

Presented by
Kevin E. Flynn
Patent Attorney
The Eclipse Group LLP

Protecting Your Competitive Edge

2007 SBIR National Conference -- RTP, North Carolina

Roadmap

- What is a competitive edge?
- Why protect the competitive edge?
- Differences Design Patent/Utility Patent
- Difference patentability/patent clearance
- Need for Patents Outside US
- Timing for US and non-US Patent Apps.
- Time Permitting – Bonus material on
Other forms of IP Protection
 - copyrights
 - trade secrets
 - trademarks

Objectives

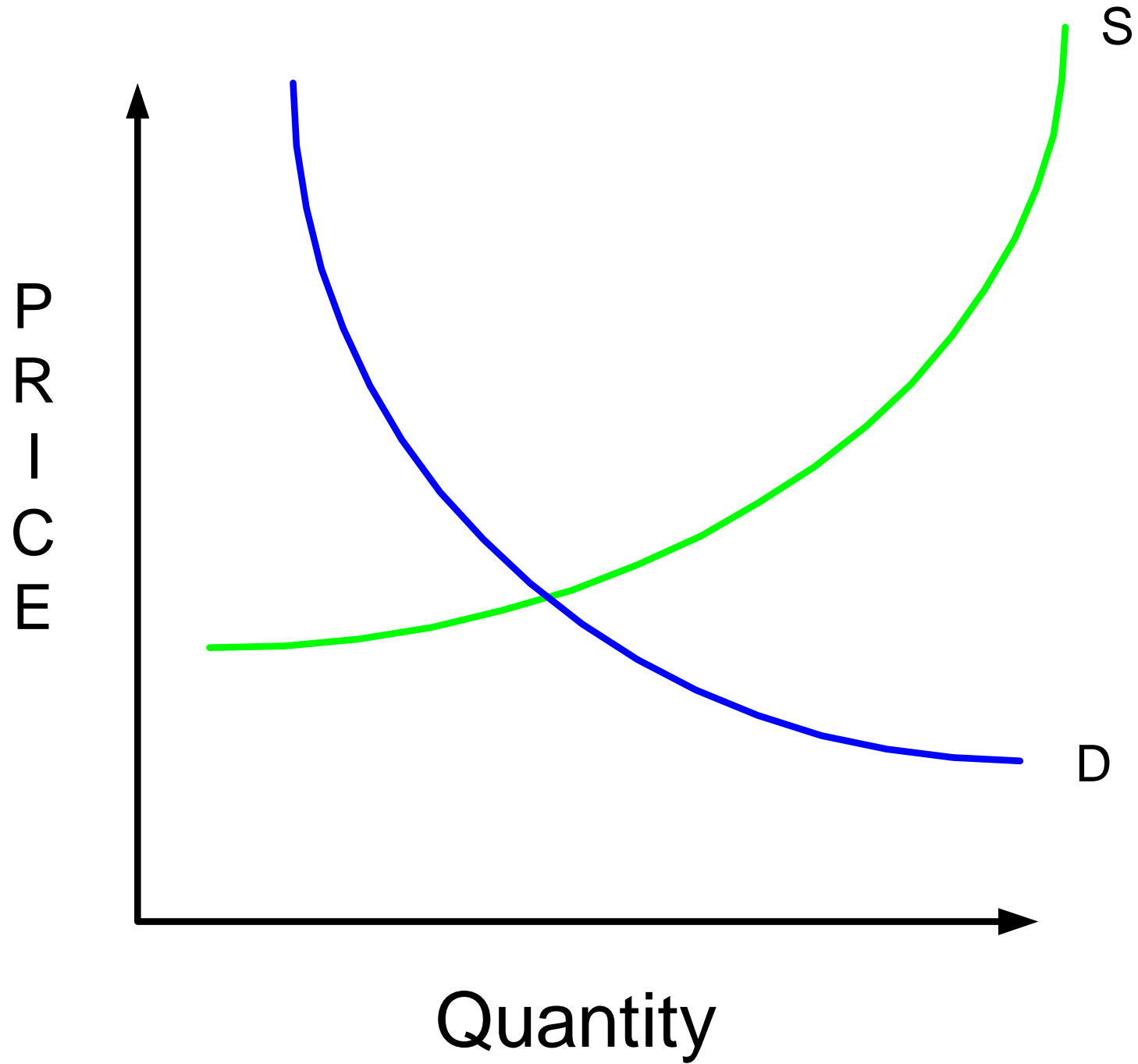
- I am ***not*** going to make you into an IP attorney in 20 minutes.
- I do hope to give you some insights so that you will have a better understanding of why and perhaps as importantly when to contact an IP attorney.
- With this appreciation, you will be eager to absorb the specific SBIR rules so that you preserve your options for patent rights.

