

Patent Kinetics, LLC

Portfolio Strategy, Development, and Enforcement

10 Common Mistakes That Detract From Patent Value

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Creating a patent portfolio is time consuming and ultimately expensive. For a single US patent, some estimate that it may take on average \$30K to create a patent specification and as much as another \$20K for patent prosecution and maintenance fees over the lifetime of the patent. Yet it has been estimated that only 7% to 10% of US patents ever provide a monetary return to their owners.

In evaluating patents for sale or enforcement, I frequently encounter a wide range of mistakes that detract from patent value. Here are some of the most significant errors and what might be done to avoid them.

(1) Being one's own patent attorney:

An inventor does not have to hire a patent attorney to file an application at the US Patent and Trademark Office (PTO). Especially in these difficult economic times, the incentive to go it alone may be irresistible. If possible, resist that urge. There are so many rules and risks involved that will not be apparent at first blush, and even if you convince the PTO to give you a patent, you could find out years later that it is not worth the paper on which it is printed.

Even when money is not an issue, some inventors believe that they know enough to follow the traditional patent "template" for patent applications in their field of expertise. Some inventors do get patents issued without the involvement of an attorney. Only a smaller portion of these, however, manage to avoid mistakes that ultimately make the issued patent worthless. Even the simplest patent application rests on a very complicated platform of statutes, treaties, rules and case law.

¹ Robert P. Weber is Managing Director, Patent Kinetics, LLC, a patent evaluation, enforcement, and brokering company. He is an inventor with more than 20 issued US patents but not an attorney. All the issues mentioned in this article are more complicated than presented here. Inventors and patent owners are strongly advised to consult a registered patent attorney for guidance appropriate to their circumstances. Nothing in this article is or shall be construed as giving legal advice or the practice of law. The author thanks Steven Henry, Esq. for extremely detailed and helpful comments. Thanks also to Robert Friedman, Robert Horn, and Cynthia Typaldos for helpful suggestions on earlier drafts. The author is solely responsible for any remaining errors. Copyright © 2011 Patent Kinetics, LLC. All Rights Reserved.

Therefore, even if one insists on a “do it yourself” approach, there are three points in the process where consulting with a registered patent attorney can make all the difference between creating a valuable asset and creating worthless paper.

1. It’s prudent to have a patent attorney read the application before submitting it to the PTO. The attorney can make sure that the specification, drawings, abstract, and draft claims meet the constantly evolving legal requirements and that the application is clear, concise, and on target. An often tricky task is writing patent claims, i.e., the concise clear (well, maybe not to everyone) statements describing the actual inventions. There are many ways to go wrong here and input from an attorney can save the day. Patent attorneys will often see angles the inventor has missed, and will be able to suggest ways to reduce risk of claims being held invalid or of being rejected by the Patent Office. In one computer industry example, a method claim (i.e., one that states a sequence of steps) that entails both a client and a server should be written either from the perspective of the server or from the perspective of the client. Otherwise, since the law requires that a single party commit or direct the infringement, there may be no single entity that infringes. Therefore, the patent application preferably will have some claims directed to the server as the location of infringement and other claims directed to the client as the location of infringement. Numerous such rules come in to play.
2. I would also have an attorney review any draft response to PTO office actions before filing the response. One can unwittingly make statements or agree to amendments that will detract from patent value when issued. For example, unnecessarily reducing the scope of claims may yield a patent so narrow that it will be very unlikely that anyone infringes, or may create the above-discussed infringement problem. Also, having claims that are very narrow in scope makes it much easier for competitors to find alternative solutions to the problem the patent addresses.
3. Consulting a patent attorney when the PTO issues a “Notice of Allowance” but before the patent actually issues and is published can be instrumental in preserving future options. An attorney can help the inventor evaluate options for keeping the application alive and for obtaining additional claims based on the same specification. Some companies, for example, will file a continuation application after receiving a notice of allowance so that they can subsequently craft additional claims that are responsive to evolving markets, product offerings, etc. Not filing a continuation application prior to issuance means that the first application will be prior art to any subsequent applications with the same inventors that deal with the related subject matter.

(2) Not Searching the Prior Art:

For the PTO to reject a patent application, the Patent Examiner has to show that the claimed invention is not new, that it should be considered obvious, or that it is not useful. The new and not obvious criteria are evaluated in terms of the prior art -- that is, the knowledge that a person who was skilled in the relevant arts is likely to have possessed at the time the application was filed. Generally, the prior art is indicated by previously published patents and published pending applications and by publically available non-patent information. Patent examiners will typically conduct their own prior art searches. However, constrained by time limitations imposed by the PTO, examiners often search primarily the US patent databases and may not search (or conduct only a limited search of) non-patent prior art. Although useful, patent examiner searches can miss important art, especially non-patent prior art.

Inventors are not required to search for prior art, but must disclose to the PTO any relevant prior art known to them. Failure to disclose to the PTO relevant art that is known by inventors is often held to be a form of “inequitable conduct” and may be grounds for a court to hold the patent unenforceable, at least, or invalid, at worst, but either way, worthless.

