Column: Common product development mistakes

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Business engagement with technology and electronic solutions can conveniently be organized into three main flavors: the product developer or creator/innovator, the user, and the end beneficiary. Each flavor has its own particularities, its own business risks, its own legal due diligence. Take Apple's iTunes™ Store applications ("apps") for example. Imagine a business creates a new iPad™ productivity app. A business buys that app and uses it to service a customer. The app seller is the product developer. The app buyer is the user. The customer of the app buyer is the end beneficiary. Obviously, there are other, secondary modes, i.e., the facilitator, which in this case is Apple's iTunes™ Store, and, further, frequently the innovator uses employees, independent contractors, or other businesses in the product development stage.

Focusing on the product developer, there are numerous avenues for a business to do it wrong. The following bullet point list describes some of the most common legal mistakes businesses make in their product development.

• Choosing the wrong name for the company or for the product. Choosing a name invokes competing interests. First, a business wants a name that it can stop others from using. Second, a business wants a name that can give it an immediate marketing cachet. Third, a business does not want to be liable for using a name to similar to someone else's name in either a related industry (infringement), or a name that could be called in law as famous (dilution). Choosing a name that balances these interests can be difficult, and frequently, expensive.

• Not having independent contractors and third-party businesses sign work for hire/automatic assignment agreements. Typically, companies have third parties sign nondisclosure agreements (NDAs). These forms are often filled out wrong and not consistently performed upon. More importantly, however, these NDAs frequently are not sufficient or effective to protect innovation. NDA's usually only address disclosure of what already exists, rather than ownership of what is being developed. If someone is working on the innovation, an NDA does not provide the protection needed – a work for hire/automatic assignment is required. This is the single most common mistake businesses make.

• Similarly, not having employees sign employment agreements that contain work for hire/automatic assignment clauses. This error is hard to correct inexpensively. Closing this hole after-the-fact may be expensive because such an after-the-fact agreement requires new consideration to the employee, e.g., a raise, a promotion, or a substantial one-time payment. An existing employee may also refuse. The law in Washington (and most other states) treats such an after-the-fact modification without new consideration as invalid and unenforceable.

• Not seeking the correct, or enough, intellectual property protection. Product developers will in many cases need the full gamut of intellectual property protection: patents, trademarks, copyrights, trade secrets. Choosing not to pursue one type of available protection is a lot like choosing which part of your home you don't mind people squatting in.

• Not recording and perfecting title to intellectual property. Throw a stone at a group of companies. You are likely to hit a company that is not properly perfecting title in its intellectual property. This poor practice is rampant. For some reason, businesses will perfect interests in loans, in mortgages, title to

land, title to cars, etc., but not perfect their interests in intellectual property.

• Signing an agreement that contains an inconvenient exclusive jurisdiction clause. The fact is, a company is less likely to enforce or defend its rights in a distant jurisdiction. Whenever possible, negotiate hard to choose your jurisdiction for venue. It can often be the deciding factor in a dispute.

This list is by no means complete. Getting these tasks right at first may seem expensive and unnecessary. The cost, however, is trivial compared to trying to fix these problems down the road – if they can be fixed at all. When dealing with intellectual property, it is often the case that penny wise is pound foolish.

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