

Investors Favour Start-ups with Patents



A Start-up does not only live off innovative ideas and hard-working founders - it also needs capital. Often founders can source seed capital from their personal networks. Sooner or later though, the start-up needs to attract new investors. Winning them can be a difficult task. Tailor-made patents can be crucial.

After his PhD dissertation, Andrea B. founds a start-up. He wants to use his scientific insights to bring a new sensor to market.

From the get-go, he is fully occupied with building a prototype, expanding his network of potential clients in the industry, evaluating suppliers and developing software. He postpones anything he doesn't deem critically important.

Andrea's sensor is a success, impressing everyone he shows its capabilities to. With such results, surely it can't be too hard to find venture capital? And capital is sorely needed at this point. Building pre-series, setting up serial production and marketing efforts are an enormous money drain.

In conversations, investors quickly tend to ask whether Andrea's start-up has patented the sensor. Awkward moments ensue because he had not seriously considered this question thus far and cannot give a good answer.

He realises he's getting stuck and approaches a patent attorney. What can he and what should he patent? What is the process like and what does it cost? How exactly should he proceed? The attorney takes his time to carefully analyse the situation with Andrea. After two months of collaboration, Andrea walks out with the answers he needs for the investors.

He can offer the investors more security with a newly filed patent application. On top of that, his tailor-made patent roadmap includes both a schedule and a cost plan.

Foto: Peter Müller

«Inventing an aircraft is nothing. Building it is a start. Flying is everything.»
- Ferdinand Ferber (1862 - 1909), French military officer and aviation pioneer

What kind of patents should a start-up get?

A start-up should focus on protecting the unique benefits that its innovation offers to clients.

Suppose Andrea B. implements a novel chemical process for detecting gases in his sensor. If he takes a closer look at the customer's perspective, he can improve the protection strategy. For instance, suppose the benefit to the clients is that the sensor is more compact and reliable compared to similar products, and can therefore be built into devices into which such sensors usually would not fit. Then Andrea could extend patent protection to products with this new functionality, e.g. a wristwatch with a warning system that detects toxic odourless gases.

Apart from the customer's, Andrea should also step into the shoes of suppliers and competitors. How could they try to circumvent the patent? For instance, if various businesses, in decentralized fashion, manufacture the components which the customer then assembles to form the actual product, Andrea should make sure the components are also protected by patents.

The more comprehensively a start-up knows those different perspectives, the stronger its patents become.

Make sure your patent is comprehensive - and it covers for the long run. Build the added value for the customer into the patent.

When should a start-up think about patents?

A start-up must file new ideas for patenting before presenting them to the world, irrespective of the particular circumstances.

Novelty is a non-negotiable prerequisite for patenting an invention. The invention may not reach the public before it is filed. Presenting it at an industry fair prior to the patent application would obviously be disastrous. But even simply talking openly to potential clients can be problematic.

This legal hurdle is particularly cumbersome to start-ups. Whether or not potential clients are interested in the product is something a start-up needs to know as soon as possible.

Non-disclosure agreements come to the rescue here. An invention that has been discussed with external partners under such an agreement retains its novelty in the legal sense.

Make sure your invention is kept under a tight lid until the patent application is filed.

Who should file the patent?

A start-up should go do patent protection on its own and file itself as the applicant.

Cooperation partners often offer to take care of patenting to ease the heavy financial burden that a patent application introduces. As tempting as this offer may be, it should be declined. It is of critical interest to a start-up to maintain the highest possible degree of control over its own industrial property. This can only be achieved if it is the sole applicant.

If not only founders or employees of the start-up, but also external engineers, are involved, the invention may not fully belong to the start-up.

In such cases, the start-up may try to acquire the rights from the external engineer, though sometimes it may lack the financial means to buy out the third party's share. One solution is to compensate said party with royalty payments that are due only after the product's launch.

As a start-up, take the driver seat and make patenting your own responsibility. Don't delegate the patent issue to an external partner to save money.

How should a start-up go about patenting?

A start-up should choose an application strategy that leaves open as many options as possible and that defers costs as much as possible.

