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How to Avoid Common IP Mistakes Made by Early-Stage Companies–Part 3: Patents

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This is the third in a regular series that the Intellectual Property Group at Lowenstein Sandler will produce relating to common IP mistakes early-stage companies make when building a business.

Pursuing a patent requires a commitment of both time and money. As such, we are often asked if it makes sense for an early-stage company to allocate those precious resources on patents.

Let's take a step back. What is a patent? In its simplest form, a patent is a monopoly right on an invention for a period of time. When properly drafted, a patent can provide a company with the right to exclude others from making, using or selling its invention. So we ask, "What value does excluding competitive entities in your technology space present to your business and, as an early-stage company, to your investors?" The answer to that question may differ depending on where you are in your innovation development efforts, but the potential added value associated with patents merits serious consideration. A patent that can be used not only to protect your innovation but also to control the competitive landscape is an invaluable asset for an early-stage company.

We are certainly not advocating that early-stage companies should be filing for patents on day one. That being said, it is important for early-stage companies to be conscious of common pitfalls along the way. Here are a few mistakes we often see early-stage companies make and how to avoid them:

- **Mistake**: Rushing ideas to market or before an audience without adequate patent protection is by far the most fatal move. Often, early-stage companies are eager to commercialize or otherwise publicly disclose their products/services, but they overlook how to protect the underlying innovation enabling those products/services until it is too late. In the absence of patent protection, these types of actions almost certainly result in loss of international patent rights. Additionally, if more than one year passes from the date of these actions, U.S. patent rights are lost as well. Unfortunately, this mistake is made all too often by early-stage companies, particularly during development of their foundational intellectual property, but it is easily avoidable.
    - **Solution**: Assess the viability of your invention with a qualified patent practitioner early in the development life cycle, and file a patent application prior to commercialization or public disclosure. Although the U.S. provides a one-year grace period, you can't rely on it if there is interest in extending protection beyond U.S. jurisdictions. Additionally, since the U.S. is now a "first to file" patent system, the one-year grace period provides less in the way of protection than it used to. The race to file first is paramount – if another files before you do, you may be out of luck! In circumstances where filing is not a feasible option, at a minimum, measures should be taken for a disclosure to be made in confidentiality until you can file.
- **Mistake**: Being seduced by the attractive benefits of a provisional patent application but lacking the discipline to provide the detail needed to leverage its benefits is detrimental to your company's

patent health. There are valid reasons why an early-stage company may opt for initially filing a provisional application – for example, to assess commercial viability, to establish a form of patent protection in advance of a public disclosure, to secure an early filing date, or simply because financial resources are limited. However, because a provisional application has fewer formal requirements and provides benefits at a lower cost, it can be a trap for the unwary.

  - **Solution**: In order to benefit from the earlier filing date of a provisional application, you must file a non-provisional application (i.e., the application that gets examined by the patent office) within one year of filing the provisional application. However, to avoid jeopardizing the benefit of that earlier filing date, the claims pursued in your non-provisional application must be fully supported by the disclosure provided in your provisional application. Accordingly, be prepared to invest the time needed to detail the know-how of your invention when preparing the provisional application. Otherwise, it will provide little to no value and you will have potentially lost a year in the race to file first.

- **Mistake**: Seeking patent protection for an invention but failing to take into consideration how to leverage that protection in the context of your business is a serious flaw in patent strategy. Although a patent will certainly be directed at the invention that merited its filing, often little thought is given to how a patent can provide expanded protections. A sound patent strategy is aligned with business goals and should take into consideration development efforts before, during, and after a patent is secured. Otherwise, you could be basing the future of your business on products/services that are no longer fully protected.

  - **Solution**: Detailing an invention is necessary when preparing a patent application, but a good application will go further – it will include a description of various embodiments that cover practiced, nonpracticed and envisioned implementations of the invention. When preparing an application, include a robust specification with a focus on anticipating a competitive design-around and the natural evolution of your products/services. It can be difficult to anticipate every possible scenario at the time of preparing an application, but giving careful thought to alternate embodiments can expand the scope and effective life of your patent. In addition, product development efforts should be periodically assessed to determine whether your patent portfolio provides adequate protections. If not, consider updating your portfolio with new filings to ensure that the protections necessary for maintaining a competitive advantage are in place.

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