

# Intellectual Property for Start-Up Businesses

by *Randy J. Pritzker*

## What is Intellectual Property?

Intellectual Property (IP) is a broad term that includes patents, trademarks, copyrights and trade secrets. Each is an intangible property right or asset that provides protection for what is covered by the asset.

- **Patents** protect ideas and concepts relating to products, processes, and business models, or designs, depending on the type of patent.
- **Trademarks** protect names and other indicators of source of products and services.
- **Copyrights** protect artistic expressions fixed in a tangible medium.
- **Trade secrets** protect business secrets.

Patents, trademarks and copyrights are grants from the government giving an owner rights to exclude others from using what is covered. Specifically, a patent is a grant from the U.S. government giving its owner the right to exclude all others from making, using, selling or offering for sale what is covered by the patent in the U.S. for the term (20 years from filing for a utility patent and 14 years from issuance for a design patent) of the patent.

## Why is Intellectual Property Protection Important to My Start-up Company?

IP can be very important and valuable to a start-up company. Patents can provide a barrier to entry to competitors of a company, particularly where the company can patent its business model or an important feature or features of its main product or service. Such a barrier may give the company just the competitive advantage it needs to become a success in this free marketplace in which we live.

Patent protection now is available for business models and software, and Courts are favoring patent protection in these areas. Presently, one of the hot areas is patenting

e-commerce business models. Given the fact that the Internet is in its relevant infancy, broad protection may be available for new business models in this area.

## How Can Intellectual Property Protection Add to the Value of My Business?

Trademarks can assist in protecting brand names coined by the company. The trademark protection similarly can prove to be extremely valuable to the company, particularly where the mark protected represents a product or service that becomes a standard in the industry.

In addition, IP assets and patents, can attract financing from some venture capitalists (VCs). Financing is crucial for survival of most early-stage companies.

IP can be helpful in marketing. The company can tout its patent and trademark protection by appropriately marking its products and by noting its protection in its promotional literature. As an example, a company can label its products as "patent pending" once a patent application has been filed, even though the resulting patent will not issue for some time.

## When Should I Begin to Think About Intellectual Property?

IP should be a very early consideration for a start-up company. IP should be part of most start-up companies' business plans, and the budget should account for, and allocate resources to, IP. This is particularly true for high-technology companies where significant patent protection may be available for innovation that has occurred.

For both patents and trademarks, filing for protection early has a number of advantages, particularly where there may be activity in the same or a similar area by competitors or researchers.

## What Other Timing Issues Should I Consider?

Patents have the following filing deadlines, requiring early attention. In the U.S., a patent application must be filed within one year of the first publication or offer for sale of the invention. In most foreign countries, a patent application must be filed before any sale or public disclosure. Thus, if foreign patent protection is desired (which typically is the case when the company has a market or potential competition overseas), a U.S. patent application, which provides a priority basis for a later-filed foreign patent application, should be filed before the earliest public disclosure or sale of the invention.

IP protection also should be addressed before, or at least simultaneously with, attempting to secure financing, as some VCs will, and should, require it.

Finally, start-up companies should seek the consult of an IP attorney early because the attorney can advise the company on a strategy for obtaining IP protection, as well as on how to proceed to minimize the risk of



*Randy Pritzker is a Shareholder in the firm, co-chairs the firm's Electrical & Computer Technologies Group, and is a member of the firm's Mechanical and Litigation Groups. He also serves on the firm's Executive Committee. Randy represents a range of clients including major consumer products companies, electronics and software companies, and defense contractors.*

*Telephone: 617.646.8247.*

*Email: [rpritzker@wolfgreenfield.com](mailto:rpritzker@wolfgreenfield.com)*

infringing others' IP assets. Specifically, IP counsel may advise the company to avoid using a certain name or product or service feature to respectively avoid infringing a trademark or patent right of another. Obviously, such advice can be of extreme importance to any company, but particularly an early stage company that has a great deal to lose.

### **How Do I Ensure the Intellectual Property Needs of My Company are Addressed Properly?**

A start-up company should seek the consult of an IP attorney. The company should

inform the attorney of its business plan, product or service, brands, marketplace, competition, etc. The attorney can conduct an IP audit and provide resulting advice, both on a strategy for obtaining IP protection and on how to minimize infringement risk.

Specifically, the attorney can help determine where patent protection may be available, i.e., on the business model, features of the product or service, etc., and work with the company to determine when and on what to file, consistent with the business goals of the company and within the company's budget. The attorney also can assist in helping the

company to obtain financing by defending and bolstering the company's IP position, and through contacts in the VC community of the law firm of the attorney.

Finally, the attorney can prepare and file patent and trademark applications, negotiate and draft IP licenses where appropriate, and provide verbal and written opinions on the positions and risks of the company to advise the company, etc.