



SMALL BUSINESS & NONPROFIT CLINIC

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Prioritizing Intellectual Property Protection for Small Businesses

I. Introduction

All businesses are faced with limited start-up capital and limited expected revenue. These conditions force businesses to prioritize their expenditures to achieve short and long term goals. Intellectual property rights may play an integral role in a business plan, but each business must prioritize when and how much to invest in securing intellectual property rights. The following will list some of the common legal start-up fees a business will incur, introduce each type of intellectual property, and offer some insight to help small businesses prioritize intellectual property expenditures with other legal expenses.

II. Common Legal Expenses to Start a Small Business

Once an entrepreneur has developed a detailed business plan, with short and long term goals, and they have attracted financiers or located sufficient start-up capital, a business structure must be selected to fit the business plan. The first legal expense a business will incur is drafting and filing the required organizational documents. For a Limited Liability Company, this would involve filing Articles of Organization with the appropriate state agency and drafting an Operating Agreement for the business to adopt at its first official meeting. A good business structure will offer liability protection, tax advantages, and an appropriate management structure.

Other legal start-up expenses will depend on the specific business's needs and objectives. Some common expenses for small businesses include:

- obtaining licenses and/or permits from the appropriate state or local agency for specific types of occupations, professions, and business activities;
- contacting the zoning authority to make sure your business meets zoning requirements or to file for a variance;
- drafting contracts for sales, purchases, employees, independent contractors, website development, and internet use policies; and
- **securing intellectual property protection.**

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III. Intellectual Property

The following will explain the four general types of intellectual property: trademarks, copyrights, patents, and trade secrets. In doing so, this article will also reflect the priority a business should place on each type and stress that a business should always consult with an attorney when considering intellectual property protection.

IV. Trademarks

A business wants to immediately associate its products or services with the business to build reputation and loyalty, i.e., goodwill, with its clients. The best way for a business to develop goodwill is to identify its products or services with a trademark. Placing a business's name or logo on products, tags, advertisements, and other business related locations will associate the business's goodwill with the corresponding name or logo. A trademark is established by using a name, logo, slogan, or other indentifying indicia in commerce to identify a product or service. Developing a recognizable trademark is important in developing brand recognition, reputation, and brand loyalty.

Once a trademark is developed, all the placements of that trademark will essentially show an association or endorsement of the corresponding business. For this reason a trademark can be an extremely valuable asset to maintain and build the goodwill of a business. To prevent others from using a trademark and avoid confusion between other trademarks, it is important for a business to protect and monitor its trademark.

Protecting a trademark truly starts before a business is formed. To avoid potential trademark conflicts, an entrepreneur should carefully select a unique name for the business. An attorney should be retained to check federal, state, and local registrations for business names and trademarks to make sure the selected name does not cause confusion with existing names for similar goods or services.

After a unique name is selected, registering that name with the United States Patent and Trademark Office (USPTO) is important to protect the name before it becomes associated with the business's developing goodwill. Registration with the USPTO will allow the trademark owner to protect of the trademark nationally, and it will put all individuals and businesses in the United States on notice that the trademark is being used. An unregistered trademark is given some common law rights, but these rights are very limited. Although trademark registration is not required for a business to operate, it is important for a business to keep trademark registration a very high priority.

V. Copyrights

An author's original and tangible expression, including books, songs, art, and web design, can be protected through copyright. In fact, an author has a copyright in their work the moment their original work is fixed in a tangible medium of expression. Although a business may not produce

copyrightable works, it is important for a business to recognize what rights it may have in purchased, licensed, or employee created works.

A copyright gives the owner the right to reproduce, distribute, display publicly, and prepare derivative works based upon the copyrighted work. License agreements or employment contracts should be drafted to include what rights, if any, the author retains in a copyrightable work. Although copyrights do not need to be registered immediately, it would be wise for a business to keep record of its copyrightable works and register those of high importance, as copyright registration is a prerequisite to bringing a lawsuit for infringement.

VI. Patents

Patents protect inventions, and therefore are not a common investment for a small business. However, if a business is developed around a new, useful, and non-obvious process, machine, or composition of matter, patent protection may be vital to the business's existence. A patent is a limited, 20 year monopoly issued by a government agency in exchange for a detailed disclosure of the invention. A patent application should be the inventor's first complete disclosure of the invention in precise technical writing, which usually requires an experienced patent attorney to draft. Further, patents will generally take over 3 years to issue from when an application is submitted. However, once issued, the inventor, or whoever the patent is assigned to, may exclude others from making, using, selling, offering to sell, and importing the disclosed invention in the United States for 20 years from when the application was filed. Patents can be integral assets to some businesses, but given the significant costs to prepare a patent application, obtaining patent protection should be given high priority only when necessary.

VII. Trade Secrets

Not all intellectual property rights are registered and disclosed to the general public. Formulas, devices, processes, customer lists, and other information can be protected as trade secrets simply by developing confidentiality protection systems within the business structure. If information or a product will not be disclosed in the normal course of business, trade secret protection may be a viable option. The main requirement of a trade secret is that it is only shared within the business on a strictly need to know basis. If a trade secret is publicly discovered by means such as reverse engineering, the trade secret is lost and the business owner will have no means to secure the secret. When consulting an attorney, trade secret protection should be evaluated as a form of protecting a business's intellectual property.

VIII. Conclusion

Small businesses should consider how each form of intellectual property protection could play a role in achieving its short and long term goals. In some instances intellectual property protection should be obtained before a business is formed or early in a business's life, but some may be delayed to allow time for the business to generate needed capital. Due to the complexities of the interaction between each individual business plan and its intellectual property needs, an attorney should be consulted to help prioritize intellectual property registration and protection.