

M11 - Legal for Startups

Case Studies of IP in Startups

Case Study 1: Tesla – The Open-Source Gamble

Tesla filed hundreds of patents in electric vehicle (EV) technology.

In 2014, Elon Musk made a bold move—Tesla open-sourced its patents. Why?

Encouraged industry-wide EV adoption while still keeping Tesla's brand and technology leadership intact.

Lesson: IP isn't just about protection; it's also a strategic tool for market leadership.

Case Study 2: Netflix – Protecting Its Streaming Model

In the early 2000s, Netflix patented its subscription-based DVD rental system. This blocked competitors like Blockbuster from directly copying the model.

Lesson: A well-placed patent can give a startup a head start and keep competitors at bay.

Case Study 3: Facebook vs. ConnectU – The Billion-Dollar Lesson

The Winklevoss twins created a social networking site, ConnectU, but did not protect their idea well. Mark Zuckerberg, who was hired to work on it, went on to create Facebook, which became a global phenomenon.

Lawsuit settlement: \$65 million, but Facebook went on to be worth hundreds of billions.

Lesson: Execution matters more than just an idea; while ConnectU had the concept, Zuckerberg executed it in a way that turned Facebook into a global success.

And also that you can't trust Zuckerberg.

Case Study 4: The Tragic Fall of Theranos

Elizabeth Holmes promised breakthrough blood-testing technology.

Theranos patented some of its technology but failed to make it functional.

Investors didn't check whether the IP had real value, and the company collapsed.

Lesson: Patents without execution and real innovation are useless.

Importance of IP for Startups

Patents → Give startups a monopoly on inventions, attracting investors

Trademarks → Create a strong brand identity (e.g., Nike's swoosh)

Copyrights → Protect software, designs, and creative works

Trade Secrets → Keep business strategies confidential (e.g., Coca-Cola's secret formula)

About IP

- Intellectual Property (IP) → Creations of the mind/intellect
- Types of IP:
 - Inventions
 - Literary and artistic works
 - Designs
 - Symbols, names, images used in commerce
- Why is IP protected by law?
 - Enables people to gain recognition for their creations
 - Financial benefit
 - Prevents misuse by third parties
- Creates a balance between the interests of innovators/creators and wider public interest

Patents

- Exclusive right granted for an invention which is a process/product that provides a new way of doing something/offers a new technical solution to a problem
- Patent protection lasts for 20 years from the filing date of the application
- Patents are territorial rights; not valid in every country
- In India, patents are governed by Indian Patents Act, 1970
 - [Section 3, IPA](#) describes what are not considered patentable inventions

Copyrights

- Legal right that protects original works of authorship (literary, dramatic, musical, artistic works, etc.) as soon as they are fixed in tangible form
- Protection lasts for author's lifetime plus 60 years after their death (in India)
- Gives copyright holders exclusive rights to:
 - Reproduce the work
 - Create derivative works
 - Distribute copies
 - Perform or display the work publicly

Trademarks

- Distinctive sign that identifies certain goods or services produced by a specific person or company
- Can include names, logos, symbols, designs, or combinations thereof
- Protection can last indefinitely as long as the mark is in use and renewal fees are paid
- Helps prevent consumer confusion and protects business reputation

Trade Secrets

- Confidential business information that provides competitive advantage
 - Examples: manufacturing processes, formulas, designs, methods
 - Customer lists and business strategies
- Protection lasts as long as the information remains secret

- No registration required, but businesses must take reasonable measures to keep information secret