The Importance of Patents:

It Pays to Know Patent Rules

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STARTING UP:
Practical Advice for Entrepreneurs

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The Importance of Patents: It Pays to Know Patent Rules

A patent is an exclusive right granted by a country to an inventor, allowing the inventor to exclude others from making, using or selling his or her invention in that country during the life of the patent. It does NOT give the inventor the right to use or "practice" the invention, and thus the right is subject to any prior rights that others may have to related inventions. So for example, if you have a patent on a “vessel to hold coffee” and I have a patent on a “handle for a vessel”, then I can prevent you from putting a handle on a coffee cup and you can prevent me from attaching a cup to my handle.

A patent is issued to the individual inventor and not to a company, although it is typical practice to have employees assign inventions to their employer. Patent protection is available for any product, process or design that meets certain requirements of novelty, nonobviousness and utility. For most categories of inventions, patent protection in the United States lasts for 20 years from the date the patent is filed (under prior law it was 17 years from the date the patent issued).

In the United States, a patent application must be filed with the Patent & Trademark Office (www.uspto.gov) no later than one year after a description of the invention is published or publicly disclosed or the invention is first put on sale or made available for commercial use. In general, disclosure under a signed confidentiality agreement is not deemed to be "public disclosure."

Because of this one-year rule, it is possible to test market the invention before having to decide to invest in a patent filing. However, in most foreign countries patent protection is not available for inventions that are publicly disclosed prior to the filing of a patent application. In addition, in foreign countries, the "first to file" a patent will prevail in a dispute among inventors, whereas in the United States the "first to invent" wins--if the patent application is filed within the one year period. Under international treaties, a patent filing in the United States is deemed to be a filing for foreign purposes as of the date of the domestic filing. As a result, a safe approach is to file in the United States before publicly disclosing the invention. By using this approach, you'll preserve your ability to obtain a foreign patent; however, in order to obtain the foreign patent, you'll still have to make a foreign filing within one year of the U.S. filing.

Although foreign patent filings may be made individually in each foreign country, they are usually made under one of two international treaties: the Patent Cooperation Treaty or the European Patent Convention. Filing under these treaty provisions can preserve your rights and limit the upfront filing fees required. However, eventually you will have to pay the patent filing fees in each country in which you want to obtain a patent.

Unfortunately, patent applications aren't published or made available by the U.S. Patent and Trademark Office until at least 18 months after filing. As a result, there is no direct way of knowing what patents your competitors may be in the process of obtaining.

Obtaining a patent in the United States usually takes 18 to 24 months and can be expensive, depending on how well the inventor does in describing the invention in writing. Plan on budgeting between $10K and $25K for obtaining a patent in the U.S.- maintenance fees and foreign filing fees are extra. A 2002 report from the General Accounting Office has estimated that the cost for a small company to obtain and maintain a patent in 10 industrial nations ranges from $160,000 to $330,000.

If you are early on in a venture and don't have funds to spare, you might consider the low cost "provisional patent" process, which allows you to file a description of your invention with the USPTO, thereby obtaining an early filing date- you will have to file your full patent application within one year. The provisional application does not have to contain claims and does not have to meet all of the formalities of required of a full application.

Search out a patent lawyer who specializes in "prosecuting" (i.e. obtaining) patents in the technical area that the invention covers. Although a good patent lawyer will understand the patent prosecution process, a patent lawyer who works in a particular technology area can add immense value by writing the patent claims to anticipate developments in the technology field. Ask your general business lawyer for references to patent specialists. Also, university technology licensing offices are also a good source for references to patent lawyer specializing in your technology field.

Twenty years ago patents weren't very valuable in the sense that they were not upheld in court that often. Today as a result of changes in the patent laws, inventors are more often prevailing in multi-million dollar lawsuits. For example, the holder of a patent on the bar code process has reportedly received over $450 million in royalties and judgments.

Be aware that triple damages can be obtained in "willful infringement cases". Obtaining a written "noninfringement" opinion from an independent patent lawyer before you introduce a product will help overcome a "willful infringement" claim.

Many companies view a patent portfolio as essential, even if they don't plan a vigorous program of enforcement litigation. They believe that having a portfolio of patents allows them to settle infringement claims against them by "cross licensing" patents with the other side.

Summary.

More and more, obtaining and protecting intellectual property rights is becoming a strategic necessity for businesses.

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