and to evaluate and share ideas in a structured manner.

Specifically, IMPs enable companies to:

- 1 – arrange for campaign focused development (e.g., development in a specific area or for a specific objective);
- 2 – receive idea input from multiple sources and in multiple formats;
- 3 – evaluate the ideas of each campaign in a meaningful manner;
- 4 – manage the flow of the evaluation process of the ideas; and
- 5 – collaborate and provide feedback and input on ideas.

Generally, IMPs enable companies to identify the one, or few ideas, in a sea of ideas, which they intend to develop further and/or which ones they intend to file for patent protection with the U.S. and/or foreign Patent Office(s).

IMPs offer a number of benefits to companies, including and not limited to:

- 1 – focusing the creative efforts of employees around a specific goal or campaign;
- 2 – encouraging employees to capture all of their ideas;
- 3 – capturing of ideas from all areas of the company;
- 4 – promoting of greater transparency of idea submission and evaluation;
- 5 – sharing of ideas with multiple locations for the company;
- 6 – increasing speed to market of ideas; and
- 7 – guarding against potential accusations of idea theft.

IMPs may include, as mentioned above, protocols which permit third parties (e.g., outsiders) to submit ideas/inventions to companies for review with the hope of securing a licensing, joint development, or other commercialization relationship. While a company's internal resources may be best positioned and resourced to develop and innovate in areas close to their typical field of endeavor, external resources and external idea submissions may be better positioned for innovation and development in areas that are far afield from the company's core product areas.

Protocols which permit third party submissions include unsolicited receipt of idea submissions (which may be varied and unfocused), or solicited receipt of idea submissions (which include specific calls for ideas in particular areas). More specifically, a solicitation for receipt of idea submissions is a specific announcement from a company asking for submission

of ideas from external or third parties which communicates a desire by the company to find/buy specific ideas, technologies or capabilities.

RESEARCH THE INDIVIDUAL

Prior to receiving a submission for an idea from an individual, if at all possible, do some diligence and research about that individual prior to your meeting or appointment. One telling factor to consider, when evaluating an individual prior to receiving a submission, is the reputation of the individual that you are contemplating dealing with. As with information about companies, information about individuals may also be readily available with just a small amount of effort.

When researching an individual, similar to when researching a company, the company should look to see if that individual has a track record of making submissions for multiple ideas in the past, if that individual has established a positive reputation related to prior ideas, if that individual has a good track record, if that individual has filed for patent protection for ideas in the past, if that individual has ever had any disputes in the past, and/or if there has been any complaints about the individual in the past. As a suggestion, the company may search any number of social media outlets for information about the individual.

RECEIVE ONLY INFORMATION THAT IS NECESSARY

One way for companies to limit exposure to allegations of idea theft, and to also allow for the largest opportunity to protect their own internally developed ideas or inventions, is to limit the details and information received about a submitted idea from an external source. As

discussed above, companies should seek to receive only that information about the idea which is absolutely necessary in order to make a decision. In some instances, the exact details of a submitted idea are not necessary in order for companies to make informed decisions. Accordingly, when receiving idea submissions, if at all possible, companies should try and limit the amount of information, about the idea, received. Of course, in some instances however, more details of the submitted idea may be necessary in order to make an informed decision. Companies should evaluate this situation on a case-by-case basis.

When evaluating what information is necessary, consideration should be given to the ability to do an evaluation of the idea from a financial point of view (e.g., can the idea be developed into a marketable and profitable product), from an ownership point of view (e.g., does the individual presenting the idea actually own the idea or did the idea originate elsewhere), from a protectability/exclusivity point of view (e.g., is the idea a protected or protectable idea so that others can be prevented from making, using or selling the idea), and/or from a public availability point of view (e.g., is this idea a protected idea, or a plain idea which is freely available to the public for anyone's use).

IDEA SUBMISSION AGREEMENT

An Idea Submission Agreement (a.k.a. a Non-Confidentiality Agreement) can be an effective tool for companies to use when receiving idea submissions. In short, an Idea Submission Agreement seeks to protect both the company and the third party submitter of the idea (e.g., the individual) by setting forth terms and conditions under which the third party submitter of the idea can expect the company to maintain information about the idea in

confidence and under what circumstances can the third party submitter of the idea have a cause of action for breaching that confidence.

Generally, an Idea Submission Agreement includes the following:

1 – a representation by the third party submitter of the idea that they are the sole originator and owner of the idea, and that they have the authority to disclose the idea;

2 – an acknowledgement by the third party submitter of the idea that the idea may be partially/wholly in the public domain and/or that the company may already be working on a related idea;

3 – an acknowledgement by the third party submitter of the idea that they will rely solely on rights granted to them under U.S. Patent, Trademark or Copyright laws for protection of their idea;

4 – an acknowledgement by the third party submitter of the idea that the company may disclose the idea to employees thereof or other parties in order to evaluate the idea submission;

5 – an acknowledgement by the third party submitter of the idea that the company has no obligation to actually evaluate the idea submission; and

6 – an acknowledgement by the third party submitter of the idea that the company has no obligation to compensate the third party submitter simply to undertake the evaluation.

NON-DISCLOSURE AGREEMENT

A Non-Disclosure Agreement (NDA) can also be an effective and cost efficient tool for companies to use when receiving idea submissions. As mentioned above, companies may require that their own proprietary NDA be signed before or simultaneously with receiving idea submissions.

For the company, the NDA can provide some certainty as to what information or details about the idea are being disclosed during a submission. Also, the NDA sets forth defined obligations for keeping information or details about the submitted idea confidential. Lastly, the NDA should set forth a term or duration thereof, after which, if the company chooses, the company should be able to use the confidential information about the submitted idea.

Companies have the right to refuse to sign an NDA all together. This does not necessarily mean that these companies are in the business of stealing ideas. As mentioned above, companies may be worried about the prospect of being sued by those who feel that their submitted idea was stolen by the company.

Additionally, many times companies may be developing their own internal ideas that may be at various stages of development. Thus, a concern for companies is that an individual may submit an idea that they are currently already working on, and when the company finally

does bring a product adopting the submitted idea to market, that the individual may bring an action against the company for theft of the submitted idea, even though the company had been developing the same idea all along.

CONCLUSION

As an individual or a company, it is important that thought be given to the protection and documentation of ownership of ideas to help limit, and hopefully, avoid accusations of theft of ideas, and ultimately hope to avoid costly and unnecessary litigation.

The above tips and recommendations should help individuals, and companies alike, feel more confident that ideas are properly and mutually protected, and allow for more fruitful and beneficial exchange of ideas between parties.

For additional information about some or all of the topics discussed in this paper, it is recommended that appropriate counsel be contacted for a consultation.

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