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Should I get a Patent?

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This one of the first questions from entrepreneurs with a new idea. And my answer is, “it depends.” I use to prepare and apply for patents for clients. It is very rewarding to see your client get protection for his or her idea. But after many years of patent law practice it became obvious that most of the patents were worthless. The client had spent thousands of dollars and received no real value. Then again some patents highly valuable. The question is why?

What are patents? Patents have been described as intellectual property and compared to other forms of property, like real estate. In reality patents are a unique grant from the federal government for exclusive use of the **claimed** invention for 20 years from the date of filing a patent application (sometimes the term can be extended). Once the patent owner (assignee) has an issued patent he has the right to go to court and stop another party from using his invention. He may also go to the ITC and stop infringing imports. This is very expensive, in the millions of dollars. Without the ability to afford litigation, the patent has little value against an infringer who is willing to risk litigation.

The term claims used above refers to the part of the patent that is the legal boundaries of the patent rights. One or more claims are found at the end of the patent. The claims are generally of three types, methods, apparatus and systems. These define the scope of exclusion. If a product or process is not the same as the claims in all respects, the patent is probably not infringed (there are exceptions). Competitors may design around the claims and make a product or process that does not infringe. In fact, they are encouraged to do so to make further inventions. It is crucial to have well drafted claims. Unfortunately, not all patent attorneys draft good claims.

What do patents cost? It depends on the technology, the complexity of the description of the invention and to a certain extent, the art unit in the US Patent Office (USPTO) that examines the application. Some patent applications require more time to prepare than others. Time equals cost. Software and biotech patents fall into this category.

Patent examiners examine patents. Not all applications result in patent. Some art units are more time consuming in the examination of the application, which almost always requires exchanges between the applicant and the examiner. Adverse examiner decisions may be appealed, which adds more time and costs. Patent costs, on average, are between $25-50K over the life of the patent. This includes attorney time, US PTO fees, drawings and maintenance fees.

Provisional Patent Applications are a way to delay the decision to file for a US patent for one year. It can save some of the money involved in getting a patent. But ultimately, (within one year) the applicant will have to file a utility patent application if he wants to convert to an application to be examined for issuance as a patent. Note the one-year filing limit is to preserve the filing date of the PPA, which may be important.

Assuming that the patent claims are good and enforceable and you have the money to enforce, the big question is will this idea make money. If not, why bother with a patent? One of my clients invented a really great fishing lure. It caught fish in biblical amounts. He wanted to patent it. After we spoke a bit, I asked, how many of these he thought he would sell. He guessed about $500-750K at retail. I went through the economics of patents and he decided to pass on getting a patent. Instead, he picked a really good name for the lure and relied on the name to differentiate his product.

Another client developed a novel way to make electronic components. The challenge was to protect the idea once it became known so large competitors could not manufacture the product and knock the startup out of the market. In this case a comprehensive patent portfolio was needed. The company allocated 10 percent of its capital to patent protection. Now it is able to both produce the product and keep competitors from knocking it off, thus controlling the supply and price of the new component.

Another client knows that it will not assert its patent against infringers because it intends to build the company and sell it before the patent applications go through the US PTO process. He believes that the patent portfolio in the hands of a bigger company that can enforce the patent (or threaten to do so) will increase the value of the company when it is sold.

Even if a patent is issued it may be challenged in the US PTO and ultimately in court. Third parties can apply to have the PTO to reexamine your patent based on art that the patent examiner did not have when he examined the patent. This is an added cost and delay. And if you sue an infringer, he may attack the validity of the patent on the same basis and others.

If you have outside investors, they probably will want patent protection if it is available. Investors typically take the patent applications and patents as security for their investment. Attracting investors is a factor favoring patents.

Find a good patent attorney and work through the issues discussed. He or she should give you some idea of the probability of getting a patent and the range of costs. I have found very few patent attorneys who can give useful information on the marketability of an idea. They know the law, not business. In the end, the decision on whether to seek patent protection still depends! It is your business call.