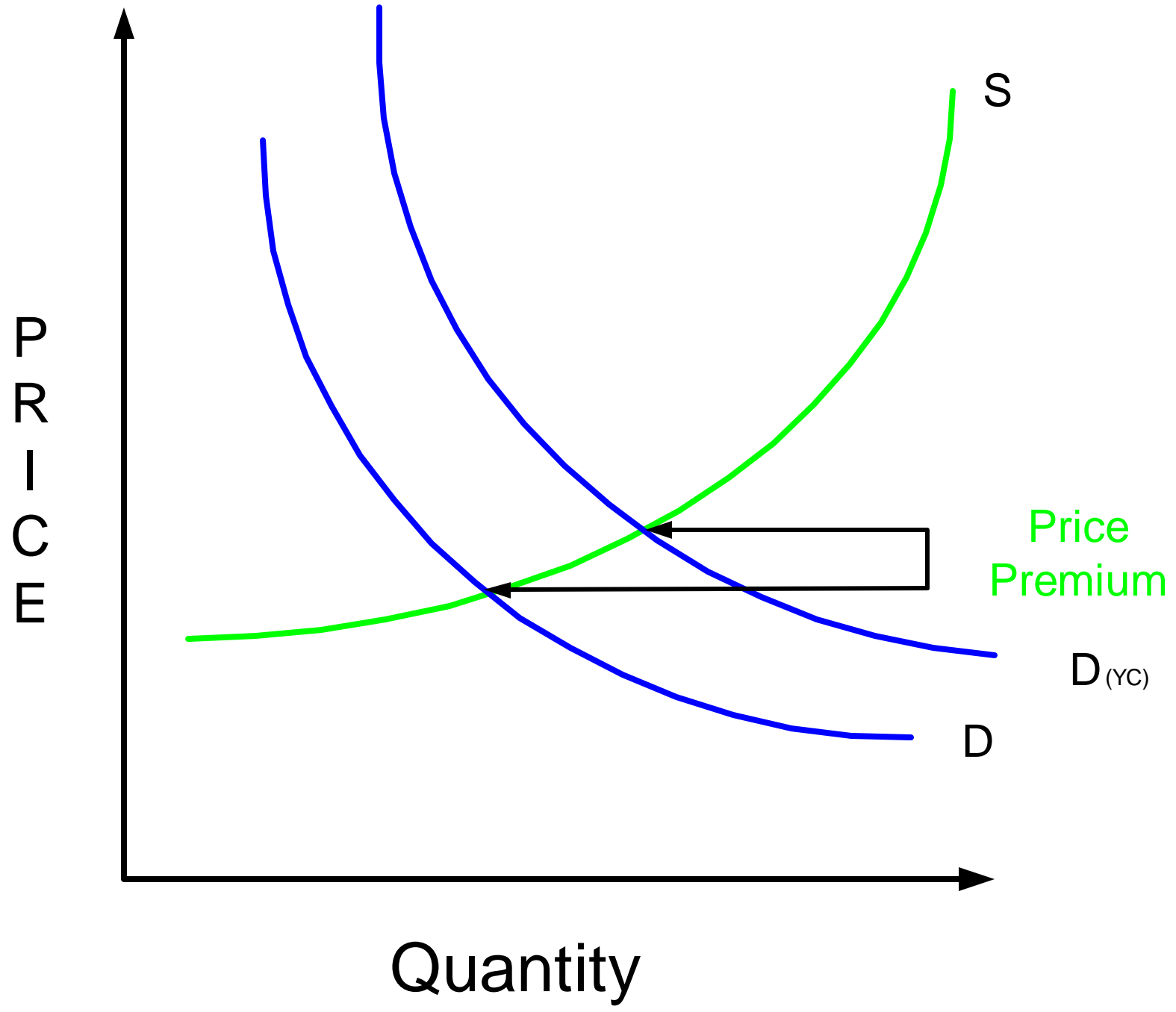
Objectives

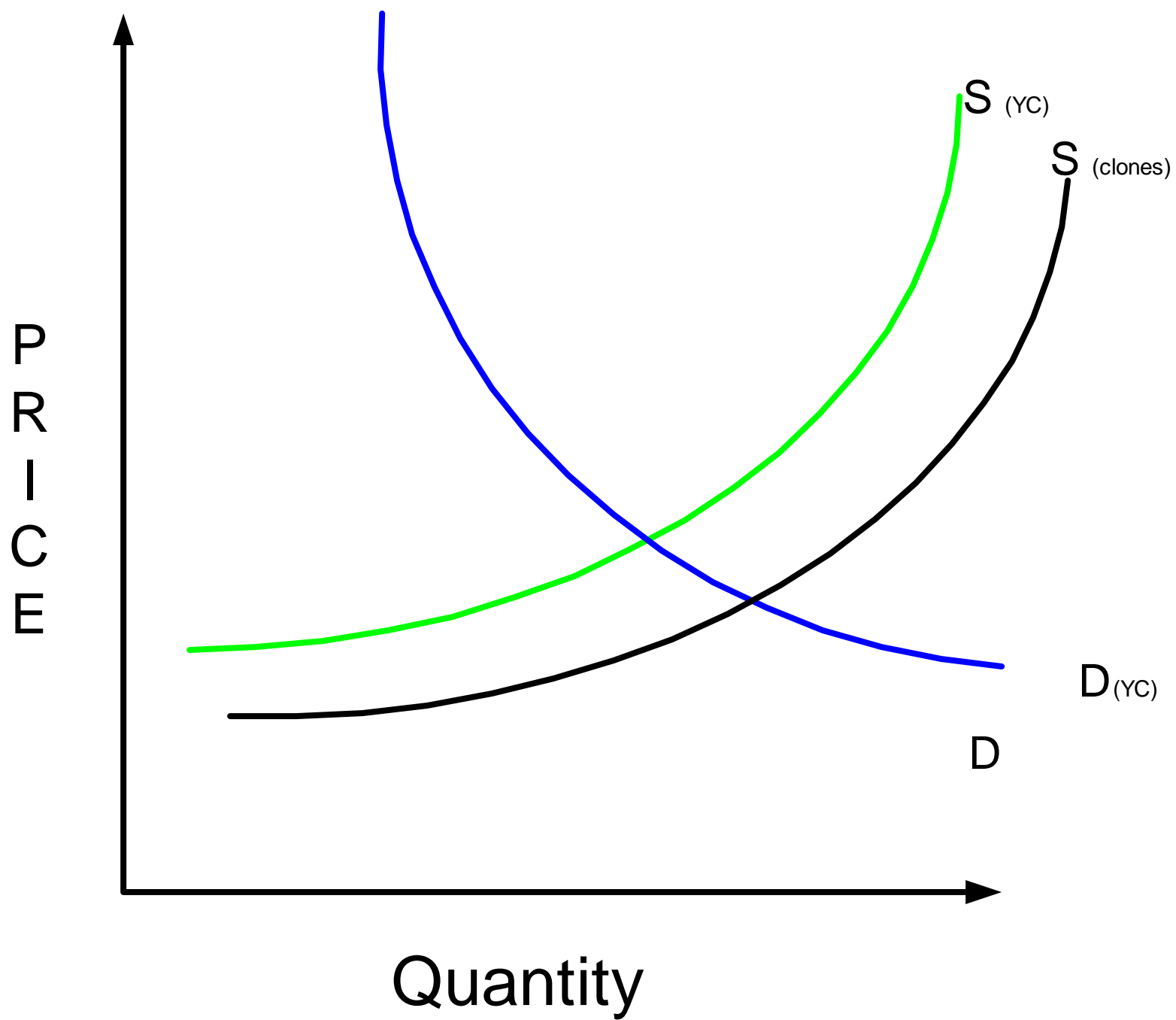
- I am not going to make you into an IP attorney in 20 minutes.
- I do hope to give you some insights,
and a better understanding of why and perhaps as importantly when to contact an IP attorney.
- With this appreciation, you will be eager to absorb the specific SBIR rules so that you preserve your options for patent rights.

