

# EIP



## Top 5 IP Tips for US Startups

Running a startup can be an all-consuming endeavor, so it's understandable that it can be challenging to make time to grapple with a subject as complex and specialized as IP.

However, your startup's IP could be its most valuable asset, offering you a sustained competitive advantage over your rivals. Investments you make now in protecting your IP may deliver rewards for many years to come.

To help you navigate this complex subject, here are our top 5 IP tips for startups.

### 1. Secure ownership

Innovation – and therefore IP creation – happens almost constantly in a startup. But who owns this IP? The answer may not be as simple as you think.

Informal arrangements and consultancies are common in startups, but can lead to unwelcome surprises down the line. You should not assume that you own the full rights to any IP created just because you paid for the work. You may not. In fact, without a suitably worded agreement in place, you might be entitled merely to a license to the IP – and the person who created the IP might be free to offer licenses to your competitors.

Almost as important, can you document your ownership of the IP? Litigating an ownership dispute will be a costly and unwanted distraction. It's almost always preferable to prevent such disputes from arising in the first place by ensuring that you have the right agreements and policies in place. Seek early assistance from an IP attorney to develop these and keep copies of all agreements signed by contractors, consultants and employees.

Don't overlook ownership issues among founders, either. In fact, such disputes tend to be far more disruptive, as founders will typically have created the fundamental IP for the startup. Disagreements can arise as to whether a founder has transferred full IP ownership rights or has simply granted a license to the business. Avoid future acrimony and disruption by including suitable IP clauses in the founder agreement so that everyone is clear about what IP rights each founder is contributing to the business.

## **2. Keep your innovations confidential**

Unless there is a compelling reason not to do so, all technical innovations should be kept secret. This preserves your ability to protect them using patents or to keep them as trade secrets (a useful option where an innovation, by its nature, cannot adequately be protected using patents). Although there is a 12 month "grace period" for US patents (during which an application can be filed following an initial disclosure without that disclosure counting against the application), the scope of this safeguard is limited, so it's best treated only as an emergency backup. Also, bear in mind that very few other countries have a similar "grace period", so disclosing your idea may doom your prospects of obtaining patents outside of the US.

Sometimes, though, it may be a commercial necessity to disclose your technical innovations to another party. For example, you might need to order samples from a contract manufacturer, or you might wish to enter discussions with a potential development partner. In such cases, a non-disclosure agreement (NDA) should be put in place before any knowledge transfer takes place. This again preserves your ability to protect your innovations using patents or to keep them as trade secrets.

It may also be advisable to keep some non-technical innovations confidential, at least until you have secured relevant IP rights. As an example, be wary of publicly disclosing slogans or names you plan to use for your company, products or services until you have secured relevant trademarks and domain names. For one thing, slogans and names are generally not protected by copyright, so you will have few options for preventing them from being appropriated until your trademarks are in place. For another thing, making slogans and names public can be an open invitation to cyber-squatters to purchase relevant domain names.

## 3. File early

The sooner you file applications, the sooner you can expect to obtain protection for your IP, but there are other reasons to apply early, too.

Think it's something you can get around to later? With patents, you're in a race to the Patent Office with your competitors - the US Patent Office grants patents to the first inventor to file, not the first to invent. And, in fast-moving fields, competing companies file patent applications for similar inventions just weeks or even days apart. Make sure you're first.

Considering working with a development partner? Filing a patent application before doing so allows you to document the innovations you made, helping to avoid later disputes over which party first conceived of an idea. What's more, the process of drafting the application may spur you to think about variations of your original idea, benefitting your product development process.

Launching a marketing campaign? File trademark applications before doing so in order to protect the brand that you're investing time and money in.

Speaking to investors? Many early stage investors will want to see that you are serious about protecting your IP. Having patent and trademark applications already on file can address these concerns (though sophisticated inventors may also want to verify that these applications are part of a well thought out IP strategy – see point 5).

Further down the line, granted IP rights represent valuable assets that can encourage later rounds of investment and/or can be used as collateral to unlock financing.

## 4. Understand the different types of IP rights

Understanding the various types of IP rights – and in particular what they protect – is key to developing an effective IP strategy. For example:

- Utility patents (in everyday life, are usually just referred to as “patents”) can be used to protect the technical innovations implemented in your products and services;
- Design patents can be used to protect the ornamental design – the “look” – of your products; and

- Trademarks can be used to protect your business's branding.

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An effective IP strategy uses multiple types of IP rights synergistically to help grow your business. For example, in addition to filing patent applications to protect the technological advantages that your product offers, you might devise a brand name for the technology (e.g. "EZflow technology") and register that brand name as a trademark. Over time, this can increase awareness of and demand for your product's technology, giving you a greater competitive advantage than simply protecting the technology itself.

## 5. Devise an IP strategy

Securing IP rights can be expensive. Devising an IP strategy that is aligned with your business objectives is the best way to ensure your money is well spent.

Given time and budgetary pressures, some startups adopt a piecemeal approach, where a series of IP applications are filed without any consideration of overall strategy.

Ironically, such an approach often wastes both time and money in the long run, as some of these applications must be dropped or refiled in updated form to better align with the business's priorities.

To guide you in devising your IP strategy, think carefully about what your value proposition is. This will show you what to protect and where to focus your efforts.

For example, although your product might offer some technological improvements over others in the marketplace, customers may primarily be drawn in by the style and aesthetic of your product. If this is the case, you might decide to focus your spending on trademark and design patent protection, even though your product's technological improvements could be protected using patent rights.

If you run or work for a startup and need help protecting your innovations, contact us today at [pnc@eip.com](mailto:pnc@eip.com).

We are posting a range of content on our [Twitter](#) to help SMEs understand patents further. Follow us there to make sure you don't miss a post.