IP AUDIT IN START-UPS

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Background

Demand may be a central prerequisite for business, new products, and methods. Consumers demand and buy new products and industries require better and more efficient equipment to remain up with the domestic and international competition. To make a product, succeed, enterprises need inventions, development, and belligerent marketing. New products even have an excellent impact on occupation, particularly in small and medium-sized enterprises, as they secure existing jobs and make new ones. Preparing for the longer term and global markets may be a long-term project. New technologies change the fabric of the economy and facilitate an improved standard of living and thus the creation of the newest jobs. The expansion of the economy is usually supported know-how and jobs requiring expertise are multiplying. This feature great about education also, the planet goes through a period of important change thanks to the rapid expansion of data technology and its ever-increasing utilization and propagation to most fields of technology. The success of companies is founded on their dimensions for renewal and innovation. Commercial growth and property rights are related in some ways. These include:

- The intellectual capital of innovativeness and its development.
- Property and innovation strategies as parts of the general business strategy.
- Vision regarding the importance of property rights as a basis for business success.
- Preparedness for intellectual and financial investment into development and innovation.
- Strong contacts with customers and stakeholders; and
- Need for brand spanking new products, competitiveness, international expansion, and successful business operations.

Introduction

Start-up, as per Scheme for Start-up property Protection (SIPP) is defined as:

An entity, incorporated or registered in India, not before five years, with annual turnover not exceeding INR 25 crores in any preceding financial year, working towards innovation, development, deployment, or commercialization of latest products, processes, or services driven by technology or property. As long as any such entity formed by splitting up or reconstruction of a business already alive shall not be considered a start-up.

Eligibility Criteria:

- An entity shall be certified by the start-up certification board as having an


2 Available at https://www.startupindia.gov.in/content/sih/en/startup-india-recognition-page.html last visited on 27/10/20
innovative business; and
❖ Start-up shall be eligible for availing the advantages of this scheme only after it’s obtained certification from the Start-up Certification Board.

Who are often a facilitator:
❖ Any Trademark Agent registered with the CGPDTM.
❖ Any Advocate as defined under The Advocates Act, 1961 who is entitled to practice law as per the principles laid down by Bar Council of India from time to time, who is well versed with the provisions of the relevant Acts and Rules and is actively involved in filing and disposal of applications for trademarks.
❖ Government departments, organizations agencies like Technology Information, Forecasting and Assessment Council (TIFAC), National Research Development Corporation (NRDC), Biotechnology Industry Research Assistance Council (BIRAC), Department of Electronics & IT (DEITY), Department of Scientific and Industrial Research (DSIR), etc.

Intellectual property Facilitation Centre (IPFACE):

❖ Intellectual property Facilitation Centre (IPFACE) may be a project of the Venture Centre supported by the Ministry of Micro, Small and Medium Enterprises, Government of India, and National Chemical Laboratory, Council of Scientific and Industrial Research (CSIR), India.

IPFACE is found at the National Chemical Laboratory (NCL) Innovation Park, Pune, India.
❖ IPFACE aims to market awareness and adoption of property rights amongst entrepreneurs and therefore the Ministry of Micro, Small & Medium Enterprises (MSMEs) in India while also making accessible high-quality IP services and resources.

Venture Centre:

The Venture Centre may be a technology business incubator specializing in technology start-ups offering products and services exploiting scientific expertise within the areas of materials, chemicals, and biological sciences & engineering.

Venture Centre strives to nucleate and nurture technology and knowledge-based enterprises by leveraging the scientific and engineering competencies of the institutions within the “Pune region” in India.

The Venture Centre aims to empower and enable scientists and engineers in pursuing technology, innovation, and entrepreneurship objectives.

Policy for facilitating start-ups IP protection:
Policy for facilitating start-ups IP protection under the Scheme for Start-ups property Protection IPFACE, Venture Centre has studied the SIPP scheme and notifications concerning the said scheme. IPFACE, Venture Centre appreciates and

3 Available at https://www.venturecenter.co.in/ipinauguration.php last visited on 27/10/20
4 Available at https://www.venturecenter.co.in/ipface.php last visited on 20/10/2020
supports CGPDTM’s efforts concerning the Start-ups property Protection. However, IPFACE is currently unable to participate within the SIPP program of CGPDTM for various reasons.

