

# How to Avoid Common IP Mistakes Made by Early-Stage Companies—Part 1: Trademarks

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*This is the first 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.*

The work and planning necessary to successfully launch a new company and product are prodigious. Yet with all the financial plans, marketing strategies, and product development that are used, entrepreneurs, developers, and investors often skip what is one of the most important steps: protecting the company's valued assets through the proper application of intellectual property.

In our Tech Group at Lowenstein Sandler, we sit at the intersection of, on the one hand, venture and private equity investments and large and small M&A deals, and, on the other hand, the intellectual property issues facing early-stage and growth companies. It is there that we see the traps for the unwary in new company and product launches. It is often the intellectual property issues that slow down the deals, because the proper steps were not considered and/or implemented early in the project life cycle.

In this series, we present a list of mistakes that we see every day, and some proposed solutions. It is by no means exhaustive, but it is a starting point to raise some issues you may not have considered. We start with trademarks, but intend to address patents, trade secrets, copyrights, data, and open source issues in the future.

## Trademarks

Too often, companies are started or new products are launched without proper clearing of the name for use and registration as a trademark with the United

States Patent and Trademark Office (USPTO). This step isn't a requirement, but it is a wise investment in order to avoid the potential need to change names later. Three common missteps, as well as solutions to avoid these missteps, are below.

- **Mistake:** Branding a company or a product with a name that is so similar (even unintentionally) to an existing company's trademark or product name that consumers could be confused. This can lead to a claim of trademark infringement from the existing company or product manufacturer and an invitation to a lawsuit that could result in an injunction against the use of the name.
- **Solution:** A trademark search should be conducted prior to branding or product launch to determine whether any registered trademarks that are the same or similar already exist which could prohibit the use or registration of your new trademark. Levels of searching can vary, but at a minimum, a search should be done in the trademark database of the USPTO. More comprehensive searching, for instance in state trademark registers and common law sources for trademarks, will uncover unregistered marks that still may prevent a trademark owner from utilizing the mark in specific geographic areas. When the search returns no same or similar trademarks, an application to register your new trademark can be filed with the USPTO. Searching and filing can cost a few thousand dollars early in the project life cycle, but should save lots of time and money down the road.

- **Mistake:** People believe that if they file an application to register their new trademark, they get the corresponding domain name with that trademark, and that similarly, if they register the domain name, they get the trademark. Unfortunately, neither statement is necessarily true.
- **Solution:** A trademark search should also include domain names to determine whether the corresponding domain name is available. Skipping this step can lead to the costly error of investing time and effort in a new product name only to realize the corresponding domain name is unavailable or prohibitively expensive, or to spending big dollars to purchase a domain name only to later find the corresponding trademark rights are not clear for use or registration. Fortunately, the options for available domain names have expanded in recent years as more top-level domains (the wording to the right of the dot) beyond .com have launched.
- **Mistake:** Branding a company or a product with a name to highlight its qualities or just describe the product may make it easy for consumers to remember. But if that name is generic or just describes the product, the USPTO will not permit registration of that trademark, and trying to get others not to use a same or similar mark can be impossible.
- **Solution:** A protectable name should be chosen at the outset. A protectable and registrable (assuming nothing the same or similar already exists) name may be suggestive of the product's qualities, or even an arbitrary or coined name – think Amazon or the name of any pharmaceutical – can work well. These types of names bring value to the company because they can be protected and registered.

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