

# CORPORATE MATTERS: FIVE STEPS FOR LEVERAGING YOUR START-UP'S EMERGING INTELLECTUAL PROPERTY

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Start-up companies are often created because the founders have a concept that they think will take hold. Sometimes, this concept is novel and can be protected, which may result in considerable value. For an emerging business, this intellectual property (“I.P.”) can be the business’ most important asset and the difference between success and failure – that is, if the business considers these five important issues.

## **1. Ensure you are not reinventing something someone already invented and protected.**

These days, new start-ups spring up all the time. Many believe that they have better ways of solving known problems, and sometimes, someone else unknown to the start-up solved the same problem in a similar way. When others protect their designs, implementations, or names first, they may own I.P. rights, and you could be infringing on those rights. It is critical to the longevity of a business to be sure that the business has freedom to operate. To do so, it is often well worth the investment to engage a professional, such as a patent attorney, and obtain a prior art and/or name search to be sure you have the freedom to operate as you would like, and to do so *before* you begin to invest heavily in a solution.

What happens if a patent search comes back with a prior reference including your invention? You have several options. First, come up with an even better and different solution that might not already be patent-protected. It could be that a new and improved version has even more long-term value. Alternatively, you can approach the owner of the I.P. for a license. That way, the originator obtains some benefit and you can move ahead with your plans and expand the innovativeness.

## **2. File for patents as early as you can.**

Patents can become extremely valuable assets for a company, particularly early in a new company’s life when it has not yet developed assets that provide value. Patents and patent applications can provide value, enhance investment opportunities, and serve as collateral for financing arrangements.

The timing for filing for patent protection is important. New companies should understand that they must file for patent protection before they release their product in order to protect their worldwide rights. Some countries do not grant a patent if the application is made after the product is publicly disclosed.

To save early expense, companies can file provisional patent applications in the U.S. and still preserve their worldwide rights. Provisional applications are simpler to prepare, the fees are less than for non-provisional or formal applications, and once filed, you can use the term “patent pending” right away.

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The main ingredient of a provisional patent application is that the application must describe the invention in such a way that a person “of ordinary skill in the art” could replicate the invention from the description.

### 3. Choose and use branding carefully.

Name recognition is important. New companies use branding, such as names and logos, to distinguish their products and services. Importantly, the branding cannot be confusingly similar to other companies’ branding. Searches can help identify whether proposed brand assets meet this requirement.

Trademark protection is based on the adage “first in time, first in right” and applies to a category of goods or services, as well as geographic use. Once selected, the name or logo can be registered with the U.S. Patent and Trademark Office. The registration effectively locks in the name nationwide for those goods or services.

### 4. Keep protecting innovation as innovation continues to occur.

In this fast-moving age of disruptive technology, innovations happen frequently and throughout the world. Numerous people and companies worldwide are often trying to solve the same problem at the same time. When multiple parties solve the same problem in the same way, only the first to file a patent application is entitled to patent protection under U.S. law.

A product may evolve during a company’s start-up stage and the company may continue to introduce innovations to the product. For example, a company may introduce new features over time to improve a product. The commercial importance of one or more of these features could grow over time and become even more important than the original offering. As such, it is important for the company to file a patent application to protect a new feature. The patent application for the new feature should be filed before public disclosure of the new feature.

### 5. Don’t be shy about your filings.

Once you have filed for patent protection and/or trademark registration, it is your responsibility to police your rights. As a start, it is important to let the world know that you have a pending patent on your invention by using the term “Patent Pending” when marketing the product that includes the subject of a patent application. Similarly, before obtaining a trademark registration, use the “T.M.” designation next to the product identifier. Once you receive the trademark registration, use the “R” in the circle (®) to show that you have a registered trademark.

If you encounter others with similar implementations, it is important to alert them to the existence of your patent application as soon as possible. If there are potential infringements, it is beneficial to establish a notification date, which can come into play in the event you are entitled to damages. Of course, you can also license your technology to them, so this notification may result in a new revenue stream for you.

For a discussion of tax deductions available to a start-up company, particularly with respect to its I.P., see [“Taxation of Intellectual Property – An Introduction to the Basic Rules”](#) in this edition of *Insights*.



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