**IPRs provide a basis for businesses to:**
- prevent others from copying their products or using their innovations, which is especially relevant in today’s competitive markets.
- create a robust brand identity by product differentiation through the strategic use of 1 or more sorts of IPRs.
- obtain valuable competitive intelligence – analysing commercial and technological information from patent, trademark, and style databases can increase a company’s understanding of technological fields and trends; identify future research and growth areas; and analyses competitors, thereby saving research/development/ marketing time and resources.
- gain revenues through licensing, franchising, or other IP transactions.
- obtain financing or risk capital – IP assets that have legal protection and may be valued are often leveraged to get capital.
- increase its commercial value.
- access new markets.
- engage in several sorts of business partnerships – IP rights provide a basis for collaborative partnerships, e.g. in research, marketing, open innovation, outsourcing, etc.
- ensure freedom to work – owning or licensing in key IPR can reduce the danger of companies infringing IPRs of others when using technologies, trademarks, designs, and copyright works; and fragment geographical markets – in some countries, IP owners can avert goods protected by their IPRs which are placed on the market in one country or region, from being imported into another country during which they even have IPR protection.

The use of IP is one among the key strategies that companies may depend on to enhance their competitiveness. Innovative enterprises can also believe the time interval, speed to plug, contractual agreements, or technical means of preventing copying. Trademarks, industrial designs, and other objects of property protection are often powerful tools for creating value for your business. However, they are going to not achieve those expectations if they sit passively on some register. they need to be used and used ingeniously, pro-actively, and with imagination. they need to be transformed from mere legal concepts and enforceable rights into commercially valuable assets which are often achieved primarily by putting them to work as tools for creating and developing a brand value for your business.

A virtuous free enterprise countenances and encourages competition between industrial and commercial organizations. Competitors may sometimes be tempted to use malicious means to realize an unfair expansion like making an undeviating attack against a competitor or misleading the general public to the detriment of a competitor. Self-regulation, via associations of organizations, can play a crucial role by fixing a code of conduct or controlling practices, however, it often fails to be respected by participants or followed by judicial authorities. In 1900, a conference
was held, at the Brussels Diplomatic Conference for the Revision of the Paris Convention, Article 10 bis 1 was added to the Convention to undertake and stop unfair competition.

**What is an unfair competition?**

Any act or practice administered within the sequence of economic or commercial activities contrary to honest practices constitutes an act of unfair competition; the decisive criterion being “contrary to honest practices”. In Switzerland and Spain as “the principle of fantastic faith” and in Italy as “professional correctness”, In Belgium and Luxembourg, honest practices are sometimes mentioned as “honest trade practices”. The notion of ‘honesty’ has got to be interpreted by the judicial bodies of the country concerned. Outsets of honest practices established by international trade should even be taken into consideration, especially in cases of competition between organizations in several countries. An in-depth interpretation is often given to “an act or practice contrary to honest practices. for instance, an omission to act can also be considered an act of unfair competition.

The WIPO Model Provisions on Protection Against Unfair Competition defines the “failure to correct or supplement information concerning a product test published during a consumer magazine, thereby giving a wrong impression of the quality of the merchandise offered on the market, or failure to supply sufficient information concerning the proper operation of a product or concerning possible side-effects of a product,” as an act of unfair competition. WIPO also states that failure to suits honest practices should arise “in the course of economic or commercial activities”. It are often understood broadly as being activities of organizations providing goods or services particularly the selling or buying of such products or services and activities of execs like medical doctors or legal experts. Protection against unfair competition is an ever-evolving concept that has got to familiarize itself with the evolution of trade and therefore the development of latest principles and obligations for participants within the business market.

**IP Audit**

The rationale to style it had been to guard the ‘honest businessman”; the scope of protection against unfair competition has now been distended to incorporate protection of the customer. Nowadays laws against unfair competition aim to safeguard fair competition within the interests of all concerned. Behaviour classified as unfair competition to stop unfair practice certain actions are limited by law. Article 10 of the Paris Convention classifies unfair business practices into three broad categories: Acts confusing An act or practice, within the course of commercial or commercial activities, that confuses concerning another’s enterprise or its activities, especially, the products or

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5 Available at https://www.wipo.int/edocs/pubdocs/en/intproperty/832/wipo_pub_832.pdf last visited on 20/10/20

services that are provided by such an enterprise establishes an act of unfair competition.