Objectives

- I am not going to make you into an IP attorney in 20 minutes.
- I do hope to give you some insights so that you will have a better understanding of why and perhaps as importantly when to contact an IP attorney.
- **With this appreciation, you will be eager to absorb the specific SBIR rules so that you preserve your options for patent rights.**







Impact of Clones

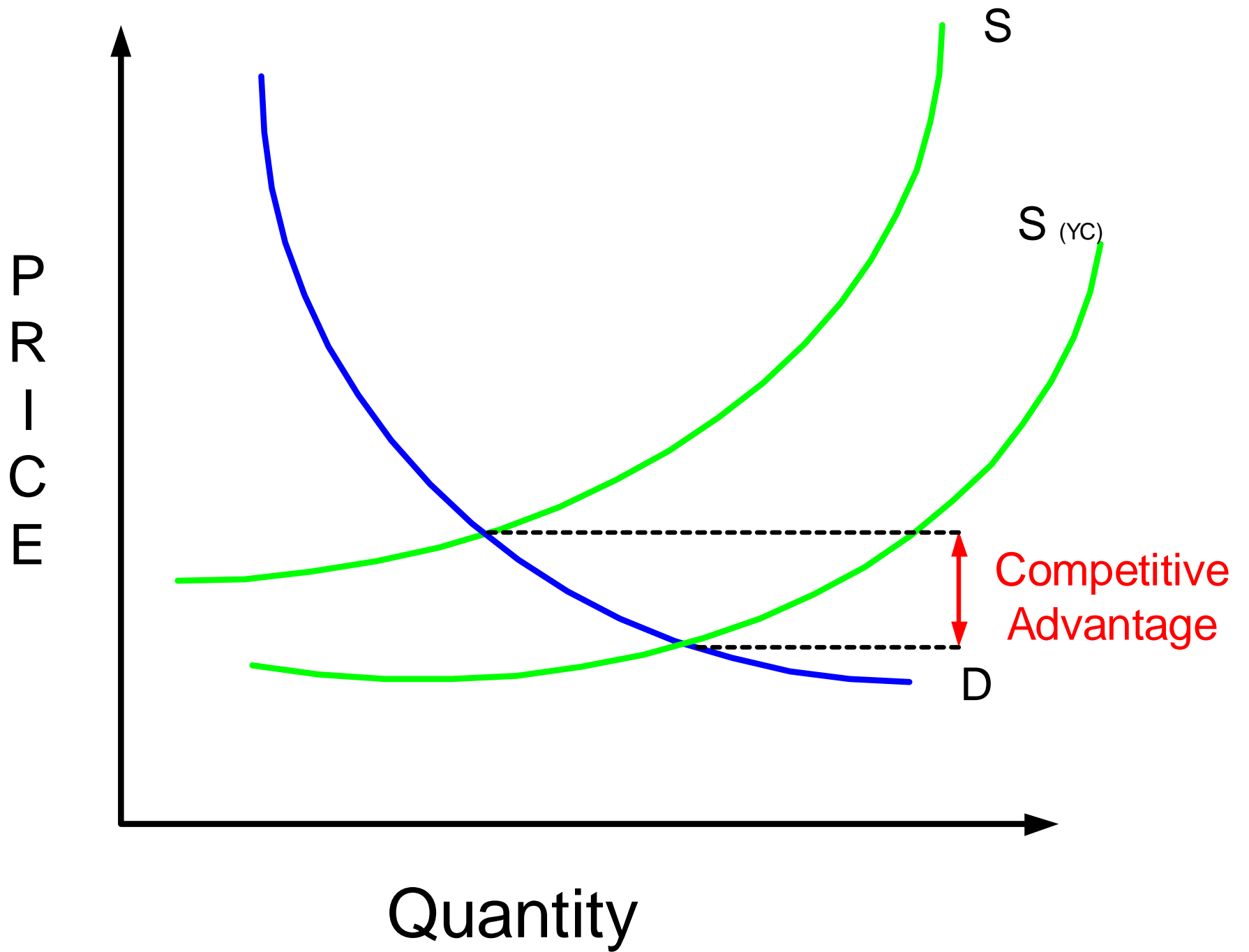
- Come into market that you created for your premium good.
- Clones took no risk, very little R&D, as they duplicated your success.
- Thus, they have lower overhead and thus a reduced cost supply curve.
- They erode your profitability as they decrease your price premium but not your costs.

Way to ward off Clones

- Identify your competitive edge
- Protect your competitive edge
- With protection of your competitive edge, clones can not create an exact substitute for your premium product.

