An Inventor, Investor, and Patent Examiner Walk Into A Bar

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Inventors, Innovators

Hedy Lamar – actor, inventor

Frequency hopping patent
2,292,387, Aug 11, 1942
Who? What?

Structure of DNA

& Watson, Crick, Wilkins

Dr. Rosalind Franklin

8th Day of Creation, Judson
Who? What?

Dr. Temple Grandin

Humane Animal Handling – patent 5,906,540 – May 25, 1999 – Animal Stunning System
An Inventor, Investor, and Patent Examiner Walk Into A Bar

- So, what happened in the bar?
  - Nothing!
    - The Patent Examiner disallowed the patent
    - The investor wouldn’t invest
    - The inventor ended up without a patent and without an investable business
Many Valid Reasons To Get A Patent

- Ego – plaque on the wall
- Resume enhancer
  - Adds credibility
  - Potential employers may come looking
Many Valid Reasons To Get A Patent

- Patents as a business
  - Monetize through sale, purchase, licensing, enforcement

- Inventing as a business
  - Make, buy, sell, license patented inventions
  - Main focus of today’s talk

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Inventing As A Business

supercollar

What's a supercollar®?
supercollar® is the first dog collar with a built-in retractable leash designed to make life easier for you and to keep your dog safe. 3M's In-New-Vation Award Winner, supercollar® is endorsed by veterinarians and made in the USA.

Who needs it?
If you and your dog enjoy an active lifestyle, like going to the dog park, the beach, hiking, jogging or just hopping in and out of the car, then you need the supercollar®. With supercollar®, your dog is always carrying its own leash!
Plenty Of Other Innovation Models

- **Open Innovation**
  - Idea competitions
  - Open collaboration / crowd sourcing
  - Innovation networks / gamification
  - In-licensing models
  - Collaborative product design and development
  - Customer immersion
  - Hackathons – software / hardware

- **In software, Open Source licensing**
  - More than 200 different Open Source licensing models / templates
  - Tricky business model and licensing issues
    - How does one make money?
IP Other Than Utility Patents

- **Design Patents**
  - Ornamental design of a functional item
  - Type of industrial design right

- **Copyright for software**
  - Yes, but.....

- **Trade secrets**
  - Most people, many companies lack the required discipline

- **Trademarks**
  - Formal trademark searching is usually expensive and **may** be unnecessary
  - Use available free tools first:
    - IXQuick.com for search, PTO search, state searches (maybe)
Patent Protection Positives

- Constitutional right to exclude others
  - Not an affirmative right to practice the invention
- Indicates seriousness of purpose
  - Attract customers, partners, investors, employees, etc.
- Basis of a license agreement or IP/technology sale
  - There is a “there there;” something to license
- Can label product(s) as
  - Patent pending
  - Patent numbers once issued and before patent expires
- Strong patents can be asserted against those practicing the invention(s) without a license
  - See Contingency Fee Litigation paper @ www.patentkinetics.com
Patent Protection Negatives

- Long time between filing and issuance
- May not issue with commercially significant claims
  - Claims = statement of the invention
  - Claims may be narrowed during the patent prosecution process
- Costs
  - Legal fees, even if the inventor(s) do most of the work themselves
    - I’ve only seen two patents that were done apparently without attorney involvement that seemed to have significant potential value
  - Filing fees, post-issuance maintenance fees
- May have to defend the patent at the Patent Office or in federal court
  - Various post-grant review / re-examination procedures
  - Declaratory Judgment action for non-infringement
Create A Mini-Business Plan

- Inventors (myself included) often get enamored with possible solutions to a given problem

- A little upfront research and planning will usually save you a lot of grief later on
  - Avoid wasting a lot of time
  - Avoid wasting a lot of money

- Create a checklist of questions and answers
  - See the checklist @ www.patentkinetics.com

- Create a short written description of the project:
  - What? How? When?
  - How do you make money?
Useful Business Plan Questions

● Who has the problem addressed by the innovation?
  – And how do you know?

● How much are they willing to pay to solve it?
  – And how do you know?

● How much better than previously solutions (if any) is the new invention?
  – Incremental improvement?
  – Major improvement?
  – 10x better (the investor *mythical* holy grail)?
I Digress:
Example Major Prediction Failures

- **Telephone**
  - “This ‘telephone’ has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us.” Western Union (1878)
  - “The Americans have need of the telephone, but we do not. We have plenty of messenger boys.” Sir William Preece, Chief Engineer, British Post Office, 1878

- **Copy machines**
  - “The world potential market for copying machines is 5000 at most.” IBM to the eventual founders of Xerox.

