



Intellectual Property Best Practices

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Intellectual Property Best Practices

Intellectual property (IP) is the untapped potential of a business that is completely wasted if left unharnessed, but can be a goldmine when properly managed. Yet time and again startups and entrepreneurs, despite having a basic understanding of IP, tend to avoid creating an effective IP strategy. An average startup with financial constraints will not prioritize IP protection in the belief that its resources are better spent elsewhere on more concrete and tangible goals such as sales, product development, and expansion. But just because a lot of IP is intangible does not mean its value is any less important. If anything, the present economy values it more. A good IP strategy for startups goes a long way towards longevity and success in the marketplace.

Technology companies acquired for millions of dollars are made up predominantly of intellectual property. But if a substantially increased valuation (provided by IP) is not incentive enough to invest the amount of time and money necessary, then prepare to be pleased. For hereinafter lies an easy-to-follow, 10-step guide that will ensure you leverage the absolute most out of your IP without pulling your hair out. By following these 10 intellectual property management best practices you will be on the road to managing a more robust business.



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Step 1: Identify

First and foremost, map that intellectual goodness! You cannot build a house without a blueprint. The same principle applies to intellectual property; you cannot continue to grow your business and protect it without first identifying your IP. Anything you or your employees create may be eligible for protection, so when in doubt discuss it with an IP attorney. An inexpensive alternative would be to use Traklight's ID your IP® tool that will create a personalized report listing all the potential IP you own and how you can secure it.

The big question that anyone running a business asks, or at least should be asking, is, "Do I have IP?" The first step (identifying intellectual property) may seem like the most obvious but not enough entrepreneurs and startups understand the importance and urgency of it. Before you can get legal protection for your IP, you have to find out what type of IP you possess.

Although it is easy to identify popularly understood intellectual property such as copyrightable materials, your company may possess a plethora of IP that you didn't even know qualified as such. Take trade secrets for example: Many companies do not understand how much discretion to employ when conducting their affairs and what methods to use to protect a competitive method from being used by their competitor. All that to say that understanding your intellectual property should be a prerequisite to identifying what type of IP you have created.

To put it simply, IP is anything innovative that you create. It makes your business unique and differentiates it from others in the market. This can be any ideas you may have, models, or even processes and procedures. Can you trademark an idea? Ideas, unless expressed or embodied in some form, cannot be legally protected. To foster creativity and innovation, public policy has development to protect pursuits of the mind, enabling the derivation of financial gain from the same. Never make the assumption that something part of your business is "too common" or "probably can't be protected." When in doubt always err on the side of caution.

Key business practices unique to your company are IP that you possess; these carry value. Marketing campaigns, formulas, or anything providing a competitive advantage in your field is IP that can and should be protected. By identifying such valuable assets, not only do you manage to retain an upper hand over your competition, but you also gain a monetary asset that increases valuation if you ever plan to sell your IP piecemeal or the business as a whole.



To identify all the intellectual property your company possesses, it is important to sit down with each of your key employees to discuss business processes, innovative technology, or any methods they employ to manage the affairs of the company. They do not have to believe something is unique to have value. It is your job to collect information and then transmit it to someone who can separate what can be protected from what cannot. For example, many engineers, having only a cursory understanding of patents, may believe an improvement made to existing technology is non-patentable because they see it as obvious. Companies have lost money hand over fist by making such avoidable mistakes.

Traklight's ID your IP software is a cost-effective and reliable method to make sense out of all the data. It lets you feed in your information and then generates a personalized report that not only identifies the IP you possess but outlines the steps you should take to protect that IP. Some IP registration is simple enough that you can do so without an attorney. However, having a guide in hand makes an otherwise intimidating and expensive task a lot simpler on yourself, and your wallet.

Step 2: Protect

Now that you have a better understanding of the type of the intellectual property you own, you must decide what protection best suits it, keeping business goals in mind. Registering all IP may not be the best use of resources and for small to medium-sized business, it is important to prioritize expenditures. Legal protection for intellectual property comes in various forms and you are the best judge of what type best suits your vision.

Once you are done identifying your intellectual property, the hard part begins. As much as we would all love a magical wand that, with a flick of the wrist, automatically protects all your IP against the world at large, none exists. Trust me, I have checked. But fear not, you can conquer this overwhelming task with some help and a deeper understanding of what you want from your IP.

