



Protecting Your Start-Up's Intellectual Property without Going Broke

Paul E. Rossler & Nicole V. Gonzalez

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For many companies, intellectual property rights in the form of trade secrets, patents, trade names, trademarks and copyrights are their most valuable assets, but such value exists only because those companies took the necessary steps to protect their rights in the assets.¹ Intellectual property rights are similar to the rights associated with any other property—e.g. with respect to real property, if a fence is not built around it, others wouldn't have notice to “keep out” and will unknowingly trespass (and perhaps take up residence) with ease. Therefore, from Day One, a start-up company needs to think about protecting its technology and technological advantages, its branding and business goodwill, and to prepare a budget for such protection.

Depending on the type of intellectual property involved and how much legwork the members of the start-up company are willing to do, the budget can be quite modest relative to the amount of protection obtained. Some suggested steps follow, many of which require little or no direct, out-of-pocket expense and may provide effective protection of the intellectual property.

1. **Protect “the secret sauce.”** Trade secret protection is appropriate for any idea, information, method, product or service which derives independent economic value from not being generally known by others in the industry (e.g. the formula for Coca-Cola) and which would be extremely difficult for them to learn or acquire through legitimate means (like reverse engineering). To maintain trade secret protection, you must take reasonable measures to keep the subject matter of the protection secret. Reasonable measures include, but are not limited to, marking the information as confidential, controlling or limiting access to the information, making sure that those who have access understand their duty to protect the information as a secret, and entering into confidentiality agreements before sharing the information.²
2. **File a provisional patent application** on any product, component, method, composition or ornamental design that cannot be protected as a trade secret but might be patentable. A provisional patent application never gets examined by the Patent Office (and is never made publicly available) but allows the product to be marked and marketed as “patent pending.” The application also buys time to assess market potential, further develop the invention, and potentially secure a filing date earlier than the date a competitor files its own patent

THIS ARTICLE PRESENTS PUBLICALLY AVAILABLE LEGAL INFORMATION AND NOT LEGAL ADVICE. CONSULT COUNSEL BEFORE ACTING UPON ANY OF THE INFORMATION PRESENTED HERE.

¹ For a summary overview of the various types of intellectual property, see Paul E. Rossler, [WhatsUpinIP.com, Avoid Committing a “Yarfu”: A Brief Lesson About Intellectual Property](#) (May 20, 2011).

² For more on trade secrets, see Paul E. Rossler, [WhatsUpinIP.com, The Secret Sauce is Leaking: A Look at the “Trade Secret”](#) (Mar. 28, 2011).

application.³ It also keeps the start-up from violating, for a limited time, the offer-for-sale and public use and disclosure bars that can prevent U.S. and foreign patent protection.⁴

One word of caution: a provisional patent application may not be given a lot of weight by sophisticated investors. Because the provisional patent application typically does not include any “patent claims,” it does not provide an indication as to the scope of protection being sought. Investors will want to see a “non-provisional” patent application. This type of application specifies the scope and claims of the invention and will be examined by the Patent Office.

Second, once a provisional application is filed, the clock starts ticking on filing any non-provisional U.S. and foreign applications. These applications must be filed before the one-year time window expires, otherwise you may lose your rights to the invention. Therefore, a provisional application should only be used when filing a non-provisional application might be premature and cost is an important factor.⁵

- 3. Choose a unique trade name and trademark.** A trade name is the company’s “nickname” or the “doing business as” name it uses in conducting business with others. A trademark is part of the company’s “brand,” the word or logo that the company places on its products or services. Conduct an Internet search of the trade names and trademarks that you are considering using and check domain name availability by searching the WHOIS service.⁶ Also search social media sites such as Facebook and Twitter to see whether the name or mark, or a similar name or mark, are already being used. Additionally, search your state’s Secretary of State’s business records database of registered business entities. Last, search the Trademark Office’s database at USPTO.gov to see whether anyone else has registered the same or similar name or mark.

Avoid using any trade name or trademark that is already in use or registered, especially if those names and marks are used in connection with a similar product or service. Further, avoid using any trademark that describes or suggests what the product or service is. A descriptive trademark offers very little protection if competitors have to use the trademark’s language to describe their product or service. The product description or service can always be used as a tag line placed under or near the trade mark. And remember, do not adopt any name or mark that could be considered “confusingly similar” in sight, sound, or meaning to a trade name or trademark already being used by someone else. Adopting a confusing similar name or mark can put you on the wrong end of a cease-and-desist letter or worse, a lawsuit.

³ On March 16, 2013, the United States becomes a “first-inventor-to-file” country. Until then, the United States remains a first-to-invent country whereas other countries, such as member countries of the European Union, are first-to-file countries. Regardless of whether first-to-file or first-to-invent, applies, by filing a provisional patent application, the filing date of the application provides a shield which prevents the Patent Office from citing art that came after this date against the subject matter disclosed in the application.

⁴ See Paul E. Rossler, WhatsUpinIP.com, *Patently Indecent Exposure: Preventing Invention Exhibitionism* (Jan. 20, 2011). Reprinted in IP Frontline (Mar. 2, 2011).

⁵ Sometimes two or more provisional applications are filed as the development effort progresses. The non-provisional application can include all of the previously filed provisional applications, provided that no provisional application is more than one-year old.

⁶ Available at <http://www.internic.net/whois.html>.