- **Home computers**
  - “There is no reason anyone would want a computer in their home” Ken Olson, DEC, 1977
More Business Plan Questions

- How rapidly are new innovations adopted by the target market?
  - Leaders – very quick to adopt?
  - Laggards – very slow to adopt? (e.g., healthcare)

- How do you get the invention to market?
  - Direct? Channel strategy?
  - Component technology?

- Who makes the buying decision?
  - How do you reach them?
  - What motivates them to buy?
Possible Barriers to Entry?

- Practicing your invention may require licensing someone else’s patents
  - Are licenses available at all?
  - Licenses available at a reasonable price?
  - Cross-licenses only?

- Potential regulatory issues, e.g.:
  - Medical devices - FDA
  - Export licenses for security, dual use technologies
  - FCC approval for wireless devices

- The invention needs to be (part of) an industry standard

- Limited manufacturing options
Estimating Market Size: TAM, SAM, & SOM

**TAM**: the superset of potential customers

**SAM**: realistic customer set

**SOM**: realistic market penetration in a modest time period

A higher percent of smaller market is usually more credible
Example: A Product For Dog Owners

- Number of U.S. households = 114,800,000 (2010 Census)
- 39% of U.S. households own at least one dog (Humane Society)
  - TAM: 114,800,000 x .39 = 44.8 million households

- 60% own more than one dog = .6 x 44.8 = 26.9 million households
  - SAM: 26.9 million households

- **SAM/SOM:** Can further segment given some assumptions
  - Estimate number of suburban households with 2 or more dogs in affluent communities (zipcodes)
    - May even be census data; I haven’t looked.
    - Perhaps map retail pet stores to zipcodes
Reaching Customers

- **Online / “brick & mortar” / service providers strategy(s)?**
  - Amazon?
  - Pet stores
  - Dog grooming services?

- **Out-licensing strategy?**
  - License to Hartz?
  - Some other pet product company?
  - Key question: does the intended licensee have a history of licensing products developed by others?
Creating A Strong Patent (When Possible)

- File a provisional application ASAP
- File a utility application within a year of the provisional filing date
- Draft as broad a disclosure as practically possible
  - Avoid a very narrow disclosure that fails to provide sufficient context or use cases
- Never disclose the invention prior to filing without a confidentiality agreement
What You Might Do Yourself

- Look at a couple of patents related to your idea to get a sense of form
  - What are the parts of a patent?
  - How does the disclosure flow from general to specific?
  - Don’t worry about the legal mumbo-jumbo
  - Ignore claim language for the moment

- Create drawings yourself
  - Can be drawn by hand
  - Do not number the elements
  - Do not create drawings for prior art solutions

- If you have writing skills:
  - Draft title, abstract, and narrative
  - Don’t bother drafting claims – you’re unlikely to get it right
Use A Registered Patent Attorney

- Consult a registered patent attorney before filing the application at the Patent Office

- Do not make potentially damaging statements or admissions to the Patent Office on the record
  - Only a registered patent attorney should file responses to office actions
  - A patent attorney should lead any discussions with a patent examiner

- Do not unnecessarily or prematurely narrow claims to increase the likelihood of issuance
Why Most Patents Are Worthless

1) Failing to search the patent prior art

2) Failing to search the non-patent prior art

3) Leaving prior art searching up to the patent examiner

4) Patent claims poorly crafted
Prior Art Searching

- Do your own patent prior art search using free publicly available tools, for example:
  - USPTO patent data base
  - Google patents
  - Espacenet - worldwide.espacenet.com
  - WIPO - patentscope.wipo.int

- Do your own non-patent prior art search using free publicly available tools, for example:
  - www.ixquick.com for search
  - Local libraries often have database access – Gale databases
  - Internet archives – www.archive.org

- Cite all relevant art that you find to the patent office
Inventorship

- Disclose all the inventors to the patent office

- Conversely, only inventors should be listed as inventors

- Insure that all inventors assign the invention to the patent owner
  - File the assignments with the PTO in the assignment database

- Get help from a registered patent attorney regarding inventorship and assignments
Here Are The Main Points

- Business plan thinking helps a lot!
- There are other models of innovation protection (open innovation, open source, trade secrecy)
- A pending patent application gives you something to license other than a naked idea
- **Search the patent and non-patent prior art!**
- A “large” Serviceable Obtainable Market usually justifies seeking patent protection
- You can do a lot yourself, but find a registered patent attorney to help
- **Have fun!!!**
The End
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