A trademark, even if registered or not, or a product’s appearance may cause confusion. Appearance of a product includes packaging, shape, or other non-functional characteristic features of the merchandise. Acts that are misleading create a fabricated impression of a competitor’s product or services resulting in the buyer, causing false information, and eventually suffering financial damage. Many a time’s misleading acts can take the shape of a press release giving incorrect indications or accusations about an enterprise or its products or services. For example, misleading statements concerning the manufacturing process of a product may relate to a product’s safety and craft a misunderstanding. Acts damaging goodwill or reputation Any act that ruins the effect of a trademark is considered unfair because it could destroy the originality and idiosyncratic character of a trademark. Other acts that might be categorized as causing unfair competition include discrediting another’s enterprise or its activities, industrial or commercial reconnaissance, and acting unfairly concerning tips like breach of contract or breach of confidence.

Under the Paris Convention, Member States are obliged to provide protection against unfair competition. This obligation is reinforced by Article 22 of the Trade-Related Aspects of property Rights (TRIPS) that obliges members of the WTO to suits the Paris Convention. ‘Confidential information’ is considered information that a business regards as a secret. It can include financial information, like business plans, or technical information, like specifications or computer software, tip may have a momentous commercial value and wishes to be protected as an asset.

**Essentials**

Anyone who receives tip from somebody else is under a standard law duty to not take unfair benefits from it. In other words, they cannot make use of the knowledge to the disadvantage of the one that gave it, unless they consent. The knowledge must be confidential, for instance, not something which is public knowledge. It must even have been disclosed in circumstances that imply obligations of confidence. Despite this common law protection, it’s an honest commercial practice to warrant that an agreement protects all of your exchanges of tip with third parties like your customers or suppliers. This sort of agreement is typically mentioned as a Non-Disclosure Agreement (NDA). it's going to even be called a confidentiality agreement.

**Your Responsibilities**

- The guidelines below will assist you to handle tip within your business:
- Put protection in situ before disclosing.
- Respect the confidentiality requirements of other parties; and
- Take practical steps to preserve confidentiality.
- Put protection in situ before disclosing
- It isn't necessary to enter into non-disclosure agreements (NDAs) before disclosing tip to somebody else. However, it is an honest commercial
practice to form sure that your tip is satisfactorily protected. Also, your business must not inadvertently accept unreasonably restrictive obligations concerning the tip that it receives from others.

Before you disclose a tip, you need to confirm that your business has entered into an appropriate NDA with the other party or parties. If you disclose getting into an NDA, you’ll find that the opposite party’s willingness to enter into an NDA may quickly vanish, predominantly if your tip is commercially very valuable.

Depending on the type of disclosure, you’ll use one of the next agreements:

- A non-disclosure agreement (mutual).
- Non-disclosure agreement (one-way); or
- Non-disclosure agreement (multi-party).

There is a requirement to make a decision how long you would like the NDA to last for. Generally, a period between three and five years is archetypal, but it might be infrequent for an NDA to possess a extended -term (unless the knowledge being disclosed is extremely sensitive and genuinely justifies protection for a longer period).

In case your business is disclosing particularly probing tip, also as getting into an NDA you want to enforce the opposite party getting its employees to sign a concealment undertaking. This is often not strictly necessary, because the other party is legally liable for the actions of its employees and you would be ready to act against the opposite party under the NDA.

Nevertheless, it is often useful to underline to the individual employees their responsibility to stay your information confidential. you will use the Confidentiality undertaking for workers for this purpose. Someone who is disclosing tips to your business also can require you to urge your employees to sign a confidentiality undertaking. If you're proposing to disclose any tip that's the subject of a registered design or application made by your business, speak to your lawyer before disclosing such information.

Respect the confidentiality requirements of other parties

Once you receive tip from somebody else, you’ll got to make sure that your business treats it in confidence and complies with the obligations began within the NDA. If your business fails to try to this, it might be sued for damages for breach of contract or made subject to an injunction preventing it from using the tip further, or both. If your business has received a tip from somebody else but hasn’t entered into an NDA, this doesn’t mean that you simply simply simply can use the knowledge that you have received in any way you decide on, or that you simply simply don’t got to take appropriate care of it and protect it from disclosure. If the knowledge you have got received is marked ‘confidential’ (or similar), or it is confidential, your business is going to be under a standard law duty to treat that information in confidence. Misusing it's going to also constitute a breach of copyright.
Take practical steps to preserve the confidentiality.

As well as ensuring that an NDA is signed before any tip is disclosed, there are a spread of measures you’ll fancy establish and maintain confidentiality in your business.

