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# The Role of Intellectual Property in a Lean Startup

# IP Issues for Startups

- Which key IP should you consider?
  - Core IP rights determined by industry
- Bootstrapping v. hiring a lawyer
  - You can bootstrap most IP issues early on
  - Balance the risks (and discuss with investors)
- IP related issues

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# Obtaining Intellectual Property Rights

# Protecting Your Business Assets

- Your Brand: Trademark
- Your Creative Output: Copyright
- Private Information: Trade Secret
- Your Technology: Patent

# Core issues

- **Web, SaaS, apps**
  - Trademark (brand) and copyright (website/app)
- **Enterprise software**
  - Copyright (software) and trade secrets (customer contacts)
- **Physical products**
  - Patent (medical devices and electronics)
- **Biotech/pharma**
  - Talk to patent counsel (immediately!)

# Structure of Intellectual Property Rights

- Requirements: how to get it
- Rights: what you get
- Remedies: what can you do to stop unauthorized use

# Trademark Options

- Trademark/Service marks
  - Identify your product/service
- Certification marks
  - Show that product/service meets a standard
- Trade dress
  - Covers the look and feel of products, packaging, and (maybe) websites/apps

# Trademark: Requirements

- Is the mark available: check TESS
- Requirements
  - Actual use in commerce (but intent is ok to file)
  - Distinctiveness
  - Secondary meaning if descriptive/geographic
- Register your mark: use TEAS
  - \$275 – 325 filing fee per class
  - Takes about a year
  - <http://www.uspto.gov/trademarks/basics/index.jsp>



# Trademark: Rights

- Use <sup>TM/SM</sup> until USPTO grants, then use <sup>®</sup>
- Exclusive rights in that class
- Federal (Lanham Act) and state rights
- Your trademark can last forever
  - If you pay renewal fees (every ten years)
  - You can add more classes (pay more money)

# Trademark: Remedies

- Injunction to stop others
- Seize and destroy infringing goods
- Money damages (hard to get)
- They pay your attorneys fees (hard to get)

# Copyright: Requirements

- Requirements
  - Originality
  - Authorship
  - Physical fixation
- Registration (optional)
  - Costs \$35 (via eCO)
  - Takes ~4 months
  - Incentive to register: money from thieves
  - <http://copyright.gov/circs/circ1.pdf>

# Copyright: Rights

- Federal (Copyright Act) and Int'l (Berne)
- Exclusive right to copy, perform, display, reproduce, and make derivative works
- Lasts a long time
  - Person: 70 years after the death
  - Corp: earlier of 95 years from publication or 120 years from creation

# Copyright: Remedies

- **Injunction** (registration not required)
- **Damages** (registration required)
  - \$750 - \$30,000 per work, at the discretion of the court
- **Destruction of articles** (registration not required)
- **May get attorneys fees** (registration required)
- **Criminal prosecution** (hard to get)

# Trade Secret: Requirements

- Not available to the public
- Reasonable efforts to maintain secrecy
  - Get NDA, limited access at the company, passwords
- The trade secret has commercial value
  - Customer lists
  - Know-how
  - Recipes/formulas

## Trade Secret: Rights

- Protection against misappropriation (theft) or unauthorized (accidental) disclosure
  - Example: former employee/contractor stealing data
- Note: others can independently discover or reverse engineer a trade secret

# Trade Secret: Remedies

- Injunction to stop others
- Monetary damages for the theft
- Destruction of stolen data
- Criminal if theft or economic espionage



# Patent: Requirements

- Requirements
  - Novelty (be first)
  - Non-obviousness
  - Utility
- Federal filing required
  - Whole process costs thousands of dollars
  - It will likely take years
  - You will need a lawyer . . . at some point

# Patent: Rights

- What is a patent?
  - Exclusive right to prevent others from using your idea
- What can be patented?
  - Almost anything (process, machine, or compositions)
- Why get it?
  - Investors, licensing revenue, competitive advantage
- Lasts about 20 years

# Patent: Remedies

- Injunction to stop others
- Damages (can be very high)
- Destruction of unsold inventory (possible)
- Destruction of sold items (hard to get)
- Attorneys fees (hard to get)

## Other Patent Issues

- Patentability Search/Opinion
  - Is your idea new? (self help or lawyers)
- Clearance/Freedom to Operate
  - Before product launch (lawyers)
- Non-infringement and Invalidity Opinions
  - When others threaten you or if you want to sue (lawyers)
  - Or if you want protection against willfulness
- Design Around
  - Eliminate the need for license (lawyers)

# Bootstrapping: Benefits and Risks

# Bootstrapping: Trademarks

- **How to do it**
  - Via USPTO, check TESS and then use TEAS to file
  - Costs \$275-325 per class
- **Risks**
  - You won't get the mark
- **When you need a lawyer**
  - If the USPTO or someone else objects to your trademark
  - To understand renewal fees and requirements

# Bootstrapping: Copyright

- **How to do it**
  - Simple: Use © date – date on written things
  - Register: via [www.copyright.gov/eco](http://www.copyright.gov/eco) (costs \$35 per filing)
- **Risks**
  - No money damages if you don't file
  - Improperly file sensitive material (source code)
- **When you need a lawyer**
  - When you see that someone else is using your work

# Bootstrapping: Patent

- How to do it
  - File a provisional patent with the USPTO (costs \$125)
  - You get 1 year to decide if you need a “real” application
  - [www.uspto.gov/patents/resources/types/provapp.jsp](http://www.uspto.gov/patents/resources/types/provapp.jsp)
- Risks
  - You fail to include the right information in the provisional
- When you need a lawyer
  - File a “real” patent or talking to investors (IP due diligence)



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## IP Related Issues

# IP Related Issues: Ownership

- Ownership of technology developed by persons other than employees
  - Generally the “inventor” or “creator” is the owner
  - However, draft contracts to get the rights
    1. assign all developed technology to the company
    2. prohibit reuse of the technology by others
    3. protect the company’s confidential information

# IP Related Issues: Ownership

- Founders need to make a clean break from prior employer
  - Read your employment contract
  - If your new venture and current employer are in the same field you may have to quit before you start to keep the IP
    - This probably requires legal advice

## IP Related Issues: Waiver issues

- Initial customer risks
  - Special licensing terms in key markets, territories, etc.
    - MFN license terms can reduce value of IP
  - Deals that can't be assigned to an acquiring company
- If possible, reduce risk by making favorable terms only for a limited time
  - You may need legal advice for this

# Summary

- Core IP issues vary by industry
  - Focus on the most important issues at first
- Bootstrapping is possible
  - But it comes with risks
- Make sure the startup owns the IP

# About Me

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