Bootstrapping Your IP

Seven questions emerging businesses should ask themselves

"Bootstrapping," an idiom familiar among emerging businesses, is believed to have originated from the phrase "pulling oneself up by the bootstraps," an impossible task. Now the term has become associated with growth notwithstanding limited resources. In this context, bootstrapping doesn't mean blind attention to certain issues, to the exclusion of other (sometimes unknown) issues. Bootstrapping isn't gambling. Instead, successful growth of bootstrapped businesses can be attributed to prioritization and efficiency.

As it relates to IP, you don't need to know all of the answers, but the prioritization and efficiency characteristic of successfully bootstrapped businesses are only possible if you can at least ask the right questions:

Who may have rights in my IP?

Employment agreements (even with former employers), independent contractor agreements (even for work that has already been completed) and university policies (which can apply to professors and students alike) can trigger IP ownership issues. If there is any doubt, deal with the issues early on, and memorialize any resolution.

Who holds my IP?

Establish an entity (e.g., an LLC or a corporation) and conduct all business through the entity. IP should be held in the name of the entity. In the entity's governing documents (e.g., operating agreement for an LLC, bylaws and/or shareholder agreement for a corporation), the owners may consider addressing IP ownership issues.

What to do about patents?

In addition to the obvious reason for filing a patent application (for an offensive purpose, to prevent others from commercializing an invention), consider that filing (i) may have a defensive purpose, to prevent others who file after you from obtaining overlapping patent protection, (ii) allows you to market the invention as "patent pending," which may have a deterrent effect, (iii) may be attractive to prospective investors or acquirers, and (iv) may result in unanticipated patent protection.

If filing does make sense, do so before any public disclosure of the invention. While the United States does offer a one-year grace period after public disclosure within which to file, foreign countries generally do not, and patent rights in the United States and most foreign countries are awarded to the first inventor to file, not the first person to invent.

A United States provisional patent application can be an efficient way to preserve U.S. and foreign patent rights for one year, while the invention is refined and the marketplace tested. Patent applications should cover current embodiments, as well as alternate and future embodiments. The United States Patent and Trademark Office (USPTO) offers reduced fees for micro entities (which many emerging business qualify for) and there are many options to expediting examination at the USPTO if quick patent protection is necessary.

It might be prudent to undertake patentability and/or freedom-to-operate searches, but doing so may also work to your disadvantage depending on your business objectives and growth strategy. Before engaging in either, check with counsel.

How can I protect my IP when working with others?

Early disclosure of your IP should be under confidentiality agreements. Even if you have filed a patent application, it will not be published for at least 18 months from its earliest priority date and you won't have any enforceable rights unless and until a patent is granted. In the meantime, as long as your IP has not been publicly disclosed, a confidentiality agreement can be useful to prevent others from beating you to market. As you are working with employees and independent contractors to invent, create, design, develop, manufacture, etc., memorialize who owns existing and new IP, as well as treatment of trade secrets and other confidential information.

What to do about trademarks?

Select a mark that is suggestive, arbitrary or fanciful in relation to your goods/services. Generic marks can never be protected and descriptive marks only can if they have acquired distinctiveness. Select a mark that is not likely to cause confusion vis-à-vis others' marks, noting that even marks that are not identical can cause confusion. Use the mark with the ™ symbol (or the ℠ symbol if you are providing services under the mark). Register the domain name. Registration of the mark with the USPTO offers significant benefits, and an intent-to-use application can be filed even before use in commerce has begun. However, it is optional and there is no deadline within which to file.

Do I have a product that has ornamental or source-identifying features?

Once a product is finalized, consider whether it comprises any ornamental features and, if so, consider design patent protection. In marketing materials, call attention to any source-identifying features to build potential trade dress rights.

What to do about copyrights?

Rather than attempt to navigate the murky waters of fair use, the best practice is to create new content or properly license existing content. Use appropriate copyright notices: © [year of first publication] [owner]. Registration of copyrights with the United States Copyright Office offers significant benefits, and applications can be filed even before publication. As with trademarks, registration is optional and there is no deadline within which to do so. If software is involved, decide whether you want to use open-source code. While doing so can save time and money, open-source code is subject to license agreements that may significantly impact commercialization activities. UB

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