Restrict access
• Restrict access to tip. confirm that information is distributed on a
  • ‘need-to-know’ basis which documents are marked confidential, but as long as they’re genuinely confidential, as using the term indiscriminately may devalue your protection.
  • Restrict access to tip to areas of the business where confidential processes are administered, or developments are being made.
• Consider staggered disclosure when making disclosures within the context of negotiations. In other words, twiddling my thumbs any crucial information until you have got reached a sophisticated stage of proceedings.
• Consider disclosing only hard copies of the tip. you’ll number these and collect them back once they are not any longer required for the actual project or transaction concerned.

Make sure employees keep the knowledge confidential

Confirm that your employee contracts contain clear and appropriate confidentiality provisions. Give employees practical guidance about keeping information confidential. for instance, advise them to not discuss company business once they are out and about publicly places. Train employees about IT issue, like the meta-data, which is left in tracked documents, that is, documents utilized in revision mode or with tracked changes. Many revision mode programs will reveal the name of the person making the revisions, and thus the date and time the revision was made. also, as this, previous changes could also be hidden away within the document where they will be accessed by unauthorized parties. how of avoiding this is often often many to avoid wasting”> to save lots of lots of the changes during a replacement document or to use a pdf document instead.

Make security a priority

• Implement policies across your business for shielding your know-how.
• make sure that security is acceptable. believe both physical securities, like locking important information away and securing your business premises, and electronic security like firewalls, secure emails, or encryption.
• Keep records that show what projects each employee or consultant has worked on.
• • Remind departing employees and consultants of their obligations of confidentiality. Ask them in writing to verify that they have to be returned all company property, then far, as possible confirm they have to be done so.

What Is an IP Audit?
7 A property audit is an organized review of a company’s IP assets and related risks and
opportunities. IP audits can help evaluate, preserve, and enhance IP; correct defects in IP rights; put unused IP to work; identify risks that a company’s products or services infringe another’s IP; and contrivance best practices for IP asset management. A radical IP audit involves not only a review of a company’s IP assets, but also the company’s IP-related agreements, policies and procedures, and competitors’ IP. IP audits are typically conducted by a lawyer or firm. The lawyer is usually new the corporate being audited and features a broad range of experience with various sorts of IP and IP evaluation matters. The corporate assigns some extent person for the lawyer to affect someone who knows IP concepts and technical aspects of the company’s business. When an IP assortment’s price is of prime concern, the team also includes an accountant or economist who has addressed IP valuation issues. It can help the lawyer to start by providing management and key employees with a general overview of IP and identifying ways during which a company’s existing IP rights are often preserved and enhanced. Then the IP audit progresses with a transfer of IP-related information, which is requested from company management responsible for research, development, sales, and marketing. The discussions begin with a survey of the company’s IP assortment and competitive position within the marketplace, followed by a more focused analysis of IP problems with particular interest. The foremost widespread audits include estimates of the IP’s price, and protocols, and detailed recommendations for handling IP within the future. General-purpose audits help start-ups and established companies to assess and protect their IP, identify IP development needs, opportunities, and risks.

Event and IP-specific audits are often triggered by a company’s need to:
- Assess the impact and potential value of obtaining or selling IP, or licensing IP in or out.
- Assess IP rights and risks involving the acquisition or launch of a replacement product or service.
- Assess IP rights and risks involved in expanding into new markets or channels of trade.
- Determine whether its licensees are complying with the terms of a license.
- Help make sure that an R&D program is meant to best capture future business opportunities.
- Identify risks involved in adopting a replacement trademark or new product claims and warranties.
- Assess the integrity and strength of secret protection procedures and agreements.
- Assess the impact of a key employee’s departure on IP rights and value.
- Assess a 3rd party’s infringement claims and therefore the possible consequences.
- Assess and affect the results of the expiration of IP rights.
- Assess and affect the results of a change of status during a competitor’s IP rights.
- Demonstrate the company’s value to get or provide financing or investment capital;
- or
- Demonstrate company value in preparation for a merger, venture, or sale.

They identify what IP is owned. A successful business is well-managed. Property may be a component of
a business and requires management whilst does equipment, inventory, and assets. A business sometimes does not know what property it owns; hence, it cannot manage that property and protect it from damage or loss. The importance of IP audit is to tell the corporate about the property it owns in order that it can make choices on the IP’s protection, development, and sometimes licensing and exploitation. An audit also can reveal defects chained of title and outline steps to correct them. Any existing IP-related agreements, like licensing agreements, assignments, employment, and independent contractor agreements, venture agreements, tech transfer agreements, and settlement agreements, are often reviewed to help make sure that IP rights haven’t been encumbered or compromised.

