

Intellectual property

What startups need to consider when developing an IP protection strategy

INTERVIEWED BY ROGER VOZAR

Entrepreneurs are often busy figuring out how to develop a product or service and may neglect to properly protect their intellectual property (IP).

“It could be an independent inventor who has never started a business or it could be a small business that has been around a year or two, but unable to scale. Now they’re in a position to get funding and need to look at IP needs a bit closer,” says Heather M. Barnes, a partner at Brouse McDowell.

Smart Business spoke with Barnes about how and when steps should be taken to address IP protection.

Is IP protection different for startups?

The rules are really no different than for any other business, but startups usually lack infrastructure and financial resources to focus on IP issues. Thus, small nuances in the IP laws can have a significant impact on an entrepreneur, which he or she may not have considered.

With respect to patents, once an idea has been publicly disclosed or offered for sale, U.S. patent law allows one year to file an application. People may sit on ideas for years and disclose them without a confidentiality agreement. When they come for legal assistance it could be too late to obtain meaningful patent protection due to their own disclosure or other technology developing in their space.

What should startups be doing regarding IP?

After short-term and long-term business goals are developed, the first step is to determine how to protect the startup’s IP. Identify what technology needs to be protected and seek counsel if it is best suited for patents, trademarks, copyrights or trade secrets.

For patents, the U.S. patent system has

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switched to first inventor to file rather than first to invent. So, there are strategies to get ideas protected as quickly as possible.

IP protection also covers trade secrets, copyrights and trademarks (branding). Trade secrets may or may not be patentable, but provide a competitive edge, such as the formula for Coca-Cola. You need to maintain the secrecy of that proprietary information through confidentiality agreements with vendors and contractors, employee agreements and other security measures.

With branding, you want your brand to be memorable. However, you also need to be sure you have necessary clearance before adopting a trademark or logo.

Copyrights can cover many things — website content, user manuals and specific protocols the company uses.

Protecting all of these areas can get expensive, so you need to outline your goals and develop a timeline. Maybe you’re planning to meet with investors in a couple of months so you’ll want to accelerate work on the patent side because they’ll want to know what protection you have. Every situation is different and should be independently evaluated.

What are some common mistakes startups make?

Because of finite resources, one mistake

occurs when entrepreneurs want to launch their idea quickly and cost-effectively. They may inadvertently disclose their idea, or adopt a domain name that is too close to a competitor’s trademark. If an entrepreneur retains a company to design a website, ensure ownership is retained of any developed IP.

Another big problem is confusion about the U.S. Patent and Trademark Office’s role in the patent process. The patent office determines whether an inventor or company is deserving of a patent, but it does not determine whether your product infringes on someone else’s rights. Receiving a patent is not an automatic right to go out and sell your product; you still need to do research to ensure there’s no infringement.

It’s important that entrepreneurs not only understand business issues, but legal issues as well. Don’t walk into a landmine and find yourself having to backpedal. A little bit of diligence at the beginning will save a lot of time and expense in the long run.

Get documentation in place with contractors and employees to protect your IP. Make sure disclosures are signed when talking to new partners about technology. There’s branding to handle, inventions to patent and copyrightable material to protect; develop a hierarchy of what, when and how it will be protected. ●