Competitive Edge

- **Goodwill**
 - Reputation based upon advertising investment, known for quality, or customer service
 - Consider TM, Design Patents, Protect variants of Internet Domain Name, Protect Training Manuals
- **Better Product**
 - Special Features
 - Faster, smaller, longer battery life...
 - Consider Patents, Computer Copyrights, Trade Secrets...



Cost Cutting as Competitive Edge

- Cost cutting may result in increased in:
 - Margin
 - Volume/market share
 - Combination of both.
- Increased yield/decreased scrap or rework
- Streamlined process
- Substituted less expensive components
- If a non-obvious process tweak, these changes (competitive edges) could be protected by patents, trade secrets, and copyrights on internal documents.

Your Job

- Recognize the innovations that are part of your current or future competitive edge.
- Maintain contact with an IP attorney as part of your business process
- Protect the competitive edge
(where possible in cost effective way)

Job of IP Attorney

- Work with you to pick items to be protected
- Tailor appropriate forms of protection
- Devise strategy to optimize protection
- Determine deadlines for action under the various applicable laws.
- Coordinate work of third parties including foreign patent firms and search services.

Patents are Everywhere

- In 2006 the USPTO Granted
 - More than 176K new utility patents
 - Almost 21K Design Patents
- Patents can cover
“anything under the sun made by man”
- Likely that your competitors have patents.

http://patft.uspto.gov/netahtml/PTO/ search-bool.html

US Patent Full-Text Database Boolean Search -

File Edit View Favorites Tools Help

Back Search Favorites

Address <http://patft.uspto.gov/netahtml/PTO/search-bool.html> Go

USPTO PATENT FULL-TEXT AND IMAGE DATABASE

[Home](#) [Quick](#) [Advanced](#) [Pat Num](#) [Help](#)
[View Cart](#)

Data current through April 17, 2007.

Query [\[Help\]](#)

Term 1: in Field 1:

Term 2: in Field 2:

Select years [\[Help\]](#)

Patents from 1790 through 1975 are searchable only by Issue Date, Patent Number, and Current US Classification.
When searching for specific numbers in the Patent Number field, patent numbers must be seven characters in length, excluding commas, which are optional.

Design Patents

- Cover the ORNAMENTAL aspects of the product.
- These are the places where you had options in how the product looks
 - without major impacts on functionality.
- Prevents clones from making a look-alike product to siphon off your customers.
- Range of products goes from Oakley sunglasses to the grill of a new car to products that are sold B to B.
- Cheap to get but relatively thin protection.
- Truly an anti-clone tool.

Utility Patents

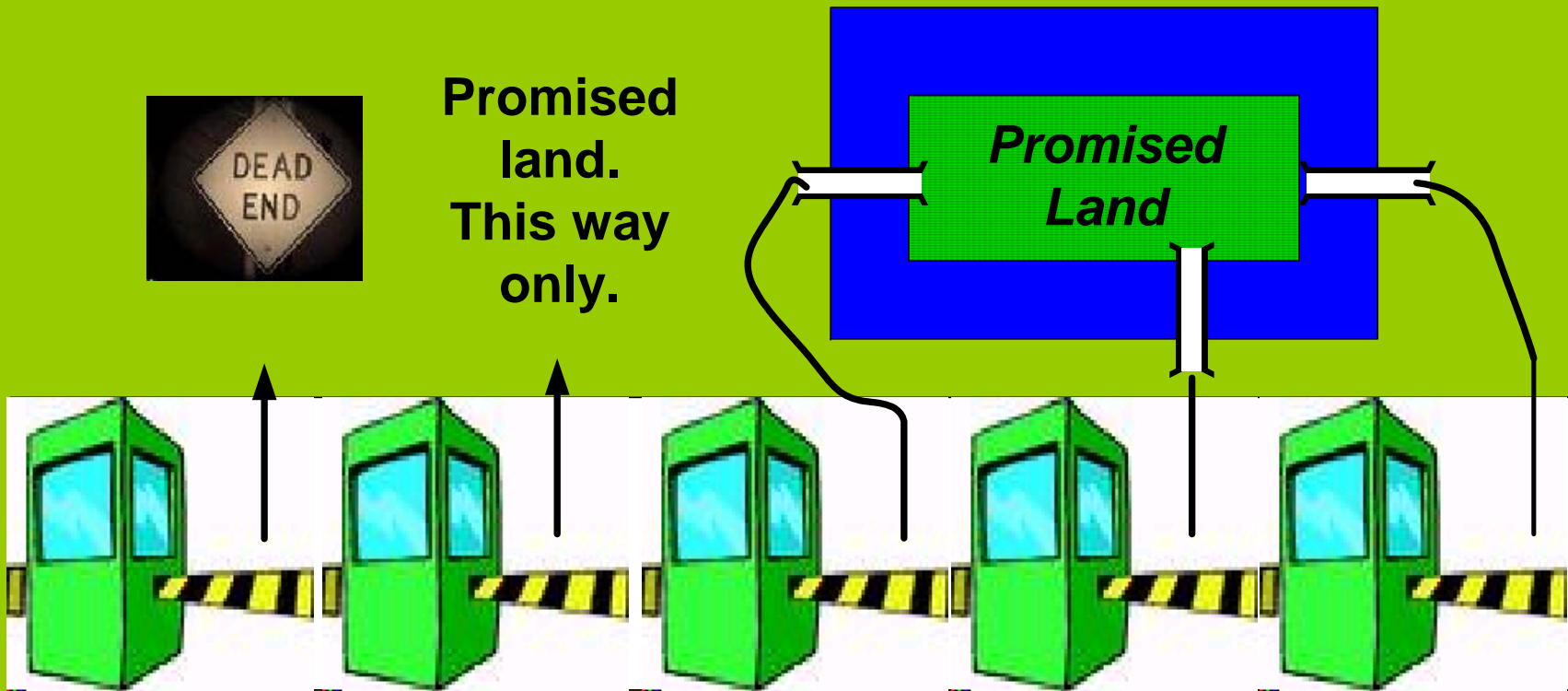
- The main form of patents.
- Need to have idea that is novel and non-obvious to one of ordinary skill in the art.
- Must teach the best way you know to make and use the invention.
- Time consuming process for you and patent attorney.
- \$\$\$ Expensive.

