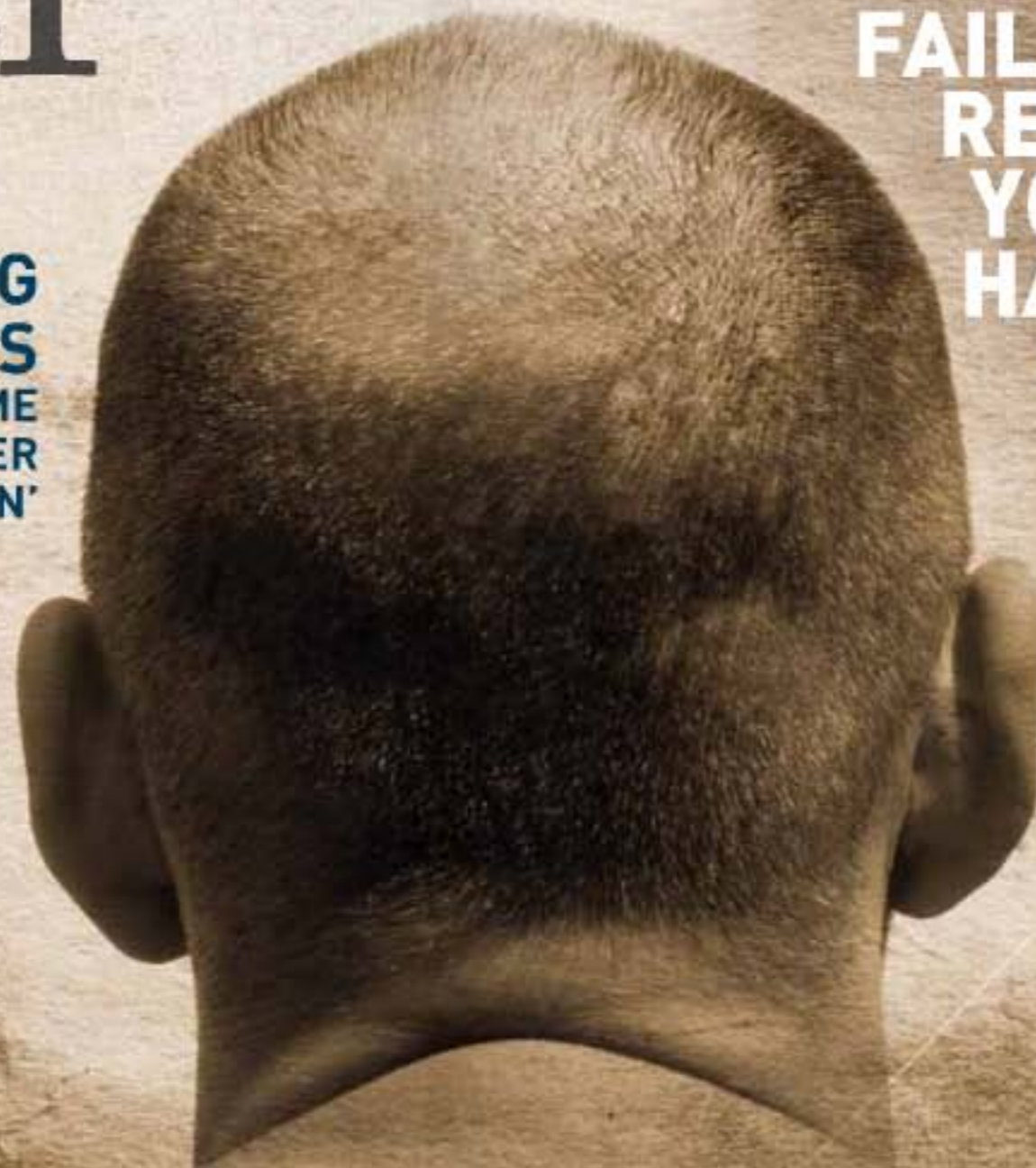


Mind over matter

**'THE LAW SURROUNDING
TRADE SECRETS OFFERS
A START-UP COMPANY SOME
DISTINCT ADVANTAGES OVER OTHER
FORMS OF IP PROTECTION'**

**FAILING TO
RECOGNISE THAT
YOUR COMPANY
HAS INTELLECTUAL
PROPERTY IS ONE
OF THE FIRST MISTAKES
A START-UP CAN MAKE,
SAYS RICHARD O'CONNOR**





'IF NOBODY IN YOUR COMPANY HAS EVER HAD AN IDEA WITH COMMERCIAL VALUE, THEN YOU'RE UNLIKELY TO BE IN BUSINESS FOR VERY LONG'

Intellectual property (IP) consists of ideas of the mind that have a commercial value and are protected by law. If nobody in your company has ever had an idea with commercial value, then you're unlikely to be in business for very long. The following are seven IP pointers to consider when starting up a business.

