

INTELLECTUAL PROPERTY TIPS FOR ENTREPRENEURS



Sangeeta G. Shah

Shareholder | Co-Chair Post-Grant Proceedings
sshah@brookskushman.com
248.226.2740



David C. Berry

Of Counsel
dberry@brookskushman.com
248.226.2758



**YOU CREATE.
YOU INNOVATE.
WE PROTECT.**



GIVING YOUR IDEAS A STRONG START

Entrepreneurs launching startup ventures must confront a dizzying array of critical issues, including funding, corporate entity formation and tax planning, product development, and human resources and hiring staff. Although most startups recognize that intellectual property is an issue that must be confronted, all too often it is viewed as a commodity or afforded a low priority, sometimes due to the misconception that IP protection is cost prohibitive, or will divert resources from other more pressing concerns.

In reality, a sound IP strategy can often make the difference between success and failure when a new venture enters the commercial marketplace. In the short term, the value of an IP portfolio can determine access to funding and in the long term allow a company to increase and/or maintain market share. New companies frequently need to differentiate their products and services from those of more established and better funded competitors. In many markets, IP protection creates barriers to competition that allow a startup company to establish a presence in the marketplace. A sound IP strategy can also help a company avoid pitfalls that can result in wasted effort and expense. Thus, a well-considered IP strategy should be a key part of every startup business plan.



WHAT IS IP?

In a nutshell, intellectual property is a class of intangible assets that allow innovators or creators of intellectual materials to maintain some degree of control over the use of that material. In the absence of intellectual property protection, dissemination or commercialization of the materials, such as the sale of a product containing a technical innovation, may result in the information entering the public domain. Once in the public domain, the information becomes available for use without restriction.

THE MOST COMMON FORMS OF IP PROTECTION



PATENTS

Patents are issued by the U.S. Patent and Trademark Office (USPTO) following examination to determine whether the covered invention is fully disclosed in the application, useful, novel, nonobvious, and eligible for patent protection. Utility patents, which are in effect for approximately 20 years from the application filing date, are available for new and useful machines, manufactures, processes, and chemical compounds. A separate type of patent, a design patent, is available to protect the ornamental shape or embellishment of a manufactured article. Design patents may offer cost-effective and relatively quick protection for a new product, and now provide protection for 15 years from the date the design patent is granted.

COPYRIGHTS

Copyrights protect original works of authorship that are fixed in a tangible medium, such as on paper or in an electronic data file. Copyrighted works may include written materials, source code, design drawings, sound recordings, musical compositions, and mask works. Copyright protection occurs automatically upon fixation of the work, but copyrights in important works, such as published versions of computer programs, should be registered by filing with the U.S. Copyright Office. A copyright gives the authors of a work several valuable exclusive rights, including the right to reproduce, sell, distribute, and publicly display the work.

TRADE SECRETS

Trade secret law protects proprietary information that is not generally known in an industry and not readily ascertainable from misappropriation by a competitor or another who acquires the information by improper means. Manufacturing processes, product formulations, some customer information, product development or market plans, source code, and many other forms of proprietary information may be protected as trade secrets. One important requirement for trade secret protection is that the owner must adopt reasonable safeguards to protect the confidentiality of the trade secret, such as a program of nondisclosure agreements, password protected data files, and access limitations.

TRADEMARKS

Trademarks provide protection for a word, name, symbol or design that indicates to the consuming public the source, origin, or sponsorship of goods or services. Common trademarks include product or brand names, advertising slogans, and logos. In some cases, product or packaging features or colors may be used as trademarks. The owner of a trademark may enforce them against a competitor who uses a mark in a manner likely to confuse the public. Trademark rights are created by use of the mark, but marks used in interstate commerce should be registered at the USPTO in order to establish nationwide protection.



IP STRATEGIES TO CONSIDER

1 **Form a working relationship with an experienced IP attorney.**

The requirements for establishing protection varies between the different forms of IP, and selection of the most effective means of protection requires careful consideration. In addition to understanding just the features of a new product or service, an effective IP attorney will evaluate a new venture's business model, plans for developing future products, and the competitive landscape, including the products and services of other players in the industry. Thus, to enable a goal-oriented IP strategy that grows and evolves with the company, you should select counsel experienced in all forms of IP protection and foster a strong working relationship from the onset.

2 **Make a Clean Break from Prior Employers, and Make Sure Your New Employees Do Not Violate Their Obligations.**

Many startup companies get off on the wrong foot when the founders or initial employees violate the terms of the prior employment arrangements. In general, an employee is permitted to plan to launch a new venture while still employed by another company, but is prohibited from diverting customer orders or using the employer's time or resources to advance a competing company. In addition, many employees are subject to nondisclosure/confidentiality agreements, noncompetition agreements, or nonsolicitation agreements that may affect their ability to participate in a competing venture. You should consult with counsel concerning the scope and enforceability of any agreements signed by the founders and should investigate similar agreements signed by any new employees. In addition, once personnel joining the startup make the decision to make the jump, they should be candid with their former employer about their plans and under no circumstances attempt to remove proprietary information, such as by downloading data or taking company laptops.

