

# IP Guide for Startups

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Startups usually are based on human knowledge, creation, and invention — in other words, on intellectual property. **If a startup wants to be successful, it must take care of its intellectual property protection from the moment a startup is being started** — otherwise, the strategy can collapse and a startup will run into plenty of problems even before it starts to operate.

TRINITI JUREX has been working with startups and intellectual property matters for many years already. We have accumulated a lot of experience and knowledge that let us deliver real value to startups. This IP Guide for Startups covers all the basics of IP protection that are relevant and very important to startups and enables them to avoid critical mistakes which can make or break a good startup.

We hope that this guide will help startups to create positive change in their world and successfully avoid the mistakes of intellectual property protection. Please note that this guide covers only the basics of intellectual property protection — before making any major decisions we advise startups to consult with IP professionals who will help you to make the best and cost-effective choices.

You can contact the TRINITI JUREX IP team by calling **+370 5231 2211** or shooting an e-mail to **info@trinitijurex.lt**. We can help startups with any matters related to IP.

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# IP strategy for your startup



## 1. KNOW YOUR INTELLECTUAL PROPERTY

The beginning phase of your startup is a critical time for ensuring that a business takes steps to protect its core intellectual property (IP) and avoids the risk of third-party intellectual property issues. In today's highly competitive business world the right IP portfolio and an effective IP strategy of a startup is crucial part of building a new venture and successful business.

The several basic types of intellectual property that startups should emphasize are:

- Trade secrets/know-how
- Patents
- Trade marks
- Designs
- Copyrights
- Domain names

## 2. ENSURE THAT TRADE SECRETS ARE PROTECTED

Confidential information, including know-how, market strategies, manufacturing methods, and customers' lists, are likely to be the most valuable assets that a startup owns. There are three formal characteristics of a trade secret: value, secrecy, and the reasonable effort of the owner to protect that information.

A startup has the flexibility to decide what the trade secrets are and what it means to choose of safeguard them.

Trade secrets do not have to be registered and have no limited protection frame, there are no registration costs and there are no formal compliance requirements that have to be met. These are the main advantages why certain information should be protected like the trade secret.

### 10 recommendations to protect trade secrets:

1. making an extensive list of confidential information and ensuring that employees are aware of it;
2. making use of non-disclosure and confidentiality agreements or clauses in the employment contracts;
3. training employees on the importance of confidential information;
4. restricting access to confidential information physically and electronically to only selected individuals that need to know the information;
5. marking documents that constitute confidential information;
6. maintaining information with password protection;
7. disposing of confidential information by shredding or other means designed to destroy the information;
8. Conduct exit interviews with departing employees to ensure the return of all confidential information in the employee's possession and to emphasize confidential obligations.

## 3. PROTECT YOUR INVENTION BY OBTAINING PATENT RIGHTS

Inventions in any technical field are patentable if they are new, are within the scope of the invention, and have industrial applicability.



A patent application must be filed before the invention is shared publicly or used in the operations of a startup. Therefore, before starting patenting procedure it is essential to search in databases whether identical and/or similar solutions have not been already known. In addition, a startup's own actions may impair its ability to obtain patents. An invention that is disclosed, even by the startup itself, before a patent application is made will not be considered as new and the application will fail to meet the requirement of novelty.

A patent confers an exclusive right to the owner and only the patent owner has the right to manufacture, sell or otherwise use the invention as well as allow others to use it. Competitors can copy an unprotected new product and use it later. The exclusive right conferred by a patent makes it possible to prevent competitors from producing or selling the same products. Consequently, a patent is a means of ensuring the competitiveness of a business. A patent can also be licensed, and a patent can make it easier to find commercial partners.

Patents are usually obtained in the local country or region where a startup is based. If a startup wants to operate in other markets in the future as well, it must file a patent application in those markets immediately after filing in the first country or region of their choice — in most countries startups can claim a priority date of the first filing, which usually can be claimed from 6 to 12 months after the first filing date, depending on a country. If this deadline is missed, a startup will not be able to obtain a patent, because the invention will not be considered new.