They preserve and enhance the price of existing IP. Property is protected by a medium of federal and state laws. These laws protect trademarks, trade secrets, and copyrightable materials without the necessity to file a proper application for fortification with an agency. Within the case of trademarks and copyrights, an organization can strengthen its property rights by applying for and obtaining trademark and copyright registrations from the federal. On the other hand, to protect inventions by patent and merchandise designs intentionally patent, formal patent applications must be filed, and patent rights are irretrievably lost if a corporation mishandles the invention or application. An audit enhances the worth of a company’s existing IP. Audits identify new opportunities to take advantage of IP. It is pertinent that a high percentage of non-IP lawyers and businesspeople do not know the difference between patents, trademarks, and copyrights, much less whether their companies own those sorts of IP. Numerous companies don’t know the extent of inventiveness required to get a U.S. patent or the kinds of things which can be patented, the extent of and limitations on rights accorded by a patent, and thus the great IP value accorded intentionally patents and copyright registrations and what they protect. They are not aware that new commercial opportunities in domestic and foreign markets are often exploited via IP licenses, which their competitors’ efforts to urge IP are often monitored and sometimes stopped. A further worth of an IP audit is that it teaches decision-makers, innovators, and marketers about IP and the way to proactively protect IP opportunities before they are lost. They identify roadblocks and stop costly disputes. Property litigation is complex and expensive, and therefore the sad truth is those small companies must sometimes forgo litigation and capitulate, even once they have commendable and winnable positions. An IP audit can assist companies in forestalling possible disputes and planning successful avoidance and determination strategies. An audit may identify a requirement for a freedom-to-operate study, which identifies competitors’ conflicting property rights and options like designing around, licensing, or anonymously challenging competitors’ rights. An audit helps to spot weaknesses within the audited company’s property rights which will be addressed with timely corrective
action, leading to stronger rights that are less likely to be challenged when those rights are asserted. They facilitate and optimize business transactions. The price of IP is often projected by accounting and economics methods, like assessing the value of developing alternative technology, isolating the amount of profits generated by IP-protected features, and influential third-party royalties being purchased similar IP assets. Because an IP audit gives a corporation a current considerate of its IP assets and their estimated value, the company’s owners are better prepared to affect opportunities which may arise, sort of a third-party offer to buy for the company, or a replacement sales or expansion opportunity which can require financing.

In conducting IP audits, the next kinds of helpful information are most often identified:

- Valuable product and process features that would be but weren't so far patented.
- Correctable defects in existing patents.
- Missing and deficient employee agreements that risked competitors’ access to trade secrets.
- Trademarks central to companies’ identities that weren't adequately shielded from copying.
- Product configurations that would be but weren't yet protected intentionally patents.
- Patent and trademark royalty payment terms that were being ignored.
- Missing notices of patent, trademark, and copyright that were limiting the company’s ability to enforce IP rights and claim damages;
- Valuable opportunities for licensing IP in new markets and channels of trade.
- IP audits have directly resulted in quantifiable benefits to many companies, including payments of the many dollars for the use of patented technology that wasn't originally thought to be patentable.

What Does an IP Audit Cost have?
IP audits are available altogether shapes and sizes, and thus the time required to perform an audit correspondingly varies. IP audits are allocated at a lawyer’s hourly billing rate or following alternative fee arrangements. The company should allow an experienced IP lawyer who is intimate differing types of IP and has had experience gauging the price of various kinds of IP within the marketplace, by exchanging IP licenses and other IP-related business transactions and settlements.

Conclusion
In its most simple form, a general IP audit consists of teaching company management on the numerous kinds of property that are available, surveying the sorts of property presently owned by the corporate, and answering questions on how the company’s property position are often conserved and heightened. If no complex technology matters require attention, the audit may end with confirmation that important property is protected and properly titled. The presumptuous situation that the lawyer spends four to eight hours arranging for and conducting the audit and therefore the firm bills by the hour, the prices of the
audit are measured in terms of 4 to eight hours of an experienced attorney’s time, plus expenses if any. An IP audit for a corporation are going to be more involved and more time-consuming, that depends on the event or use of latest technology or has relatively complex or numerous IP issues. the corporate might want the audit to include a determination on whether particular technological improvements are likely to be patentable and price patenting. the corporate could even be aware of a drag or dispute concerning its property and wish the audit to affect likely outcomes and provide recommendations. Cost is said to the intensiveness of the difficulty.

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