3 **Clear Your Brand and Product Names, and Protect Them With Strong Trademarks.**

Before choosing a name for your new product, company name, or logo, work with an IP attorney to select a strong mark that will not conflict with marks already in use. A trademark clearance search can identify similar names already used for a particular product or industry segment. This can prevent the wasted time and effort of developing a product launch based on a mark already in use or reserved for future use. In addition, the selection of a strong mark is important. Some marks, such as those that merely describe a product, may not be protectable until consumers recognize them as indicating a particular source following years of sales and advertising. Other marks, such as "fanciful" or "arbitrary" marks, are inherently distinctive and provide better protection. Once you select a strong mark, you should consider filing an intent to use application to reserve the mark until product launch.



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Take Control of IP Created by Contractors, Consultants, or Development Partners.

If a startup company plans to collaborate with other entities, such as consultants, contractors, or development project partners, it is essential to take steps in advance to establish ownership, or at least control, of any resulting IP. In the absence of an agreement to the contrary, a co-inventor of a patented invention has an unfettered right to practice or license it without the consent of the other co-inventors. As a result a startup must require employees to enter into assignment agreement, and similar assignment provisions should be place in consulting and contactor agreements. If a development partner is unable to assign its interest (such as a college or university conducting research partially funded by federal grants), then the startup should receive an exclusive license to practice the technology.

5

Start the Process of Establishing Patent Protection Early.

In 2011, the Leahy-Smith America Invents Act made several major changes to the U.S. patent system. One change is that a patent on an invention is awarded to the first inventor to file an application, rather than to the first to complete the invention. As a result, a delay in filing a patent application may result in loss of rights to a prior filer. In order to establish the earliest possible filing date, companies should consider filing provisional applications. These applications are not examined by the USPTO, but establish a filing date if the applicant files a nonprovisional application covering the same invention within one year. In order to get the most out of provisional applications, they must be drafted to provide a broad and detailed disclosure of the technology at issue and all novel features in view of the prior art.

6

Protect Inventions Before Disclosing or Commercializing Technology.

The America Invents Act also made important changes to the definition of prior art, which may prevent an applicant from obtaining a patent. Notably, a public disclosure of an invention by an inventor, anywhere in the world, more than one year before a patent application is filed is a bar to obtaining a patent. Examples of disclosures include public displays, publication of a journal article, internet postings (including discussion forums), and offers to sell products containing the invention. In order to prevent these bars, and to preserve the ability to seek patent protection outside the U.S., a provisional or nonprovisional application should be filed prior to any public disclosure of a new technology or product.



7

Identify Your Trade Secrets and Adopt Practices to Protect Them.

Although startups sometimes focus on building a patent portfolio, you should not overlook the role of trade secret protection. Trade secrets may include innovations not eligible for patent protection. In addition, trade secret protection may be a wise choice for protecting innovations that may be effectively maintained as confidential and not susceptible to reverse-engineering. Among other things, trade secrets can be protected indefinitely, offering some protection after a patent term would expire.

8

Understand the Consequences of Adopting Open Source Software and Tools.

A startup company developing software products should develop specific policies and procedures regarding the use of open source software before beginning the R&D process. Open source software refers to distributed license agreements that permit the user to implement the software in a commercial product, and usually modify the software, but require that user to distribute the resulting software product for free and make the corresponding source code publicly available. Open source licenses vary widely in their requirements, and even the more onerous licenses can be managed with advance planning. The failure to adopt a sound policy may result in the inability to protect your software product.

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Use Different Forms of IP to Protect Important Advances.

The most effective IP strategy combines different forms of IP protection to attain the protection best suited to a startup company's technology and business model. For example, design patents may provide a relatively quick and cost-effective tool to obtain some protection for a product with novel design elements, while utility patent applications seeking to protect the functional aspects of the technology undergo the lengthy process of examination.



ABOUT THE AUTHORS

Sangeeta G. Shah

Sangeeta's practice includes all aspects of intellectual property litigation, prosecution and IP counseling. She works with clients of all sizes and provides strategic counseling and guidance on the development of global intellectual property portfolios. She is frequently called upon to counsel clients in developing best practices and strategic planning of their patent portfolios, including writing successful patent applications in complex and novel situations, in anticipation of possible future litigation. She works closely with clients from the earliest stages of their technical development, offering valuable advice about how to protect their inventions and new ideas in view of their business strategies.

In view of the breadth of her experience in both prosecution and litigation matters, Sangeeta is the Co-Chair of Brooks Kushman's Post Grant practice group. She leads teams to challenge and defend patents using the post-grant challenges available in the wake of the America Invents Act. She is at the forefront of this changing landscape and its implications and works closely with clients to take proactive steps to obtain competitive advantage from an adversarial and patent procurement standpoint. Sangeeta has been instrumental in building the Post Grant practice group at Brooks Kushman.

David C. Berry

David's practice focuses on patent litigation and IP licensing. He has represented clients in all phases of IP litigation, including patent jury and bench trials and appeals, pre-trial proceedings, and successfully arguing before the U.S. Court of Appeals for the Federal Circuit. He has experience in a wide range of technologies and industries, such as separation science, semiconductor fabrication technology, embedded devices, biomechanics, financial services, e-commerce, and consumer products.

David has extensive experience in advising emerging technology companies and venture capital funds on the development and protection of IP assets. He is frequently called upon by his clients to advise them on how business decisions may affect their IP investments.

Clients turn to Brooks Kushman to protect their companies' greatest innovations and brands. Our team of IP professionals works alongside our clients at every stage of the process to ensure quality, responsiveness, cost savings, and more importantly, results.



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