If the invention is to be protected in many countries, a patent application may be filed with the European Patent Office for a European patent valid in the countries of the European Patent Organization chosen by the patent owner. If patent protection for an invention is desired in other countries of the world, the invention may be patented in each country separately or by using the international patenting procedure for an invention under the Patent Cooperation Treaty. Also, Unitary Patents will make it possible to get patent protection in up to 25 EU Member States by submitting a single request to the EPO, making the procedure simpler and more cost-effective for applicants.

The validity of a patent for an invention is subject to the payment of an annual fee, which is payable for each year of the patent, starting in the third year of validity. The maximum term of the patent for an invention is 20 years.

#### 4. ENSURE THAT YOUR COPYRIGHT IS SAFE AND BELONGS TO YOU

Copyright, a form of intellectual property law, protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, architecture, and it must be fixed in a tangible medium of expression. No formal



copyright notice is required to claim protection. Copyright is deemed to exist at the moment of creation of a protectable work.

The copyright that you acquire will last for the life of the author plus an additional 70 years. Since copyright lasts for a lengthy period of time, you won't need to worry about renewal.

It is essential to ensure that all copyright created by the employees or freelancers is transferred to the start-up in a form of a written agreement.

## 5. PROTECT YOUR TRADE MARK

It is important that a startup should consider as early as possible how it will create a distinctive identity for its product and/or service. A trade mark is something that distinguishes or identifies the source of goods and/or services in the market. A trade mark may consist of logos, words, designs, symbols, phrases, colors, numbers, drawings, scents, sounds, slogans, taste, touch, moving images.

Having a registered trade mark is the most secure way to build a brand image, consumer confidence, and goodwill.

Before deciding on a catchy logo, the startup should check whether others have not registered or are not using the same or a similar name for similar products and/or services. In addition, the startup should consider the markets that the startups intend to target since the trade mark rights are territorial.

**Depending on a startup strategy and where it plans to operate, there are three systems of how the trade mark can be protected:**

1. National trade mark registration. This route can be used if a startup plans to operate in its local market only.
2. Regional trade mark registration. Some regions have implemented systems where only one trade mark application needs to be filed, and then it is protected in the whole region. For example, European Union has this system, and by filing only one trade mark application startups can get protection not only in the country they operate in but in the whole European Union as well. Startups should utilize this opportunity if they plan to operate in certain regions only.
3. International trade mark registration, officially the Madrid System, and is also managed by WIPO. It lets startups file trade mark applications in various countries that are part of the



Madrid System with only one application and one representative, thus saving a lot of time and money for startups. To be able to file an international application, a startup must have a so-called basic mark — a national or regional trade mark, and, if an international application is filed within 6 months since the date of the basic mark application filing, a priority date can be claimed. This centralized system is useful when a startup wants to operate in more than one country or region.

Once you've filed a trade mark, you'll be able to fully protect the trade mark, which means that you can prohibit other individuals or companies from using it for a similar good or service.

A registered trade mark is valid for 10 years and can be renewed each time for a maximum of 10 years in most countries. The number of renewals is not limited.

## 6. IS YOUR DESIGN PROTECTED?

Consumers recognize products not only by the words and logos on their packaging, but also by their look and feel, including their shape, packaging as such, and color. An industrial design protects the visual appearance of a product and can be a valuable startup's commercial asset.

For a design to be registered and protected, it must be new and have individual characteristics. Prior disclosure may disqualify a design from protection on the grounds that it is no longer new.

If a design is registered as an industrial property object, the owner of the design acquires exclusive rights to the registered design, which are wider and protect not only from direct copying but also from a similar design. It is also much easier to prove and defend a design right by registering a design.

**Startups can obtain design protection in several ways:**

1. National design registration. It should be used when a startup wants to operate in one country only.
2. Regional design registration. Some regions have centralized systems where one registration protects the design in the whole region, for example, European Union has this system — you need to file only one design registration application in the European Union Intellectual Property



Office which grants protection in the whole European Union.

3. International design registration, officially the Hague System, which is managed by WIPO. It is useful when a startup plans to operate in several countries or regions. If a startup has already registered a national or regional design, an international application must be filed within 6 months from the day of the national or regional design application filing, and a priority date must be claimed.