But what is a patent good for?

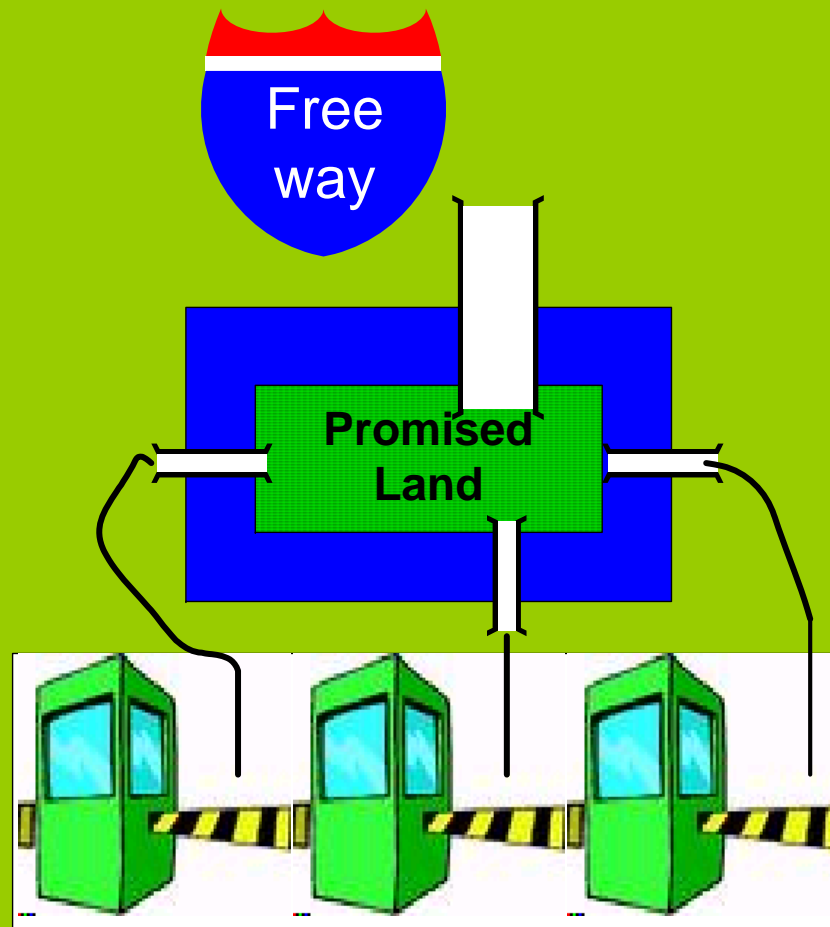
- An issued patent has patent claims.
- The claims serve as “tollgates”
- No one can pass through the tollgate without your permission



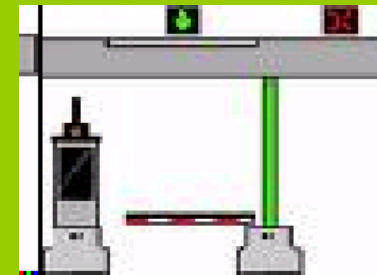
Tollgates that control critical roads are worth more than other tollgates



Value goes down if a Freeway goes to the Promised Land



BTW—Getting a tollgate of your own does not mean you can drive through other tollgates at will.



