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Tips from lawyers for budding entrepreneurs

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Legal advisers to smaller companies need to take into account many considerations which are different than those pertinent to larger companies.

Nowhere is this more apparent than in the intellectual property area. Many tactics that may be de rigueur for more mature, better-capitalized companies are either unaffordable, such as routine filings of traditional patent applications, or technically inappropriate for their smaller brethren.

This distinction was illuminated by one of the authors of this column, Martin B. Robins, and Alan S. Wernick — both partners at FisherBroyles LLP — on Sept. 17 when they spoke to the MIT Enterprise Forum about IP issues for companies just getting started.

Companies in their infancy and "growth spurt" stages have special IP needs and those needs were addressed in the presentation and in the lively discussion following the program.

Among topics of particular interest to forum participants was the significance of the new "first to file" system brought about by the America Invents Act (AIA), which determines who is entitled to a patent. Under pre-AIA law, the U.S. Patent and Trademark Office was required to determine who was the "first to invent" the subject matter, a system inconsistent with that used by the rest of the world.

Additionally, forum attendees were interested in the best approach for companies with IP portfolios but little cash to compete in markets dominated by major competitors with the opposite profile.

The presentation aimed to dispel various myths about IP practice.

These myths include:

- IP transactional practice and litigation is always expensive (e.g., the Samsung-Apple smartphone patent litigation, which is decidedly the exception and not the rule).
- IP protection issues are amenable to delay.
- IP practitioners are extraordinarily risk-averse.

The presentation emphasized that there are many techniques which entrepreneurs at early-stage companies can use at different "price points" which will reflect individual circumstances.

It also detailed the difference between unavoidable entrepreneurial risk — i.e., market reaction — and gratuitous, unnecessary risk from sloppy practice, documentation or delay in filings (for example, when a small company using IP of any sort is developed by a founder without proper legal support for such usage as a license or assignment).

It explained how the best advisers in this area tailor their approach to conform to client circumstances and preferences. The message was that for most technology-oriented companies, an early focus on IP issues is usually both quite affordable and likely to facilitate the development of a sound business platform for the company.

Following an overview of the different types of IP (patents, copyrights, trademarks and trade secrets), the presentation zeroed in on various IP techniques which are particularly cost-effective for small companies, such as provisional patent applications which "buy time" to assess market potential before proceeding with more expensive traditional patent applications, state trademark filings — which are usually less expensive than federal filings and well-suited for firms operating in only one state — and specific trade secret protection strategies.

It featured high-level fee estimates to help entrepreneurs with planning and budgeting and dispelling of myths regarding unaffordable fees. It also featured alternative fee arrangements and comparison of fees for proactive services.

Proactive steps to protect IP rights are invariably much cheaper than legal proceedings, which often result from failure to pursue them. Furthermore, it was noted that a viable IP strategy also involves taking steps to avoid claims of infringement on the IP of others.

When it comes to IP services for smaller companies, there are few all-or-nothing situations and something is usually much better than nothing. Such services may be compared to an unsophisticated lock on one's front door, which, although not perfectly secure, will often dissuade burglars who would otherwise break in.

The discussion emphasized that the IP legal area has changed greatly in a very short time as a result of both new technologies and new case law as well as the AIA.

After all, there have been more Supreme Court patent cases in the last five years than in the previous 100 years.

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