WHAT IS A PATENT?

By Wendy Buskop

A patent is an asset • A patent is a marketing tool • A patent can be used to obtain licensing income • A patent can be used to protect market share

A patent gives a benefit to an inventor and a benefit to the public:

Twenty Year Monopoly from filing date for the Inventor

Once issued, and subject to the payment of government fees, a patent gives an inventor the right to exclude others from making, using or selling the patented invention for 20 years from the filing date.

Written Instructions for the Public

The patent gives the public a set of illustrated instructions that explain how the invention works. Anyone is free to use these teachings for inspiration and reference in making new contributions so long as the results do not infringe the patent while it is in force.

A Registered Patent excludes others from:

(1) Making the “claimed” invention, (2) Using the “claimed” invention, and/or (3) Selling the “claimed” invention

The patent monopoly is for the invention only as described in the “claim” section of the patent and interpreted under the legal theories known as the Doctrine of Estoppel and the Doctrine of Equivalents. The claims are important. Don’t let anyone mislead you into thinking otherwise! A patent does not grant an absolute right to make or sell the invention. Other impediments, such as someone else's patent that covers a key component of the invention, may stand in the way. Patents can be granted for improvements which, if practiced would infringe someone else’s patents.

What Is "Patentable"?

To be patentable, an invention must fall within at least one of the following categories: an article of manufacture (like a screwdriver); a machine (like a crane); a process (like a method to determine if oil is in a reservoir); a composition of matter (like an arthritis cream to place on your skin); an improvement of any of the above; an ornamental design of an article of manufacture (like a grating for an air-conditioning register); or an asexually reproduced plant.

Patentable inventions must be: new or novel (35 U.S.C. §101); useful (35 U.S.C. §101); and non-obvious (35 U.S.C. §103).

Abstract ideas and scientific principles cannot be patented. They must first be embodied in a device or process that falls into one of the above classes. Software can be patented if it can be described as an embodiment of such a device or process.

Business methods can be patented if they cause the business to run faster, better, cheaper, safer, more environmentally friendly or one of 10 other reasons that the United States government provides.

An invention is "novel” unless: it was first invented by someone else; it was described in a publication anywhere in the world more than one year before a patent application was filed; or it was put in public use or on sale in the United States more than one year before a patent application was filed.

An invention is "useful" if it accomplishes its intended purpose - that is, if it works. Most inventions (except perpetual motion machines) pass this test without difficulty.

An invention is "non-obvious" if the differences between the invention and the earlier work of others are such that the invention would not have been obvious to a person with ordinary skill in the art ("art" means the technology to which the invention relates).

Types of Patents? Utility, Design, Provisional, Plant

Utility Patents

Utility Applications can be for the invention of a new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof. A registered patent generally permits its owner to exclude others from making, using, or selling the invention for a period of up to twenty years from the patent application filing date, subject to the payment of maintenance fees. Approximately 90 percent of the patent documents issued by the USPTO in recent years have been utility patents, also referred to as "patents for invention."

A Utility Application that matures into a registered patent is a government grant of the right to exclude others from making, using, selling or importing a commercially useful, novel or non-obvious invention, granted to an owner in return for full public disclosure of the invention. The Utility Application must also be able to be disclosed to the public, but not disclosed earlier then the granting or publishing of the patent. Usually, the invention is a product, a formula or composition of matter, a process or method, software, a product made by a certain process, or a device.

To test for infringement, it is determined whether or not the patented invention, or its equivalent, is being made used, offered for sale or sold in the United States without the authority of the patent owner. It is also important to remember that the use or sale in the United States of an invention made outside the United States by a process already patented in the United States may be an infringement as well. 35 USC §271.

Design Patents

Design Patents are examined and issued as patents, however design patents expire after 14 years from the date of registration or issue. They are issued for a new, original, and ornamental design for an article of manufacture, it permits its owner to exclude others from making, using, or selling the design during the life of the registered patent. Additionally design patents are not subject to the payment of maintenance fees.

To qualify, the design must be new, original, and of an ornamental subject matter. Usually, it is the design of an article of manufacture, such as a doll, a watch face, or a bottle. An infringement would be a similar design (i.e., a similar watch face design).