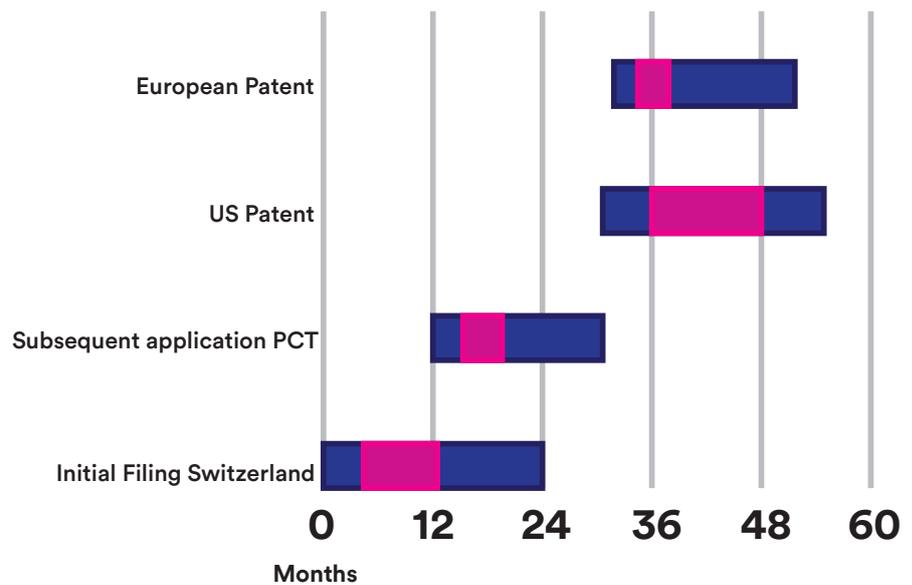
A patent specification formulated with care and a long-sighted perspective lays the groundwork for a great patent. Any acts of negligence committed in this early phase may never be corrected. Patent law does not allow the applicant to correct or amend the contents of the documentation after filing. One of the first major steps in the application strategy is therefore to produce patent documents that are comprehensive and that include a wealth of variants of the original idea. The formal procedure of first filing is comparatively straightforward. Usually, the start-up will file the application in the country in which it is headquartered. This sets the patent's priority date. Based on the first filing, patent protection can later be fanned out to any other country. While first filing is a really short process, the inverse is true for the journey towards having the patent granted in the various countries. A patent specification may be prepared and filed within a few weeks; the grant procedure usually takes multiple years. This surprises many and may seem discouraging. In actuality though, the long wait is advantageous for a start-up:

First off, it means the high total cost of the patent does not have to be paid right away. It is distributed over the years.

Additionally, a start-up will frequently find itself at a strategic crossroads. Usually, the number of available options is reduced.

Lastly, the start-up may adjust the claims of the patent during the examination proceedings and can direct the patent's focus to areas that have proven to be important in the meantime. With the assistance of a patent attorney, the start-up can create a patent road map: When should additional applications for improvements be filed? When do we have to decide in which additional countries the patent should be filed? How strongly should we push back against the examiner's objections during the proceedings?

Patenting Timeline

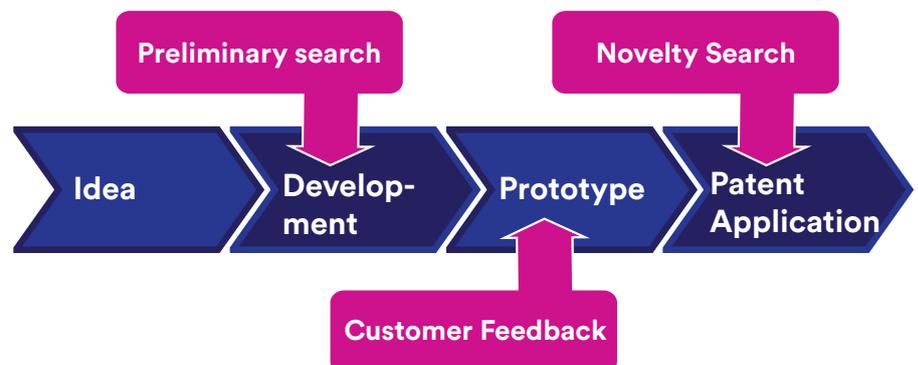


Horizontal: Time in Months

Bar length: average duration of proceedings

Pink section: patent office searches prior art

Application procedure



Preparing the patent application: If no extraordinary time constraints are present and NDAs are used, the process looks as pictured above.



Get the answers from us

Who owns the invention and who may use it?

If multiple individuals are involved in the generation of an invention, multiple answers are possible depending on the circumstances.

- If the individuals are tied in on a contractual basis, we examine the contract and tell you whom the IP belongs to.
- If the individuals have an unregistered partnership through which they collaborate, we propose a patent license agreement to you such that everyone's rights and obligations are clearly assigned.
- If you would like external parties to participate in the invention's financial success, we will prepare a license agreement for you.
- If you would like to discuss your invention with others before a patent application is filed, we can provide you with general NDA templates or draw up a more specific agreement.

How do I get a strong patent?

The strength and value of a patent depends on many factors. We can help you attain a solid patent in various ways:

- Together with the professional patent researchers at our partners, IP Integrate, we conduct novelty searches that reveal the patentable core of your innovation. This allows us to focus the patent specification around what really matters.
- We collaborate with you on the definitional structure of the patent application to implement the broadest possible protection for your invention.
- We formulate an individualized patenting strategy that details how you can optimally adjust the cost/benefit ratio of your patenting efforts.
- If required, we draw up a patent specification that includes many options and variants.



Werner Roshardt:

Over the 33 years I spent in my profession I have encountered all kinds of different start-ups. I never cease to be impressed by the ideas that creative minds produce. Equally astonishing is just how many of the seemingly ingenious ideas are already present in some form in the patent literature. I always tell businesses: "Obviously the idea is good; someone else already thought of it. Now let's see where the previous inventor failed. Because if his breakthrough had been successful, we'd see the product on the market today!". I think it's a shame when start-ups, unaware of patent law, publicise their inventions and thus completely lock themselves out of broad patent protection.

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