

# **Introduction to Intellectual Property for Startups**

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# Why is IP Important for Startups?

- Protect core idea or concept for which the business is founded
- Competitive advantage
- Revenue generation
- Attract investors
- Secure financing

# Types of Intellectual Property

Patents

Trademarks

Copyrights

Trade  
Secrets

# Patent Basics

**Patents:** rights granted to inventors for novel and useful inventions.

Allows you to exclude others from practicing your invention, i.e. you are granted the exclusive right to make, use and sell the invention

**Utility Patents:** Utility patents are for inventions “... of a new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof.” Utility patents are for the protection of how an invention is used and works.

**Business Method Patents:** Business methods are also protectable under U.S. patent law. A business method patent is actually a form of utility patent that protects new methods of doing business, such as those used, for example, in banking, tax compliance, and e-commerce, to name a few.

**Design Patents:** Design patents, as described by the USPTO, are “Issued for a new, original, and ornamental design embodied in or applied to an article of manufacture.” A design patent, “permits its owner to exclude others from making, using, or selling the design.” A design patent may provide protection for IP when a utility patent is unavailable.

# Patent Basics

- Each requires a patent application and examination by USPTO
- Pitfalls to Avoid: One Year Rule
- Duration:
  - Utility: 20 years from the time of filing the application, assuming no delay in prosecution
  - Design: 14 years from the date the design patent is granted
- Can eliminate competition

# Trademark Basics

- **What is a Trademark?** A trademark can be any word, name, symbol, logo, slogan or design (including sound, motion, scent, shape) that is used to identify/signify a source and quality of a product or service
- **Strength of Marks/Selecting a Distinctive Mark:**

Highest level:  
Arbitrary or Fanciful

Next best:  
Suggestive

Less protection:  
Descriptive

No protection  
available: Generic

- **Ensuring your Mark is available** – The importance of clearance searches
- **Registering Your Mark** – “Use” based vs. “Intent to Use” applications
  - ® vs. TM
- **Enforcing Your Mark**

# Copyright Basics

- **What is Copyright?** Copyright is a form of intellectual property protection available for original works of authorship that are fixed in a tangible form.
  - The categories of works that can be protected by copyright laws include paintings, literary works, live performances, photographs, movies, and software.
- **Bundle of Rights:** Reproduce, prepare derivatives, distribute, publicly perform and publicly display.
- **Ownership:** Generally, the copyright owner is the author or creator of the work, unless the author or creator is the statutory employee of the party on whose behalf the work is made in the course and scope of employment.
- **Registration:** Not required until enforcement. Early registration provides additional benefits.
- **Limitation:** An important limitation on the scope of copyright protection is the idea/expression dichotomy.

# Trade Secret Basics

- **What is a Trade Secret?** A trade secret is defined as information that derives independent economic value because it is not generally known or readily ascertainable, and it is the subject of efforts to maintain secrecy.
  - A company must make a reasonable effort in concealing the information from the public: Importance of NDAs
- Broad range of information can be protected
- Enforcement
  - Can be used to get injunctive relief
    - Against competitors
    - Former employees
- Duration: Perpetual as long as secret is maintained



# IP Strategies/Pitfalls to Avoid

## Identify Your IP

- **Make a comprehensive list**
  - Every business idea, invention, new product or service concept (or any improvement or advance to an existing product/service), potential product name, slogan, logo, business process, market or customer niche, or other proprietary idea that you think your startup owns and is unique and potentially valuable
  - Aids in developing overall IP strategy
  - Aids in disclosures to potential investors or acquirers
- **Research Your IP**
  - Confirm such IP is unique and original

# IP Strategies/Pitfalls to Avoid

## Make Sure You Own the IP

- Contribution of Intellectual Property by Startup Founders at Formation
- Assignment of Intellectual Property Developed Post-Formation
- Employment Agreements and Work Made for Hire
  - Address any non-compete issues with prior employers
  - Previous intellectual property created by employee

# IP Strategies/Pitfalls to Avoid

## Protect Your IP

- **Registrations**
  - Evaluate your core assets and decide on the type of IP protection you need
  - Use proper designations to identify registered IP
  - Police your IP from unauthorized uses
- **From your Investors**
  - NDAs
- **From your Employees and Contractors**
  - NDAs and Non-Competes

# IP Strategies/Pitfalls to Avoid

## Technology/Software Start-Ups

- Create comprehensive list of all Open Source Code use in your technology/software
- Be mindful when using open source software
  - Use of open source software is generally free and may often expedite development.
  - License restrictions/requirements
  - Disclosure of Source Code

# Questions?



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