Provisional

Provisional Patent Applications expire after 12 months. They can be used like regular patent applications for marketing, exploitation, licensing and asset valuation purposes, without the large expense of the utility filings. Before the 12 month period expires a provisional patent application must be filed as an utility filing, by, adding additional detail to create the utility application. If an applicant chooses not to file an utility application claiming priority to the provisional patent before the expiration of the provisional patent, they lose all of

their patent rights at the expiration of the provisional patent. At the time of the utility filing there will be additional fees for the drafting of the utility application and cost associated with filing the application with the government.

Plant

Plant Patents are issued for a new and distinct, invented or discovered asexually reproduced plant including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, it permits its owner to exclude others from making, using, or selling the plant for a period of up to twenty years from the date of patent application filing. Plant patents are not subject to the payment of maintenance fees.

Are Business Methods Patentable? Yes, They Are!

Several years ago, the United States Supreme Court changed the patent law dramatically. It was ruled that certain types of methods of doing business could now be patented.

1. METHOD MUST BE NEW

If the business method is NEW – has not been in use for more than one (1) year prior to the filing date. 35 USC §101.

2. METHOD MUST BE USEFUL

If the business method is USEFUL – it makes money, generates fees, has sales, increases access to business leads, and provides information that could not otherwise be accessed in the same way. 35 USC §101.

3. METHOD MUST BE NON-OBVIOUS

If the business method is NON-OBVIOUS – that is, it provides a special unexpected benefit, such as a method for leasing cargo space on vessels using an internet broker. 35 USC §103.

If your old business is now going on the Internet, you may be eligible for business method patent protection. If you have conceived a new way to sell an old product or service (even if it's not your products or services), you may be eligible to file a business method patent application.

Why File A Patent Application?

There are four (4) basic reasons:

1. Use the Patent Application as a Marketing Tool – Once filed, an applicant can assert they have patent rights pending. This statement can be put into marketing literature; used on signage at trade shows, promoted via press releases and even placed on business cards. Often it yields "free media ink."

2. Increase Company Asset Value by Having the Patent Application Valued – The applicant may want to improve the valuation of its company. Accountants can appraise patent applications and provide a value which can then be used to increase a company's valuation. Alternatively, an applicant may want to use the patent application as its contribution for a joint venture project, instead of cash, so that money does not have to be provided by the applicant to the joint venture.

3. Obtain Licensing Income by Licensing the Patent Application and Obtaining Additional Industrial Intelligence (from Licensees) – By licensing the patent application to others in a similar field, the owner of the technology not only can get revenue (typically $25,000 - $125,000 per year) but also can obtain marketing reports and other industrial intelligence on other market segments directly from a key player, the licensee. It should be noted that license fees usually cannot be more than 25 percent of the Net Sale value of the product or service.

4. Protect Market Share by Exploiting that the Patent Application Exists – An applicant will typically file for patent and then make competitors aware of the filing to attempt to keep competitors out of its market share. This process typically takes two-steps:

WHAT ARE THE TYPICAL COSTS FOR THE PATENTING PROCESS?

To obtain a utility patent from an initial utility filing, it takes about three to five years. To obtain an issued patent based on a provisional filing, it typically takes about four to six years.

These are the typical costs for obtaining a utility patent based on a utility filing:

Year One (1) – Drafting case, government filing fees, attorney fee, docketing, transmittal, postage and handing fees etc.

Cost between $5,000 - $10,000 depending on how much detail and how many variations are desired by an inventor.

Year Two (2) – Prepare and file Information Disclosure Statement, review office action from the United States Patent Office, discuss with client, prepare case for interview at the United States Patent Office (if desired) – this interview step is not always necessary, however preparing a written response is necessary.

Cost between $6,000 and $8,000 provided that no additional fees for extensions of time to respond are needed.

Year Three (3) – Respond to a second Office Action, review Notice of Allowance, pay drafting fees, review issue fee papers, Pay Issue Fee, Publication Fee, and have Formal Drawings created.

Cost between $5,000 - $8,000.

Post Issuance Costs:

Maintenance fees must be paid 3.5, 7.5 and 11.5 years after issuance.

At 3.5 years the maintenance fee for a small entity is $450 or for a large entity $900

At 7.5 years the maintenance fee for a small entity is $1,150 or for a large entity $2,300

At 11.5 years the maintenance fee for a small entity is $1,900 or for a large entity $3,800

Small entities consist of under 500 employees and large entities have 500 plus employees.

Applying for the patent, and sending letters to competitors offering to license them the patent as a way of advising the competitor that they should stay out of this market area, which is being protected by a United States Patent.

The cost of developing a strategy is minor compared to the cost involved in resolving disputes over ownership and acquiring new market share.

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