Most likely you have a varying bundle of IP rights including materials that can be trademarked or are copyrightable, processes that can be protected as trade secrets, and innovations that can be patented. All of these forms of IP come with varying protection and differing filing processes; or in the case of trade secrets, no filing process at all. You do not always have to approach a lawyer to register your IP. Under a lot of circumstances you can register IP without an attorney. Using our ID your IP software, you can generate a personalized report that will tell you the best course of action to pursue.

While it may sound unwise not to patent all new products a company creates, it may not always be in the company's best interests to do so. Depending on the nature of the industry, a company may not want the same protection someone else with similar IP would want. For example, a technology startup would want to protect its startup tech IP as sturdily as possible, sparing no expenditure, as that is its main asset. Especially in a fledgling company where funds are limited, it is advisable to first analyze the prospects of return on investment a particular product will give the company before filing a patent application. Patent application fees coupled with the cost of hiring a lawyer are not cheap and choosing to do so is ultimately a business decision.



In the same vein, even if a product is worth patenting, it is important to determine the market within which the company plans to operate to understand whether filing a foreign patent application is a good idea. A foreign patent application is also costly and may not provide the same protection afforded domestically. For example, if you are a startup, then obtaining a patent solely to sue competitors does not make sense since the cost of litigation will bleed a small business dry even when you are in the right. On the other hand if a small business is filing a patent to prevent someone from patenting the same idea then they could publish the idea publicly giving you a decent window before actually having to file a patent and spend the funds where they are needed immediately.

But there are many reasons why a startup or entrepreneur may want to get their IP registered. If you plan to sell or seek investment then registering IP adds to the valuation. If you plan to work with other third parties on a product under development then filing a patent application serves as proof of invention and prevents the other party from claiming the same at a later date; these illustrations are just a few out of the multitude of questions and concerns every startup and entrepreneur must ask themselves. The key to protecting intellectual property and better utilizing its resources is having a better understanding of the company's goals and future.

Step 3: Manage

A common mistake made by entrepreneurs and startups after registering their IP is that they tend to forget about it. But as a business expands, IP protocols in place may not be adequate to handle the changing landscape. Furthermore, some forms of IP may require renewal additional documentation. IP protection is like running a farm: stop taking care of the crop and livestock, and next thing you know someone's burnt the barn down and stolen the sheep!

People tend to forget about intellectual property after registering it once—a mistake that can cost dearly. As we discussed in our previous blog about protecting IP, the goals of startups or entrepreneurs can change over time, and as such the utility to be leveraged from your IP can change. Even if your goals do not change, some IP may require renewals or routine registrations and filings. Trademark infringement, for example, has to be policed by the owner; no government agency does it for you. Failing to do so may lead to loss of the trademark.

Managing intellectual property and updating your IP portfolio is a continuous process and can be as painful or painless as you want it to be. By delaying the inevitable you only be increase your workload and in some cases may let valuable IP slip through the cracks. A good way to keep up-to-date is by conducting regular IP audits.

As your business scales, a need for a more stringent IP protection strategy may be required. Maintaining your IP portfolio and keeping everything up to date is important and there are a number of ways to do that. For example, business models and methods of conducting business with only a handful of employees may not work as well when there are 20 employees handling external sales. IP protection has to adapt by keeping changing business structures in mind. Some options include hiring either an in-house IP manager or outside firm to prepare quarterly reports. A cost-effective and streamlined method of maintaining IP is using automated tools. Traklight's IP Inventory and IP Snapshot excel reports from ID your IP help manage your portfolio without any hidden add-on expenses. Once you purchase your annual ID your IP access, you can conduct and update your report as many times as you want. By regularly updating your IP inventory, readily accessible at the touch of a button, you will be on top of things and keep your IP strategy up-to-date, as well as in keeping with the goals of a scaling business.



The biggest problem with employing change is that entrepreneurs are fearful to abandon the informal atmosphere they believe makes their business what it is. Also many startups are hesitant to alter the so-called “startup work environment” their employees have come to love. Regardless, the process of managing your IP is an important one when it comes to leveraging your business’ assets.

Step 4: Code of Conduct

Unless you are Chuck Norris, you need people. And so does your business. Not everyone is well versed in the intricate art of IP, so it is important to educate your teammates and employees on the importance of IP protection and how to interact with third parties to ensure no IP is lost or unwittingly disclosed without safeguards.