4. **Buy the domain names** that cover the trade name and trademarks as well as any marketing or branding slogans. Also register the names, marks and slogans on social media sites such as Facebook and Twitter. Even if you are considering several different names and marks, it is relatively inexpensive to buy the domain names and reserve the names for one year. Simply let the domain names expire that you decide not to use. A “trade name report” also should be filed with the Secretary of State in order to register the trade name.
5. **Use “TM” in connection with each trademark.** Trademark rights accrue through use in commerce. Placing a “TM” (trademark) next to the mark so that others will know that the word, logo or slogan is being used as trademark.⁷ This use is called the “common law” trademark use and the common law trademark rights it provides extend to the geographic region in which the mark is being used.
6. **Apply for federal registration of the “flagship” trademark.”** If one mark is going to be used in connection with a key product or service, or for an entire product or service line, seek federal registration of that mark. Once federal registration is obtained, the circle R symbol, ®, can be used.⁸ The individual products or services within the line, however, can continue to rely upon the common law trademark use.
7. **Give notice of copyright.** Copyright automatically vests whenever a creative expression is expressed in a tangible medium. Federal copyright registration is not required to vest such rights; however the extent of a copyright holder’s ability to enforce his rights may be limited without federal registration.⁹ Therefore, software code, web pages, photographs, and marketing literature can be marked with copyright notice as soon as they are created. For example, this short article could be marked © 2010 Paul Rossler & Nicole Gonzalez or, if we under an obligation to assign our creative works to our employer, © 2010 GableGotwals. The copyright is not protecting any of the underlying ideas or facts presented here, only the creative expression, that is, the way in which those ideas are organized for presentation and explained.
8. **Register creative material that is likely to be copied.** Federal registration, which can be done at any time, is needed to bring suit in federal court. However, in order to qualify for statutory damages and attorney fees, registration must occur within three months of publication or within one month of learning of infringement, whichever is earliest. Because federal registration is inexpensive and relatively easy to apply for and obtain, it should be done for material that has a lot of creative expression, is likely to be copied by an

⁷ Some companies use the symbol SM for service mark. A service mark is equivalent to a trademark, except that it identifies the owner as a provider of services (rather than a source of goods).

⁸ Federal registration is only available if the product or service is used in “interstate” commerce. Prior to interstate use, an “intent to use” application can be submitted provided there is a “bona fide intent” to use the mark in interstate commerce.

⁹ Federal copyright registration is required to bring suit in federal court and must be done within a certain time period in order to be eligible for “statutory” damages and reimbursement of attorney fees. That certain time period is within three months of publication or within one month of learning of the infringement. To qualify, the registration must be applied for by whichever date is the earlier of the two dates.

unscrupulous competitor, and cannot be protected through trade secret or patent. Application forms are available at the Copyright Office's website, copyright.gov.

9. **Execute work-made-for-hire agreements when contracting with others to invent and create.** When hiring third parties to design, invent or create inventions or expressions, make certain that the start-up company solely and exclusively owns all intellectual property rights. This can be accomplished by an agreement which states that the third party is being hired to do these things, that the start-up owns the rights, and the third party assigns (transfers) any rights it might have or create. A competent attorney can collect the necessary information and prepare a simple work-made-for-hire agreement in about an hour's worth of time. As you engage subsequent third parties, the agreement can be modified accordingly. However, if counsel has not modified the agreement, always forward it to counsel for review before executing the agreement. Just because the agreement was appropriate the last time around, doesn't mean it will be appropriate the next time around.
10. **Make certain employment agreements are clear about ownership.** Similar to the work-made-for-hire agreement, employment agreements should clearly state that the employee is being hired to invent or create and that inventions or expressions made in the scope of employment will be owned solely and exclusively by the company. The agreement should not only obligate the employee to assign the inventions and expressions ("I will assign" or "agree to assign") but also state the employee "hereby assigns" any and all future inventions and expressions. The agreement should also state the employee agrees to not enter into other agreements that conflict with his or her assignment to the employer.

Any attorney who has practiced intellectual property law for any amount of time has more than his or her share of horror stories involving a start-up that tried to protect some piece of intellectual property on their own without consulting counsel. Sometimes the mistake can be corrected, usually at considerably more time and expense than if it had been avoided in the first place. Other times, nothing can be done to fix the mistake. The door for protection, once it's closed, remains forever closed. Therefore, before doing any of the above, spend the time and money necessary to consult with legal counsel who can help map out an intellectual property protection strategy that makes commercial, economic sense for your start-up. With respect to intellectual property assets, an ounce of prevention is worth a pound of protection.

About the Authors

Paul E. Rossler has an extensive background in intellectual property and engineering. In 1984 he received his bachelor of science in industrial engineering from the GMI Engineering & Management Institute (formerly General Motors Institute). He went on to receive his master's degree and Ph.D. in industrial engineering from Virginia Tech before completing his J.D. at the University of Tulsa, where he graduated with highest honors. Prior to practicing law, Paul served on the engineering faculty at Kettering University and Oklahoma State University. At Oklahoma State, he taught in and directed the graduate degree program in Engineering & Technology Management, a program intended for practicing engineers, scientists and technologists. He continues to teach engineering law and engineering management courses at Oklahoma State University as an adjunct faculty member. Paul is a member of the Oklahoma

Bar, is admitted to practice before the U.S. Patent and Trademark Office, is a registered professional engineer in Oklahoma and Michigan. He can be reached by email at prossler@gablelaw.com.

Nicole V. Gonzalez has over 10 years of legal experience in high-tech and bio-tech sectors in the Silicon Valley. Her experience includes technology transactions, licensing, development and distribution arrangements, manufacturing and supply agreements, as well as patent prosecution. Prior to joining GableGotwals, she worked as in-house counsel for TiVo, Inc. in Alviso, California. Nicole received her bachelor's degree in physiology and cell biology from University of California at Santa Barbara in 1994 and completed her juris doctorate at Santa Clara University in 2000. She is a member of the California State Bar Association and the Institute of Electrical and Electronics Engineers. She is currently licensed to practice in the State of California and is a registered patent attorney. She can be reached by email at ngonzalez@gablelaw.com.