LESSON ONE:

All companies have IP. But what form does it take? How valuable is it? Intellectual property rights are usually represented by patents, trademarks, registered and unregistered designs, copyright, trade secrets and 'know how'. All of these have value, but often a company will dismiss the value of some of them, such as their know-how, believing it could be easily recreated or can't have a value assigned to it. Don't forget you have IP, and don't underestimate it.

LESSON TWO:

Many new companies believe that the 'market' will prove their product. Therefore, they invest all of their resources into development and marketing without formulating an IP strategy. This can cause irreparable damage to their long-term future. Certain types of protection must be secured before public disclosure takes place. If inventions are revealed to the public too early, companies can lose the right to patent them. This means they're giving away their innovations to competitors for free. Protect your IP before making it public.

LESSON THREE:

In Ireland, there is an additional reason to patent your inventions. Income derived from patented products can be paid tax free. If an engineering company has sales of €1m from a patented product, it can save itself €125,000 per annum over 20 years (the lifetime of a patent) in corporation tax: a total saving of €2.5m. Check with a patent attorney.

LESSON FOUR:

While patents are a very effective method of protecting a company's IP, they are by no means the only way. A company should identify if it has information or knowledge that could be defined as a 'trade secret'. This means information that gives the company a competitive advantage and is not known by others in the

industry. It can include even elementary things such as customer lists and databases. The law surrounding trade secrets offers a start-up company some distinct advantages over other forms of IP protection. Firstly, trade secrets do not require any formal registration or disclosure. Therefore, they are managed for free. Secondly, the law can protect secrets indefinitely, so you don't have to worry about protection lapsing. Be aware of your trade secrets, and protect them.

LESSON FIVE:

One of the most common mistakes for start-up companies is choosing the wrong name for products or services. Commonly, names are chosen solely from a marketing point of view, with little or no consideration for how they might be protected legally. The names may then be 'confusingly similar' to existing trademarks. This can result in either a marketing setback or, potentially, a liability. Even if a start-up company decides to acquiesce to 'cease and desist' letters, the damage caused in terms of their development could be fatal. They will now have to go through a total rebranding exercise, the costs of which were recently estimated at about €25,000. That might not bankrupt all start-ups, but it would certainly throw their business plan for the year out the window. Trademark searches performed by a qualified trademark attorney can cost as little as €500. Spending this early on might well save your company much larger sums down the line. Check and double check your brand name.

LESSON SIX:

Just because it is available does not mean the brand name is a good choice, of course. Often, names are chosen because they are easily related to the product in mind. This is probably the most common trademark mistake. These names are considered to be weak because they tend to be descriptive. Names such as 'chewy gums' for a type of sweet would be considered descriptive. It would be difficult to stop a competitor from calling its sweets 'Chewy chews'. On the other hand, names can be arbitrary, or even fanciful, making them strong trademarks. A brilliant example of this is Apple; others are Xerox and Nike. None of these trademarks are easily associated with the type of products they are selling except in the specific case of their brand. Therefore, they are very easy to protect. Choose a brand name that can be protected.



LESSON SEVEN:

The final pitfall that small businesses often hit is ownership of intellectual property. Many people starting up their own business will have worked on or developed technology when employed by their former boss. It is possible that this previous employer has an entitlement to part ownership, at the very least. Another common issue for start-ups is that they've employed consultants along the way to help with their development. Ownership of IP generally rests with the creator or inventor — not necessarily the person who paid for it. It is absolutely essential that ownership of IP is dealt with in the contract before work begins. The same advice applies to other forms of IP. Photographers can sometimes retain the copyright to photos they have taken, and prohibit their use for anything other than what they were originally contracted for. This can always be easily sorted out at the beginning of the work — but it is often too late to deal with it after the fact. Make sure you own the IP.

CONCLUSION:

Contrary to what you might have heard on television, things are rarely 'alright on the night'. Companies must develop strategies to deal with the intellectual property they are going to create early on in their formation. These strategies should help them avoid mistakes, generate profit and grow their businesses over time. Leaving it until the company is well established could be too late.

Richard O'Connor is partner at Cruickshank Intellectual Property Attorneys.

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