A company is made up of its employees. They are the people that carry out the day-to-day affairs. While interacting with third parties with your intellectual property, it is important that all your employees know how much disclosure is safe, and when to get a Non-Disclosure Agreement. Prepare a code of conduct for all employees to follow so they do not inadvertently disclose or infringe IP.

A code of conduct is a compilation of rules that determine appropriate behavior from inappropriate behavior. Consequences of violating the code are subjective based on the infraction, and could range from a “slap on the wrist” to termination. Preservation of intellectual property is important and the gravity of this should be made apparent. Equating “failing to protect IP assets” with “borrowing a company stapler” will devalue the importance of the former and as a result, employees may not be as vigilant or aware as they should be. Without being overtly bleak, clearly state the consequences and what damage the business is liable to suffer.

The code of conduct should include the nature of proprietary information, what it is, and their duty to protect it. Provide employees with an avenue to discuss any doubts they may have regarding the nature of any company information. Having someone on staff to discuss queries is important; directing them to a compliance officer is a good idea. Alternatively, if not in person, an external contact can be provided that will cater to all IP concerns.



Furthermore, the importance of protecting the confidential information of not only the business but also customers should also be included. Respecting IP of third parties is both the right thing to do and also saves the business from avoidable infringement suits. An infringement suit is a drain on resources and can set back growth and scaling abilities of a business. Additionally, if seeking investment, an ongoing legal dispute is a major no-no for investors. Creating a checklist of Dos and Don'ts and a table of what all materials constitute IP will help simplify things for the employees. For the first couple of months have employees use a checklist while interacting with clients so they can imbibe the principles.

Provide educational material to further increase awareness regarding the importance of IP protection and how it affects the business and hence them as well. The Traklight Resource Center and blog has abundant literature on all things IP, including discussion both broad and specific.

Step 5: Limit Access

In the startup community people tend to bounce from one project to the next in a matter of months. As such divulging confidential information without contractual constraints on their disclosure can ruin any competitive advantage your business has. Limit access to information on a need to know basis to prevent loss of IP.

Some information is best kept limited to certain key employees. The more employees that have access to intellectual property, the higher the probability that such information may be disclosed. This not only reduces the likelihood of leaks but also factors in favor of protecting IP for purposes of trade secrets. We understand that some confidential information has to be shared in order for the business to run, especially in the context of startups where most team members wear multiple hats. But as much discretion can be employed, should. For example, it is unnecessary to discuss the specifics of the venture capital funding your business is receiving to a contractor hired to build your website.

Trade secrets are guarded information that give a business a distinct competitive advantage by the very virtue of being hidden from the world at large. To be afforded protection as a trade secret the business is required to satisfy three conditions. Firstly, the information should not be public knowledge or known by others in the same market. Secondly, the information should have some commercial value. And lastly, the business must take reasonable steps to ensure the information is kept confidential. The biggest advantage of a trade secret is that it is perpetual and if protected well, need never be disclosed and used by other people (unlike other forms of IP protection).

Despite strict IP protection mechanisms in place, employees may attempt to steal IP either out of malice or actually believing they are the rightful owners. The easiest way to make sure business IP is not misappropriated is by building employee loyalty. If an employee is loyal, the likelihood of being bought out by competing businesses will decrease. Information is power and companies in intellectual property driven industries are always on the prowl to poach employees to get their hands on confidential information that will destroy a competitive advantage the other company possessed. This problem is twofold amongst small to medium sized businesses and entrepreneurs as there is only so much they can pay employees. Large companies can easily tempt them with huge payoffs and job offers, ruining an up and coming business before it becomes big.



Startups and small to medium businesses tend to restructure and have a number of employees that work for short periods of time before moving on to other projects. It is important to understand what future the employee has at the business, if employed only for a project or the migrating type then limiting access to sensitive information is smart. Employment confidentiality contracts are not infallible and it is always better to be cautious. Unlike the past, in today's economy there is high employment mobility and limiting access to sensitive information

is advisable. Input mutual confidentiality and non-compete clauses into all employment contracts. This will help legally prevent ex-employees from divulging sensitive information. But such covenants are limited by duration and geographical location, which eventually expire. The judiciary has a general dislike for restrictive covenants in general so it is best to limit reliance on them.

