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EU Start-ups in Latin America: most common IP errors

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Agenda

Simple steps startups can take to protect IP

- ✓ Is IP the most important component for a startup?
- ✓ What are the key questions to ask when establishing an initial IP strategy?
- ✓ IP Assignment and Nondisclosure Agreements
- ✓ IP Registration and Prosecution
- ✓ IT Systems Security
- ✓ Employee Retention and Post-Termination Obligations
- ✓ Create a Culture of IP Awareness

¿Is IP the most important component for a start-up?

For many companies, especially **startups**, intellectual property often represents an important component of a company's value, perhaps the single most significant component.

¿What are the key questions to ask when establishing an initial IP strategy?

- Who owns the fundamental technology in your space – i.e. who are the key organizations filing and buying patents in your market segment and what are they working on?
- How rapidly is new innovation taking place in your space?
- Where are the opportunities for strategic growth, investment or licensing within your field?
- Where are the new and emerging technologies being developed in your space?
- Which patents are the most valuable for your products?

¿What are the key questions to ask when establishing an initial IP strategy?

- Spanish company is intending to use a technology in Argentina, Brazil and Chile in the field of traceability solution for blood.
- Before doing that they conducted a freedom to operate report in order to know if they infringed a third party patent rights.
- According to the Report there are a group of patents which belongs to another European company close to this technology but it was not infringed.
- As far they start using the technology, they receive a cease and desist letter.

IP Assignment and Nondisclosure Agreements

- One of the simplest steps any startup can take to secure its IP is to require all founders, employees, and other third-party service providers to enter into IP assignment and nondisclosure agreements.
- In any case: **do not forget** to identify the confidential information.

IP Assignment and Nondisclosure Agreements

- Spanish company signed two years ago a NDA with a company from Mexico who wants them as a provider for some products for the automotive industry.
- These products were not protected by a valid patent.
- Finally the Mexican company decided to buy these products to another provider (who has the plans needed to manufacture the product which belong to the Spanish company).
- What can the Spanish company does?

IP Assignment and Nondisclosure Agreements

IP assignment obligations should provide that all IP that a person has created or may create in connection with the services provided to the company and/or derived from the company's proprietary information shall be the property of the company.

IP Assignment and Nondisclosure Agreements

- Startups should also obtain standard nondisclosure agreements from all parties who may have access to any of the company's confidential or proprietary information, including all founders and employees.
- In any case: **do not forget** to identify the confidential information.

IP Registration and Prosecution

- Each startup should develop a plan for evaluating at various stages if and when the company should submit applications for patents, copyrights and trademarks.
- As the registration process can be expensive, startups can sometimes delay registration until the startups' budget permits such activities.

IP Registration and Prosecution

- ¿When is it advisable for startups to register their trademark?
- Registering trademarks should be an early milestone in a prudent business model. For startups, building a brand will most probably be on the top of their “To-Do List”.

IP Registration and Prosecution

- Danish company tried to register the word trademark but it was rejected by the INDECOPI IN Peru based on absolute grounds.
- The decision was correct because the sign was descriptive.
- But they were using a figurative mark containing words in combination with graphics.
- Six months ago a third party with previous commercial relations with the company filed a trademark application for the same sign (words plus graphic).
- ¿What can the Danish company do?

IP Registration and Prosecution

- ¿Do the customers or investors bother about a trademark registration?
- Definitely! The purchasing decisions of consumers are influenced by trademarks and the reputation such brands represent.

IP Registration and Prosecution

- ¿What protection do I possess for a trademark which I've been using for a long time but haven't registered?
- The only way to protect an unregistered trademark is if the mark has extensive and prolonged usage.

IP Registration and Prosecution

- Danish company has used a trademark in Mexico for over 3 years.
- 3 years ago they tried to register the word trademark but it was rejected by the IMPI based on absolute grounds.
- The decision was correct because the sign was descriptive.
- But they were using a figurative mark containing words in combination with graphics.
- When they tried to stop the use of this trademark by a third party, they couldn't due to the lack of rights.

IP Registration and Prosecution

- ¿Is a Polish trademark registration valid outside Poland?
- No! The Polish trademark registration stops within the border and does not accord any rights to the proprietor outside the country.

IP Registration and Prosecution

- ¿What if I only have the budget to file a limited number of patents and trademarks?
- The quality of a startups' patents and trademarks is just as important as the size of the patent and trademark portfolio.

IP Registration and Prosecution

- ¿What if to save money and keep my technology hidden, I just want to file trade secrets instead?
What are the pros/cons?
- Be careful in Latin America!!!

IP Registration and Prosecution

- We are a small company with an even smaller budget. What should we expect to spend?
- It depends!!!!!!!!!!!!!!

IT Systems Security

- In addition to securing ownership of IP through assignments and registration, companies should prevent unauthorized access by securing their IT systems.
- Take care of illegal software!!!

Employee Retention and Post-Termination Obligations

- One of the best ways for a startup to protect its IP is to ensure that the people who understand the IP best continue to work for the company.
- Providing employees with reasonable equity compensation subject to vesting may also be helpful.

Create a Culture of IP Awareness

The suggestions described above will be less effective if a company's management and employees are not working attentively to implement them.

Some IP mistakes that are killing your startup



Some IP mistakes that are killing your startup

- You are an employee of another company when you start your Project.
- You played Lawyer with your agreements and contracts.
- No in-house resources to deal with IP properly
- Lack of general knowledge about common procedures
- Difficult to identify the right(s) expert(s)/consultant(s)
- Hard to justify the initial large expenses resulting from IP redaction, filing etc.
- Jungle of national regulations

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