If a startup will miss the deadline to claim a priority date when filing in other countries, the design will not be considered new and will not be protected in any other countries.

The initial validity of a design registration is 5 years from the date of filing the application. It can be extended to 25 years, four times after 5 years.

## 7. DO NOT FORGET TO REGISTER DOMAIN NAMES

The most important thing about a domain name (startup's website address) registration is that it gives you personality and a recognized identity on the Internet. Domain names have no borders or territorial limits.

One of the main things to consider is the domain suffix, or top-level domain (TLD). There are endless options: .lt, .eu, .com and many more. For information website owners, .info may be the ideal TLD, for those planning to create an online store - .shop, and for those who are thinking about creating a blog, it is worth trying the suffix .blog. For those planning to work only with a foreign market or markets, it is best to choose an international domain suffix. It can be common to everyone, such as .com or .net, or targeted at a certain foreign country, such as Lithuania, such as .lt.

A company's first preference for a domain name is likely to be its trade mark. However, this may already have been taken by someone else, in which case the preferred domain name may need to be modified. Therefore, it is strongly advisable to check the domain name's availability at the same time as the trademark is being checked.





# Make use of your IP



## 1. EXPLOIT YOUR IP

Once the IP is protected the start up can make the best of it by using, selling, marketing, advertising, transferring, licensing, and performing other activities that may generate an economic return for the startup, based on Intellectual Property rights.

### **Licensing**

Authorizing someone else to use IP while maintaining ownership of the underlying rights is called licensing. An IP license is an agreement between the owner of a specific IP right and a third party, in which the IP owner (licensor) provides the third party (licensee) with the right to use (part of) its IP rights for a limited time, for certain products, in an often restricted geographic area.

This mechanism enables a startup with IP rights to create additional revenue streams by licensing some of its IP assets to third parties.

There are several types of intellectual property licenses embodied in a typical intellectual property agreement. Licenses can be exclusive or non-exclusive:

- Exclusive: You agree not to grant any other licenses of the invention and rights concerned, as well as not to use the technology yourself.
- Non-Exclusive: You agree to give the licensee certain rights, but you also reserve the right to grant licenses of the invention and rights concerned to third parties or to use them yourself.

It is also common to limit licenses to certain territories or activities. Licensing strategy may be a central business model of a startup, in such cases, professional advice must be sought.

### **Assignment**

Under an intellectual property assignment agreement, the company permanently transfers the ownership of some or all IP rights to the assignee in exchange for a specified sum. In this way, the company relinquishes all control, involvement, and claim on the intellectual property rights transferred.

The assignment process is subject to different rules in different countries and may need to be registered in the national registry to be enforceable against the third parties.

### **Access to funding and importance of the valuation of IP assets**

Until a startup can generate sufficient income to sustain its operations, it needs funding. When they do so, funders usually need to be reassured that a startup has taken appropriate steps to survey the IP landscape and protect its IP.

As indicated earlier, IP is an asset and can be attributed to a value. This value facilitates trading with that asset and also creates a basis for enhancing the company's value.

**Taking this into account, valuation of early-stage IP is useful for several purposes, including:**

- To calculate the share of the equity of the party bringing IP into a startup;
- To attract investors;
- A startup may want to license in an IP asset that belongs to a third party, such as a university;
- IP will also need to be valued when it is to be sold, licensed out, used as collateral for a loan, or used to claim tax benefits on commercialized IP assets;
- A company may also value the whole of its IP portfolio, and record its value as assets in its accounts, to calculate the value of the company.



## 2. AUDIT YOUR IP RIGHTS

An IP audit is a systematic review of the IP assets that a business owns, uses, or has acquired.

**The audit helps a company to:**

1. assess, preserve, and enhance IP;
2. correct defects in IP rights;
3. put unused IP to work;
4. identify risks that a company's products or services infringe another's IP;
5. implement best practices for IP asset management;
6. save costs.

A thorough IP audit involves not only a review of a company's IP assets, but also the company's IP-related agreements, policies and procedures, and competitors' IP.

Make sure you do the IP audit as often as possible.



# Get ready for the future today

We are here to build the future on your terms

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