Step 6: Agreements

There is no better way to guarantee your IP remains yours than by leading all business affairs with contracts specifying and protecting your IP rights. Always make sure each employee signs an employment agreement with non-compete, non-disclosure, and discovery clauses nestled in. A Non-Disclosure Agreement (NDA) should precede any third party interaction where confidential information may be divulged.

For all those who have absolute faith in humanity, being cautious is not the same as being cynical. Swearing on one's honor and spit handshaking is all well and good but backing it up with signed documentation is even better. Always make sure you have your employees and clients sign iron clad contractual agreements protecting the interests of the company, especially your intellectual property. I cannot stress this enough as this provides clear and irrefutable proof in case someone infringes your IP.

Having ownership documentation of your IP assets will help you avoid getting stuck in long drawn out litigation battles regarding such issues at a later date. Boiler plate contracts of employment agreements, licensing and service agreements, and Non-Disclosure Agreements are all available online but hiring a lawyer to ensure such agreements meet your particular needs is important. The expense is well worth it.

By default all intellectual property of a creation vests with the inventor. But the most common exception to this rule is work product created by an employee during the course of their employment. It is important to have an IP clause in all your employment agreements and also add a limited form of IP clause while hiring contractors.

Contracts involving products and technology still undergoing development should be drafted clearly, claiming ownership of the IP. When an outside party is involved with cooperative development there is always the possibility of conflicting claims of IP ownership at a later date. Small to medium-sized businesses with limited resources and funds rely on mutual exchange of services and products that complement their businesses. This helps cash-strapped startups further each other's goals without having to dip into their funds. This is beneficial but at the same time dangerous. Such cooperative conduct is usually informal and accompanied by the disclosure of confidential information, which may lead to misuse of intellectual property if mutual NDAs are not signed.



But you should not rely solely on NDAs. A popular misconception amongst business owners conducting business with third parties is that a NDA in itself is enough to demonstrate proof of ownership. It is not. NDAs are an appropriate contract when interacting with prospective partners, clients, or investors. However, the NDA offers no answers to those engaging in development without a contract stating who the owner of the created IP is. In cases of cooperative development make sure to clearly define the division of the IP to avoid any confusion later on.

So to reiterate, legal documents are our friends. Courts resolving disputes love them, investors conducting due diligence love them, and if you do not already, you should love them too!

Step 7: Discovery

Great businesses are constantly innovating to continue to stay relevant. It is important for an employer to ensure their employees are disclosing any new IP they create and that the employee understands the IP belongs to the business. Make certain that employment agreements include an assignment of IP and that disclosure of the same is mandatory.

Intellectual property is continuously created in all innovative companies so if a proper discovery and disclosure protocol is not in place, employees may disclose IP by mistake. It is important to establish a process by which discovery becomes a regular affair. One of the best ways for a business to ensure compliance is to provide incentives for employees to come forth proactively.

Include an overview of the discovery and disclosure protocol in the code of conduct explaining things with examples; a limited understanding of what constitutes IP may leave a lot of essential IP hidden. But your most important duty is to add a discovery and disclosure clause in the employment agreement. A disclosure clause may look something like this:

“The employee must disclose to X Startup all discoveries, inventions, and creations made during the course of his employment. The duty to disclose arises when the employee has reason to believe that the discovery or product consists of intellectual property. The employee shall make declarations, assignments, or provide other documents as may be necessary in the course of registration to ensure that title to such intellectual property shall be held by X Startup.”

Many employers make the mistake of assuming that all intellectual property created by employees belong to them; although this may be the default in case someone is hired to invent, it is not so when someone creates copyrightable material like photographs or software code. Just to be sure you have covered your bases, it is always advisable to have an assignment of IP clause in the employment agreement. For example, if an employee is hired to invent engines and produces one outside of work then the employer owns all IP created in the course of his employment. But if the employee invents a talking robot in his spare time, unless an assignment of invention clause is part of the employee agreement, the employee owns the IP created. This is a drastic example but the line between what constitutes a business and what falls outside its ambit can be blurred at times.



Building employee loyalty and rewarding them for creation of new IP is a way to encourage disclosure. But unless you have a process in place to monitor this IP, you will be missing out on IP identification as well as various opportunities to leverage that IP.