The most frequent reason for patent invalidity is either that only a few—e.g., five to ten—patent prior art references were cited to the PTO and/or that no relevant non-patent prior art was cited at all, and certainly not the closest prior art. In nearly all cases, it is very unlikely that a given invention has so few antecedents. Especially in fields such as computing and communications, failure to search is often fatal. Without proper knowledge of the prior art, the claims are likely to be written too broadly and to define only old or obvious inventions, whereas with such knowledge, assuming there to be something new and unobvious, the actual novel inventions can be teased out.

The few patents that are worth a lot of money—either through licensing, enforcement, or both—are very often those that cite the best (and often a substantial amount of) patent and non-patent prior art. Inventors should talk with a patent attorney about prior art searching and the advantages and disadvantages of doing a broad search so that they can make an informed decision prior to filing and again prior to issuance.

(3-5) Three common premature disclosure mistakes:

Creating a valuable patent portfolio requires substantial discipline that many inventors lack: prior to filing a patent application, too much information is disclosed under the wrong circumstances. Three common disclosure mistakes prior to filing a patent application are:

- 1) Describing the invention in a publication or public presentation;

- 2) Offering the invention for sale, and
- 3) Disclosing the invention without a confidentiality agreement in place--often to potential investors.

In countries other than the US, disclosure or offering for sale prior to filing usually kills one's patent rights. In the US, one has a 12-month grace period from the time of first disclosure or from first offering for sale, whichever is earliest, to file a patent application.

Inventors can usually preserve their rights by filing provisional or non-provisional patent applications prior to disclosure, insisting on confidentiality and non-use agreements, and limiting disclosures so that key inventive details are withheld. A patent attorney can provide guidance regarding best practices necessary to preserve the potential value of the invention in the US and abroad.

(6) Full Disclosure

In exchange for a time-limited monopoly to practice the invention, the inventor is required to disclose sufficient information so that when the monopoly period expires, others can practice the invention. Full disclosure together with clearly written patent claims also has the benefit that others will know the (relatively) precise boundaries of the invention.

(7) Enablement and Written Description

There are several requirements that any patent application must meet, including providing a sufficiently detailed description such that those skilled in the relevant field can practice the invention (the enablement requirement) when the patent expires. Generally speaking, the application also must include a written description of each claimed invention. In recent years, the courts have placed increased emphasis on the scope and sufficiency of the written description. Patent counsel can be particularly helpful in ensuring that the application meets these requirements.

(8) Best Mode

Most applications describe more than one embodiment of the invention. Another requirement is that the application must include the inventor's "best mode" embodiment: i.e., the version of the invention the inventor considers to be the optimal version at the time of filing. Not everyone meets this requirement, however. I was once talking with a senior executive of a company who said that they had withheld from the application the information required to make the most efficient and effective version of the invention, preferring to rely on trade secrecy instead. I believe that in many cases this not only would be considered

a failure to satisfy the best mode requirement, but also that it could be considered a form of inequitable conduct. While the Patent Office is unlikely to find out about these circumstances, if the issued patent is litigated, not only is it likely to be found invalid and unenforceable, but also the patent owner might find itself having to pay the legal fees of the would-be infringer, and possibly even damages for wrongly interfering with the other's business.

(9) Filing provisional applications that don't sufficiently describe the invention

Provisional patent applications are often filed mainly to establish an early priority date or to protect the invention before public disclosure (for example, at a conference, to a potential investor, or in a scientific or industry publication). Virtually anything can be the basis of a provisional filing, including presentations, executive summaries, specification documents, etc. The inventor has a year from the filing date of a provisional application to file a utility (non-provisional) application that incorporates the information from the provisional that the inventor wishes to carry forward.

However, another common mistake is not having a sufficiently detailed description of the invention in the provisional application, thus losing the benefit of the provisional application's earlier filing date for those aspects and features (e.g., combinations of elements) not adequately disclosed in the provisional. Another possible consequence is that relevant art that became public during that intervening period between the filing date of the provisional and the filing date of the utility application will have to be cited to the PTO and considered in the determination of patentability or patent validity, whereas a more complete provisional application could have antedated that material, making it irrelevant and resulting in broader patent protection than might otherwise result.

(10) Going alone vs. creating a small team

Important inventions are sometimes the work of a single, often gifted individual who sees a need in a given market and an innovative way to provide a solution to address that need. Research suggests, however, that valuable innovations are more often the work of small teams, presumably comprised of individuals who have complementary skills sets and knowledge areas. In this sense, innovations are the practical results of inventions, embodying all it takes to go from an idea to a product.

These research results imply that multidisciplinary teams more often create innovations and related patents that are broader in vision and scope, more detailed, with more alternative embodiments of the invention, and probably with considerably greater market significance. The resulting products – and the patents to protect them - are on average more valuable than those produced by a single inventor.

Concluding Remarks

There are many reasons to apply for a patent: protecting a product that may have substantial value, denying competitors the ability to offer the best or lowest cost version of a product, having something to cross-license when competitors with patents seek royalties from you, the marketing value of being known as an innovator; and the very human factors of pride, vanity and resume value. Creating monetary value through patents requires dedication, patience, and above all, discipline. Many companies and most individuals lack the discipline required to avoid making mistakes now that substantially detract from value later. With discipline, however, many teams have created patent portfolios having substantial value and they, in turn, have often been rewarded accordingly.