But who can make what?

But who can make what?

- Betty cannot make Mountain Bikes as they are covered by Mary's patent.



- Betty can make her own simple Betty Bicycles.



But who can make what?

- Mary cannot make either the simple “Betty Bicycle” or a Mountain Bike as the simple Betty Bicycle patent covers both.
- Take home message...



But who can make what?

- Mary cannot make either the simple “Betty Bicycle” or a Mountain Bike as the simple Betty Bicycle patent covers both.
- Take home message...
 - Patents on fundamental invention can be most important.



Is Mary's Patent Worthless?

Is Mary's Patent Worthless?

- NO
- Mary will have commercially significant rights once Betty's Patent is gone.
 - (But only for a few years)
- Mary could try to invalidate the simple Betty Bicycle patent as an obvious improvement to the unicycle patent.
- MOST LIKELY -- Mary can seek cross license from Betty so that both can sell high margin Mountain Bikes, but Cindy cannot sell mountain bike clones.

US Patent Give US Rights

- Your tollgate works to prevent others from
 - Making
 - Using
 - Selling
 - Offering to Sell
 - Things covered by any of your patent claims...
 - Until the patent claim expires, lapses, or is invalidated...
 - But **Only** in the United States.

US Patent cannot be used...

- To stop a UK company from making products in the UK and shipping them to Canada...
 - you need a patent
 - in the UK or
 - in Canada.

Timing for Patent Process is Driven by Whether you want Foreign Patents.

- United States has time bar rules that apply one year after public use, disclosure, sale or detailed offer for sale. (many nuances)
- Many other countries require
 - **ABSOLUTE NOVELTY**
 - Must file a patent application somewhere before public use, delivery of goods, public disclosure. (Some actions don't trigger this).

Many companies seek to delay costs where they can.

- File Provisional Patent Application to get low cost entry into the system and protect Absolute Novelty while sorting out if idea if valuable.
 - (Many companies skip this step).
- File US Utility Patent Application.
- File PCT Application to delay filing in individual countries.
- 30 months or so after first filing, enter national stage in various countries (may require translations)
- Delay start of substantive process in foreign countries.
 - Goal is to avoid spending money fighting in many places at once. Let foreign applications sit until you have your US claims worked out.

More Details on Provisionals

- Allows an existing document to be used as at least part of the patent application
 - IF AND ONLY IF
 - It is adequate to teach one of skill in the art the best way you know to make and use your invention.
 - A provisional patent is like loading a lifeboat with provisions for the desert island.
 - you will be disappointed if you are not careful to load it up when you can.

More Details on Provisionals II

- Provisional must be replaced by a real patent within 12 months or it lapses.
- Provisional does not count against your 20 year term.
- Cost for provisional depends on what you have as a starting document and how close you want the provisional to be to a real patent.
- Cost can range from very little to file an existing document to full price of writing a real patent.
- Counts for preserving Absolute Novelty

More Details On Utility Patent

- Can file directly without a provisional.
- Very structured format,
 - element numbers on drawings,
 - claim drafting is the most expensive part.
- Limited Rights to Damages after Application is Published
- Cost to prepare a utility patent application vary but is often on order of magnitude of 8-15K as the process is time intensive.
- There are also filing fees and more costs downstream as the PTO typically rejects the initial application and causes the need for an Office Action Response.
- Eventually, there are issue fees. Then Maintenance fees must be paid periodically to keep patent in force.
- Full term is usually 20 years from earliest filing
 - (there are exceptions)

More Details on PCT

- A front end for most patent systems in the world (not all).
- Typically filed just shy of 12 months of first US filing instead of entering national stage application at that time.
- May file essentially the same application as filed in the US (and in English).
- Get limited searches of prior art by PCT examiners.
- Delay major costs for entry into foreign countries (including translations) an extra 18 months. (Month 30 instead of month 12).