Step 8: Regular Audits

They say IP audits are the Swiss-army knives of the IP world. And by “they” I mean “I.” Not only does a well-prepared audit shed light on an existing IP portfolio and any change required to the IP, but it also helps formulate a plan to organize a business for future challenges by predicting IP relevance based on competitors’ portfolios and avoidance strategies to protect against legal disputes.

Conducting regular intellectual property audits is integral to a successful IP strategy. A company is comparable to a living organism: if taken care of and provided the right nutrition, it grows. As companies scale, the same policies and compliance procedures that may have worked when the team consisted of a handful of employees, may not work in a larger company.

An IP audit is a systematic review of the existing IP portfolio and also analyzes new opportunities and risks. Its most commonly understood purpose is to help identify and rectify any mistakes made regarding IP registration and keeping track of licensed IP. But an ideal IP audit does much more. Not only does a good IP auditor create a comprehensive report of the IP assets of a business but they also provide an overview of competitors’ IP. Identifying competitors’ IP help prepare a strategy to develop products that will avoid infringing upon those rights and setting up safeguards. Entrepreneurs and cash-strapped startups have limited funds and sometimes despite being in the right, it is advisable to avoid litigation. By predicting market trends and how IP will develop, an audit can help protect IP while the increased knowledge will help prevent stepping on anyone else’s toes. An audit also locates weaknesses in IP and suggests ways to strengthen them in their existing form or reorganize them so that they are better able to withstand a legal challenge or a change in law. An IP audit refreshes knowledge of prior registered IP and whether further action needs to be taken to preserve it. In case your business has licensed its IP, then it ensures compliance.

Although IP audits should be conducted as regular business practice, there are some circumstances under which it is absolutely essential you do so. If a business is undergoing a merger, acquisition, or seeking investment, conducting an audit may reveal value you did not know existed. The value of IP changes over time, so make sure you know the current market price before licensing IP or transferring it. It is worth investing in a good IP lawyer to conduct an audit as you may end up leaving money on the table. A significant change in the law may alter the protection afforded or compliance required by your business to prevent infringement. An added bonus is that by conducting IP audits over time, the point person of the business dealing with



the IP auditor will become experienced in identifying IP opportunities themselves and can benefit the business by utilizing opportunities before they are lost.

I won’t lie; IP auditing can be a boring and time consuming task, taking team members away from more facially productive endeavors. But like it or not, it is one of the most important tasks you must perform. The easiest way to deal with it is to have significant team members use Traklight’s ID your IP every quarter. This way, key personnel interacting with the auditor have an idea about the IP of

the company. Providing the auditor with the reports generated will streamline the process. This not only saves you time to focus on other responsibilities but since IP attorneys’ bill by the hour, it will save you money as well by compiling useful data for the attorney. Considering the importance of a good IP audit, it is advisable to employ an experienced IP lawyer to conduct your audit.

Step 9: Do Not Infringe

This is easier said than done. No idealistic entrepreneur or startup would willingly violate the intellectual work product of someone else, something they themselves value so much. But without a proper understanding of IP, it is easy to infringe on someone else's rights without even realizing you are doing so. Intellectual property theft is a very real concern, and even if you are unaware the damage suffered is the same. This can be prevented by adhering to a strict protocol of checking any and all materials used, seeking licenses, and asking permission where necessary.

As important as protecting intellectual property is, it is just as important not to infringe upon someone else's IP. Not only is it morally wrong tantamount to theft, the expense following an infringement suit can run high. This may seem painfully obvious, but a number of people who infringe do so unknowingly or believe they did not need a license or permission. Ignorance of the law is not an excuse. Entrepreneurs and startups need to allocate funds wisely; IP litigation is not where you want to be spending your time and resources.

There are a number of easy-to-follow principles you can employ to avoid infringing on someone else's IP. At the inception stage of product development, it is smart to make sure the product does not inadvertently violate a preexisting patent. It will save you from having to recall a product line after having invested heavily in its development. Furthermore, always search logos, brands, and products before going public. Properly draft your contracts, requiring employees to respect third party IP rights and ensuring the code of conduct includes the importance of respecting IP regardless of who owns it. You can never be too meticulous when it comes to not wanting to infringe on IP rights.

