

Protecting assets

Don't let IP protection be a side note

Building a strong intellectual property (IP) portfolio benefits a business by improving market access, facilitating a strong market presence and building defensive strength against new market entrants. Ultimately, this creates the two-pronged effect of establishing a stable revenue stream and increasing the attractiveness of a business to potential buyers.

“Whether a business is a startup or experiencing growth, it is important to understand IP from the outset and, together with an IP professional, develop a protection and enforcement strategy for strengthening the business’ IP,” says Alexis Dillett Isztwan, member at Semanoff Ormsby Greenberg & Torchia, LLC.

Smart Business spoke with Isztwan about IP, what assets are most worthy of protection and how to avoid common mistakes.

When should a business start to invest in its IP portfolio?

Time is of the essence when protecting IP. Certain types of IP rely on early protection efforts — patent applications must be filed within a year after an invention is public and trade secrets must be kept secret from inception.

What IP should a business protect, particularly if cost is a factor?

The key is to evaluate what drives the business’ revenue stream. For some businesses, the answer is simple: the main focus of their IP strategy is their next great invention or hot software product.

Businesses in a crowded product or services market, however, achieve success by differentiating the business with a strong brand and effective branding effort. For these businesses, company value relies heavily on brand strength and market presence. Multiple assets often

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work together to generate this success: the business’ trademarks, website, advertising and social media presence. Protection for these assets through trademark and copyright registrations should be explored, particularly as they form the crux of the company’s value. Many businesses tend to underestimate the need to protect those assets.

When evaluating whether to invest in formal protection for IP assets, most businesses weigh the value of the IP asset against the cost of the protections. The better analysis is to determine what the business loss would be if it no longer had exclusive rights to the IP and competitors were free to use it or if the business faced an infringement lawsuit.

An essential element of building a valuable IP portfolio requires looking at both protecting the business’ IP and avoiding infringement of someone else’s IP. Going through the IP protection process will often shed light on the strength of the business’ IP as well as the potential for infringing existing IP of others.

What are some of the most common IP missteps businesses make?

By far the most common misstep is businesses failing to have the proper IP agreement in place when engaging a developer or other vendor to develop a product. Businesses often pay to have a

critical product developed — typically a software product — only to discover later that it does not own the IP. This misconception arises from a common misunderstanding of IP laws.

Under IP law, absent an assignment, the developer or the inventor owns the IP asset. While the business paying for the development may retain certain implied license rights to use the IP asset, those rights are not exclusive and the business is not the owner. For that reason, a business must ensure it has written agreements with all developers/contractors and that they contain assignment language ensuring exclusive ownership rests with the business. Potential buyers of the business will want to see a clear chain of IP ownership during due diligence.

Another frequent misstep is businesses investing significant resources in launching a new brand without conducting proper trademark availability searches. Businesses often forgo searching citing the cost. Discovering post-launch via a demand letter that the new brand infringes someone else’s trademark, however, puts the upfront search cost into perspective.

While earlier is typically better, businesses always benefit from getting their IP in order, whether the objective is attracting potential buyers or dominating the market. Businesses should also plan a periodic review to ensure any new developments are adequately protected. ●