

## **DOING IP RIGHT – WHAT START-UPS NEED TO KNOW**

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For many companies, no matter what stage or size, intellectual property (IP) is their most important and valuable asset. Companies often determine that employing an IP policy is a practice that occurs later in the game. In addition, too many companies believe that protecting IP merely involves filing a patent application or two for the company's technology and submitting a trademark application for the product name. While these may be some of the essential steps that should be taken, alone they are not sufficient.

Doing IP right involves at least the following steps:

1. Establishing and Enforcing Company-Wide IP Policies and Procedures
2. Instilling a Sense of Importance of IP from the top down
3. Ensuring Ownership (and documentation of ownership) of the Company's IP
4. Conducting Periodic IP Audits
5. Developing (and periodically updating) a Comprehensive Patent Strategy Consistent with the Company's Business Plan
6. Don't Over Rely on Provisional Patent Applications
7. Understand Your Options (Petition to Expedite. Preventing Publication)
8. Use Your IP as a Business Tool

Establishing and documenting corporate IP policies and procedures is critical. It is imperative that the right procedures are in place to ensure identification and ownership of company IP to enable timely decisions to be made regarding filings to protect the IP (e.g., to avoid inadvertent loss of rights due to failure to act promptly), to avoid liability for infringing third party IP and for many other reasons.

The IP policies and procedures must be mandated from top management to instill a sense of importance throughout the organization. Executives must communicate the policies to the employees in a way that stresses their business significance (not just their legal significance). If IP policies are not mandated by top management, they often are not consistently adhered to. Executives must create a top down approach to developing a culture within the company that places great emphasis on the business significance of protecting and exploiting IP as a business tool.

Top executives must be involved in creating IP strategies and to integrate IP strategies into high level strategic business planning. Executives who do not understand IP frequently delegate IP issues to someone else. This often precludes the necessary integration of IP and high level business planning.

It is critical to ensure that the proper assignment agreements are in place for employees, consultants and business partners. It is amazing how many companies do not fully own all of their IP. Some companies fail to require all employees to sign IP assignment agreements. Even more companies run into ownership problems when they hire consultants or work with development partners. People often misunderstand the term “work for hire” and believe that it means that the company paying for the work will own all IP resulting from that work. This is a common fallacy. Work for hire is a copyright doctrine. It does not relate to ownership of patents. An actual obligation to assign IP is advisable. Additionally, proper recordation of ownership of the IP is also important.

Periodic IP audits and strategy updates are a necessity. Do not just file a patent and think you are protected. Inevitably, as you progress in product development, modifications are made that warrant further consideration. In some cases major directional shifts occur and your original patent filings do not cover the current approach. Regular updates to your patent strategy are necessary. Moreover, do not just file patents. Develop an IP strategy that fits with your business strategy. If you seek financing or sell your company, the investor or acquirer will conduct IP due diligence. If what you are saying is valuable about your technology or business model is not what your patents cover, you will not maximize the value of the transaction. For the same product many different types of protection may be available. For example, a comprehensive strategy for protecting a single piece of software may include patents, trademarks, copyrights and trade secrets. The patent protection strategy alone may include design patents and utility patents, including protection of business methods implemented by the software, algorithms, user interface features, various features, functions and processes and overall system claims, among other things).

Do not over rely on provisional patent applications. The level of disclosure required to get a filing date for a provisional application is the same as that of a regular patent applications. Too often companies file provisional patent applications without enough detail. The ramification of doing this is that you do not get the filing date that you think you have. This can create prior art problems. Significant IP rights have been lost due to this.

Understand your options with respect to the patent application process. Mechanisms exist to enable you to expedite patent prosecution. Consider them when it is important to obtain a patent more promptly. Patent applications are now published 18 months after they are filed. An option exists, in some cases, to prevent publication. If you want to keep the details of your patent secret until the patent issues, consider filing a “non-publication” request to avoid publication.

Use your IP as a business tool. Patents are not just for suing people. They can be used both offensively and defensively. Many companies are effectively using patents in connection with their sales effort. If you can properly say that you have the exclusive right to sell certain features, your sales people need to know this. Consider licensing patents that you are not commercially exploiting. It is like free money! Use patents to

prevent getting sued. For example, cross license where appropriate. Patents can be used in many other ways. These are but a few examples.

The significance and value of IP mandates that companies strategically approach IP protection. Despite the business significance of IP, many executives do not treat IP as a business tool. Companies that do emphasize and strategically protect IP create significant value.