When using any material not created by you or your team members, ensure you obtain permission or a license to use the material. Something you may deem inconsequential may still be someone's registered IP. Imagine the following scenario:

Say you create an original Kickstarter campaign video for crowdfunding your grand invention. You checked the designs, made sure you are in no way violating any preexisting patents, and registered a logo only after running a comprehensive search. You have covered your bases. Yet after launching, your video is removed within the hour for an IP violation! Apparently you used a 10-second sound clip you found online in your video which—surprise surprise—you did not think was important enough to seek permission to use.



The lesson here is to always make sure you check everything (and I mean everything) before sending it out into the public sphere. You will be surprised how many patent trolls are patiently hiding in the bushes, waiting for unsuspecting entrepreneurs and startups like yourself to make a mistake so they can jump out, laugh condescendingly while adjusting their monocles, then throw a fat fine in the guise of a license in your face. The consequences of infringing someone else's IP range from the inconvenient (a cease and desist letter) to the exorbitant (a fine or infringement suit). You could always take your chances and defend yourself in an infringement suit but no one is a winner in such situations.

Prevention is better than a cure, and prevention is possible through knowledge. Educate your team members and employees about intellectual property. If holding a class seems cumbersome, prepare a mandatory training video for everyone to watch. It will go a long way to ensure your business runs smoothly with minimal bumps and will reduce your need to micromanage.

Step 10: Be Prepared

Now that you have managed and leveraged the maximum benefit out of your IP, your business is on firmer ground. But the increased valuation is for naught if it does not help towards investment, transfer or sale of IP, or conducting business with a third party. Before parting with capital, corporations and investors want to be certain they are getting what they paid for and as such conduct due diligence. Be prepared to have all necessary paperwork such as patent and trademark registrations, employment contracts, non-disclosure agreements, and other pertinent documents ready for inspection. Storing all your documentation in Traklight's IP Vault streamlines the process.

Finally, what all this series has been leading up to: Be prepared. Using a good strategy to protect intellectual property enables a company to leverage the maximum value of created IP to boost a business's valuation. But before investing or conducting business, a third party will always want to conduct its own due diligence to: (1) ascertain whether you actually have ownership of the IP you purport to own, and (2) determine what risks using your IP may entail.

In a corporate acquisition of a company for its intellectual property portfolio or licensing deal, if the acquiring company is to be sued for using the acquired company's infringing IP, then the transaction is useless. Therefore having one's "house in order" streamlines the whole process. Do not expect an acquisition, merger, or any sale of IP without thorough due diligence. The level of diligence is even higher if the transaction is an IPO. Now more than ever, when more often than not three quarters of a company's value is in its IP, it is highly unlikely any buyer or investor would deal with a business without ensuring they are getting their money's worth. Mergers and acquisitions is a high-pressure business and the longer you drag it along, the probability of something going wrong increases.

To streamline this process, it is advisable to store all documentation relating to your intellectual property in a safe and accessible place. Such documentation includes IP registrations, proof of first use, any pending applications, etc. Patents and trade secrets are considered most valuable and hence the most closely scrutinized; as such ensure everything concerning them is in order.



Traklight's IP Vault is a cloud-based storage tool that can store all your IP and business-related materials, automatically time stamping them to help with third party verification. Storing this documentation online in a secure location will also afford you the ability to enable your lawyer, CPA, or prospective buyers' attorney to access these documents remotely, saving time and needless clutter.

So now you are ready to make the most out of your business! Hopefully this Strategy Guide for IP Best Practices helped you. And don't forget to check back next week for a bonus feature: IP Vault® best practices!

Bonus feature: IP Vault Best Practices

While seeking funding from investors or being acquired, the first step most third parties conduct is due diligence. Diligence is basically an in-depth review of a business' official and legal documents. In case of startups composed predominantly of intellectual property, diligence is conducted to assure that the intellectual property actually belongs to them, preventing future infringement suits or licensing deals. Keeping your documents in order is a very important part of running a successful business.

Traklight's IP Vault is a secure cloud storage service that time stamps all your sensitive information readily retrievable at the push of a button. Storing all relevant documentation in digital form in a single location will help speed up the diligence process by allowing authorized access from anywhere with an internet connection. But if folders within the Vault are not labeled properly it will still cause a ton of confusion and hassle for anyone sorting through the data. Things in the corporate world can crumble in a matter of minutes, so it is in your best interest to streamline the process as efficiently as possible to avoid a lucrative deal going south.