More Details on Foreign Prosecution

- Process varies from country to country.
- Your Patent Attorney relies on foreign firms for their expertise.
- Many countries allow the substantive examination to be delayed for several years so that you can focus on US case before spending more money overseas.

European Patent Office

- Many companies file one EPO patent application in English and battle to get those claims allowed.
- Once the EPO patent is allowed, you then have the very large expense of translating the patent into the languages for the European countries where you wish to obtain legal protection of these allowed claims.
- Like PCT, this is an effective way of delaying costs (in the end, if you proceed, the translation costs are still there).
- Likely to reduce the overall costs by having only one set of arguments in English with the EPO

Questions???

- Questions of General Interest are welcome now.
- Questions that are fact specific and not of general interest are best handled after the presentation.
- If you cannot ask your question today, you can contact me
 - Kef@eclipsegrp.com or
 - 919-313-6162

Bonus Material

- Other forms of IP protection

Patents are Only Part of the Answer

- Copyrights are an important tool.
- Quick to get, and less expensive too.
- Can copyright various generations of computer software or training manuals.
- Federally Registered Copyright is an upgraded form of copyright and gives additional legal punch to your rights.

Don't choose between Patents or Copyrights **Use both**

- Copyright violation requires that someone “**copy**” the protectable expression in your work.
- Copyrights don't cover ideas,
 - they protect expressions of ideas.
- Patents cover ideas and are effective against “innocent infringers”.
- Necessity is the Mother of Invention
 - But she can have more than one child.
- Copyright the castle and patent the brick.

Patents Expire on a clock – Trade Secrets don't

- If it would be possible to keep it as a secret, consider a trade secret.
 - Formula for Pepsi.
- However, you run the risk that your competitor may later “invent” your process and obtain a patent.
- Your company has limited protection against this sort of patent through **35 USC 373**
 - But only for METHOD claims.

Trademarks

- Critical to protecting your goodwill
- Federal Registration helps when selling goods across the country.
- May need foreign trademarks too.
- A strong trademark helps customers remember who you are and come to you for sales.
- Must police the trademark.

Trademarks II

- A trademark is an adjective and not a noun.
 - Buy Kodak® film
 - Buy Minute Maid® orange juice.
- Asking for trouble if you use a trademark as a noun.
 - kleenex, coke, ping pong ball, xerox, or rollerblades.
- Nouns get put in the public domain for all to use.
- Do not use your intended trademark as a noun in patent applications or SBIR proposals.

Questions???

- Questions of General Interest are welcome now.
- Questions that are fact specific and not of general interest are best handled after the presentation.
- If you cannot ask your question today, you can contact me
 - Kef@eclipsegrp.com or
 - 919-313-6162

Background of Speaker

- Kevin E. Flynn is a hybrid -- part engineer, part lawyer, part advocate, and part coach. He uses all these skills to be a patent attorney. Initially trained in both Biomedical Engineering and Mechanical Engineering, he later obtained a Masters Degree in Industrial & Systems Engineering. After working as an engineer and earning a Professional Engineering license from the State of North Carolina, he went back to school and earned his law degree with honors from Duke Law School. After a few years in patent litigation, including time spent with Fish & Neave in New York City, he moved to helping companies protect their ideas and avoid legal problems. In 2005, he joined The Eclipse Group, LLP, a national firm full of seasoned attorneys that specialize in intellectual property with an aim to provide exceptional results at reasonable rates.
- With a broad engineering background, Kevin works with companies with a range of technologies but his practice has an emphasis on medical device companies. He helps clients decide where to spend their money to get the most value while seeking patents in the United States and abroad. Then he works collaboratively with the clients to create patent applications that are part required technical disclosure and part sales pitch. In addition to helping companies obtain protection, he works with companies to help them avoid trouble with patents owned by competitors or trolls. After working at a firm that specialized in assisting start-up companies, Kevin is very comfortable working directly with CTOs and CEOs in companies that do not have in-house lawyers.
- Kevin is a frequent speaker and commentator on intellectual property issues, especially those issues of particular relevance to entrepreneurial companies. In 2004 and again in 2005, he was chosen by a poll of North Carolina attorneys as belonging to the legal Elite for the category of Intellectual Property/Patent attorneys. A thumbnail bio written in a more traditional format can be found at www.eclipsegrp.com.