Successful Entrepreneurship for Microsystems

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Start-up “Administrative” Checklist

- Company
  - Name, Domain Name (search)
  - Address, phone, email
  - Web hosting, Domain registration, Website
- Business License(s) – city, county,..
- Business Structure - Incorporation
- Bank Account(s)
- Financial
  - Record keeping, Accounts, Payables,..
  - Funding
- Intellectual Property
Business Structure

- Sole Proprietorship
- Partnership
- C-Corporation
- S-Corporation
- LLC (Limited Liability Company)
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<th>C Corp</th>
<th>S Corp</th>
<th>LLC</th>
<th>General Partnership</th>
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Why Incorporate?

➢ Advantages
  ➢ Owners protected from personal Liability
  ➢ Unlimited Life
  ➢ Credibility – “Inc.” or “LLC”
  ➢ Transferability of Ownership/Shares
  ➢ Ability to raise Investment Capital
  ➢ Corporations have a reliable body of legal precedent to guide owners and managers
  ➢ Best vehicle for eventual IPO
  ➢ Tax benefits and flexibility under some circumstances
  ➢ Deductible expenses

➢ Disadvantages
  ➢ Require Annual meetings, and Minutes
  ➢ Owners and Directors must observe certain formalities
  ➢ Expensive to set up
  ➢ Require periodic filings with the state, and Annual fees
  ➢ Double Taxation

Ref: [www.entrepreneur.com/article/77730](http://www.entrepreneur.com/article/77730)
[www.sba.gov](http://www.sba.gov)
Protecting your Invention

- Trade Secrets
- Patents
- Register or File with USPTO (US Patents & Trademarks office)
Utilizing Trade Secrets to protect your Invention

- Valuable information that is maintained confidentially.
  - Information such as a method of production, technical data, and general or specific “know-how” can be protected as a trade secret, so long as such information has:
    - independent economic value, because:
      - it is not generally known and
      - is protected by reasonable secrecy procedures.

- Uniform Trade Secrets Act

- A trade secret exists as long as it is not generally known and the owner of the trade secret employs reasonable efforts to maintain the secrecy of the trade secret.

- It is not possible to maintain a trade secret and obtain a patent on the same subject matter

- A basic trademark costs about $325 per “class” at filing, along with legal fees.
  - It’s worth it to protect your brand.

Ref: S. Gonzalez
Utilizing Patents to protect your Invention

- It’s a “Negative Right”…the government endows you with the exclusive right to exclude others from making, using or selling your invention
- Covered by Patent Act
- Invention must fall within several classes of subject matter
  - Utility, Design or Plant
  - Protection of Design or Devices
  - Protection of Processes and Manufacturing
- Invention must be:
  - New or Novel
  - Useful
  - Non-obvious to a person having ordinary skills in the art of the invention

Ref: S. Gonzalez
Steps towards Patenting your Invention

- Patent Search
- Draft Patent Application
- File
  - “Patent Pending” status
- Prosecution
  - USPTO does search
  - USPTO “Office Action”
  - Your Response, including “claim amendment” if required
  - Notice of “Allowance”…on your way to a Patent
  - Final Office Action …option to re-file
- Issue Fee
  - Upon Notice of Allowance
  - Patent granted in 1-3 months

Ref: [www.neustel.com/Patent-Inventions](http://www.neustel.com/Patent-Inventions)
Steps towards Patenting your Invention
…some complications

- First to File (Europe) vs. First to Invent (US)
- 1 year to file
- General rule – file in US *before* disclosing
- Low cost “Provisional” Patent filing
  - Establish early filing date
  - File full Patent app within 1 year

Ref: Joe Hadzima, Boston Business Journal, MIT
Licensing your IP

- At some point in the life of your company you may want to “License” your invention to a “Strategic Partner”
  - A lump-sum payment
  - A “Royalty” payment (e.g., ~2-5% or unit selling price)
- Some issues:
  - The Terms:
    - Exclusive or Non-Exclusive
    - Right to sublicense
  - Warranties
  - Indemnities
  - …
- Valuation

Ref: S. Gonzalez