Apart from diligence, keeping your data in order will allow you to make informed and smart business decisions regarding whether your business is prepared for growth and expansion.

What follows is a list of suggested folder names that you can use in your Vault for quick document retrieval, enabling you and others to easily make important decisions regarding scaling your business.

Company Documentation

Store all information regarding the formation of your startup, ownership details, tax information, and the like. Suggested content to upload under this folder include:

- LLC/Incorporation documents
- LLC or Shareholders' Agreements
- Buy/Sell Agreements, including asset purchase/sale agreements
- Tax ID information (EIN)
- Insurance policies (e.g., worker's compensation, business insurance)
- Certificates of Good Standing

Banking

Losing track of your loan is common while running a startup in a high-pressure environment constantly looking to grow. Startups can hit their loan ceiling before they know it, critically affecting production. Suggested content to upload under this folder include:

- Account listings
- Loan documents
- Collateral

Customer Contracts

A business is built upon clients. Products and/or services are useless in a vacuum without customers. Make sure all documentation related to customer interaction is recorded and stored in the IP Vault, including:

- Standard agreements
- Contracts/agreements other than standard agreements (if any)
- Master Service agreement
- Website terms and conditions
- List of top ten customers, organized by estimated US dollar amount
- Sample Director Employment agreement, such as CEO, CFO, and COO (if any)
- Contractor agreement
- Non-disclosure Agreement (NDA)
- Organizational chart
- Employee manual, policies, procedures, etc. (if any)
- Documents pertaining to any receivables from or payable to directors or officers
- Employee Benefit Plans

IP Filings and IP Inventory

Store all documents related to proof of IP rights such as registrations, first use, etc. Suggested documents to store under this folder include:

- Patent, trademark, or copyright filings
- IP Inventory report
- IP Snapshot report

Suppliers

Suppliers help make a business possible, providing material and services that your business needs to develop. Suggested documents to store under this folder include:

- Master Services Agreement
- Subcontractor Agreements

- List of top ten to twenty suppliers, that includes estimated US dollar amounts
- Contracts with any government entities (if any)
- Description of oral agreements (if any)

Finances

Sometimes a business may not have a strong financial base to build upon and should focus more on funding before expanding; keeping an eye on your finances will prevent you from making a big mistake. Suggested documents to store under this folder include:

- Financial statements
- Financial projections
- Tax returns
- Documents from tax accountants or advisors (if any)
- Business plan
- Description of significant bad debts (if any)

Board/Advisory Board

Following board and shareholder decisions is essential and can be overlooked in practice; therefore keeping account of them is a must. Suggested documents to store under this folder include:

- Agreement
- Board minutes, including minutes of any committee thereof
- Shareholder minutes
- Reports to Directors/committee members

Marketing

Keep track of rights and limitations while relying on third party service providers for marketing purposes. Suggested documents to store under this folder include:

- Developer Agreement
- Terms of Use for software

Product and Research

Products may be developed collaboratively; therefore it is pertinent to know that specific rights are assigned to all parties involved. Suggested documents to store under this folder include:

- Licenses
- Agreements
- Research agreements
- Terms of Use

Valuation

At some point in a business, valuation is conducted and is one of the first things investors are interested in determining. Suggested documents to store under this folder include:

- Report
- Methodology

Real Property

Although we are experts on protecting intangible assets, businesses have tangible assets in the form of real property that are vital as well. Suggested documents to store under this folder include:

- Real property documents
- Summary of all real property
- Mortgage documents (if any)
- Tangible property documents

Regulatory Matters

Investing or acquiring a business that is liable to pay fines for breaching state or federal regulations is unappealing. Keep tabs on all regulatory documents to make sure nothing has expired or needs renewal by including documents such as:

- Federal and state permits, licenses, consents, including anything pending
- Federal and state inspection reports as well as a description of each

Environmental Issues

If you are in the consumer market, not following corporate social responsibility practices can damage your business' image, further affecting your success in the market. Suggested documents to store under this folder include:

- Environmental liability assessments or environmental compliance audits

Litigation Documents

Before formal business relations are forged, potential partners and/or acquirers want to ensure your business is not embroiled in a legal dispute that will flow over and affect them. Suggested documents to store under this folder include:

- Anything related to past or ongoing litigation or future litigation.

Miscellaneous

- Anything else specific to your business that is not listed above that you would wish to share with investors.



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