Intellectual Property
Strategies for Startups

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Why is IP important to Startups?

- To protect core idea upon which the startup is founded
- To create and maintain a competitive advantage
- To protect R & D investment (both time and money)
- To generate revenue
- To defend company
- To protect your brand (once product is sold or service is available)
- To attract investors
- To use as collateral to secure financing
What is IP?

- Patents
- Trademarks
- Copyrights
- Trade Secrets
Patents

- Protects: inventions (e.g., processes, products, compositions)
- Cost to acquire: approx. 20K (from invention to grant of patent)
- Time to acquire: approx. 36-48 months unless expedited
- Rights granted: exclusive right to make, use and sell the invention
- Duration of protection: 20 years from filing date
• Protects: brand, e.g., company name, company logo, product name, or other indicia related that provides consumers with an Indication of source or origin of goods or services (e.g., Twitter®)

• Cost to acquire: varies based on how trademark is used and whether formal registration is sought

• Time to acquire: rights begin to accrue once used in commerce; if formal registration is sought approx. 8-10 months

• Rights granted: right to exclusively use trademark for specific type(s) of service(s) or type(s) of product(s) in a certain geographic region(s)

• Duration of protection: perpetual right provided that the trademark is being used
Copyrights

- Protects: expressions, not ideas

- Cost to acquire: $35 if copyright registration is sought

- Time to acquire: immediate - copyright arises upon fixation of the work in any tangible medium of expression; however, approx. 4-12 months if copyright registration is sought

- Rights granted: right to reproduce, create derivative works, vend, perform publicly, and display publicly

- Duration of protection: copyright term is life of author + 70 years (95 years from publication for works for hire)
Trade Secrets

- Protects: a secret which gives its owner an actual or potential advantage in business, and which the owner exercises reasonable measures to maintain as a secret (e.g., formula for Coca Cola®)
  - Cost to acquire/maintain: cost to obtain/maintain secret
  - Time to acquire: immediate
  - Rights granted: business advantage flowing from secret
  - Duration of protection: perpetual as long as secret is maintained
IP Strategy for Startups

- Key events in the life cycle of a startup can be used to trigger IP strategy discussions and actions
- Key Events:
  1. Company Founded
  2. Hire First Employee
  3. Product Development
  4. Product Release
  5. Marketing
  6. Talking to potential strategic partners
- As the company matures, a more formal IP strategy may be developed
Event: Company Founded

- Individuals/Entities Involved: Founders
- Intellectual Property @ Issue:
  - Core idea
  - Name of company
  - Name of product/service
  - Know-how
- Intellectual Property Actions:
  - Patent core idea
  - Perform trademark clearance on company name, product name, service name
  - Execute agreements that include IP ownership and confidentiality provisions
Event: Hire First Employee

- Individuals/Entities Involved: New Employees
- Intellectual Property @ Issue:
  - Core idea
  - Current R & D initiatives (e.g., improvements to core idea)
  - Current Product Development (e.g., source code)
  - Know-how
  - IP from new employee’s prior company
- Intellectual Property Actions:
  - Execute employment agreement
  - Address any non-compete issues with new employee’s prior employer
IP Elements in Employment Agreements

- Confidentiality clause
- IP ownership clause related to IP generated by employee
- IP assistance clause requiring employee to assist company with IP protection during and after the period of employment
- Clause requiring employee to return to company all employee-generated work product at termination of employment
- Non-compete provisions (vary per state)
- Clause addressing any IP new employee is brought to startup
Event: Product Development

- Entities/Individuals Involved: Founders, Employees, 3rd Party Contractors
- Intellectual Property @ Issue:
  - Inventions within product or service
  - Source Code (software products and services)
- Intellectual Property Actions:
  - Identify new inventions in product or service and determine whether to patent inventions
  - Address copyright issues (e.g., copyright notice in source code, procedures to handle use of third party code licensed under an open source license (e.g., GPL3))
  - Ensure IP ownership, confidentiality, and use addressed in contracts with 3rd party contractors
Event: Product Release (including Beta Release)

• Entities/Individuals: Third Parties
• Intellectual Property @ Issue:
  – Inventions within product or service
  – Source code (software products and services)
  – User manuals
• Intellectual Property Actions:
  – License agreement for product (covering, as appropriate) patent, trademark, copyright, and trade secret
  – Terms of Service for web service
  – Proper use of trademarks on product or service
Event: Marketing

- Entities/Individuals: Third Parties

- Intellectual Property @ Issue:
  - Trademarks
  - New product/service features

- Intellectual Property Actions:
  - Proper use of trademarks on product or service
  - Ensure that IP discussed in marketing literature has been protected prior to release of marketing materials
  - Ensure customer communication strategy complies with CAN-SPAM
  - Ensure that use of Social Media Channels (e.g., Facebook®, Twitter®) complies with Social Media Channels terms of service
Event: Talking to Potential Strategic Partners

- Entities/Individuals: Potential Strategic Partners
- Intellectual Property @ Issue:
  - New product/service features (e.g., features in product road map)
  - Know-how
- Intellectual Property Actions:
  - Non-disclosure agreement
  - While not required, good practice to protect IP prior to discussion with potential strategic partners
Questions?
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