

Facing the Wolves

How To Develop a Survival Strategy for Intellectual Property

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There's more to developing your young company's intellectual property strategy than simply planning how many patent applications to file this year. Here's an overview of the questions to ask and where to look for answers.

The initial funding is in place; the lab is up and running; even the computer network seems to be behaving. Soon discoveries will be made and the rush to protect them will be on. Everyone knows that protecting those discoveries is essential. And, it seems, everyone knows that the way to do that is by filing patent applications. But what else do you need to worry about on the intellectual property front? And when do you have to worry about it? Developing a young company's intellectual property strategy can be daunting. Here I discuss some of the basic issues you'll have to address.

GETTING THE LAY OF THE LAND

Let's start with the definition of *intellectual property*, a term that's become quite popular with even the everyday business press. The term encompasses a range of intangible rights such as patents, trademarks, copyrights, trade secrets, and know-how. Patents are only one species of intellectual property, but they are the species you need to be most concerned about.

So what is a patent? It's a right granted by a national government that gives inventors a limited period of exclusivity in exchange for full disclosure of their invention. Specifically, a patent gives its owner *the right to exclude others* from making, using, or selling an invention for a specified time.

Some people may be surprised by what a patent *doesn't* do: It doesn't give its owner the right to *do* anything. In other words, there's a difference between the right to exclude others from practicing an invention (the right granted by a patent) and the right to practice it yourself. The latter is frequently called *freedom to operate*, and it has nothing to do with whether you own a patent, but with whether others own patents that give *them* the right to exclude *you* from practicing certain technology.

Furthermore, patent rights are territorial. A US patent grants rights only for the United States, its territories, and possessions. Getting protection in any other jurisdiction means obtaining a patent there. So covering a global market with patents can be an expensive proposition, though as we'll explain later, you can efficiently obtain protection in the markets you consider most important.

Why are patents important? Of all the types of intellectual property listed above, only patents create economic value that is easily visible to investors. That value can be considerable because the right to exclude others from copying an invention can allow a patent owner to use a price premium to recover research and development costs. Even if a patented invention is never commercialized, the patent itself can still create bargaining power in licensing transactions.

When should strategic planning begin? From the first day of research work, preserving the right to get a patent should be a guiding principle. US law provides a one-year grace period from the date of any use, offer for sale, sale, or

publication of an invention within which to file a patent application. But patent laws outside the United States are less forgiving—*any* public disclosure of an invention before filing a patent application destroys its patentability. So keeping track of disclosures in publications and presentations at conferences and trade shows is critically important.

Documenting the progress of research is another area of concern. In every country other than the United States, when two or more rival inventors contest the right to a patent, the dispute is resolved simply—the first inventor to file a patent application wins. But in the United States, the US Patent and Trademark Office must determine who was the first to actually invent the disputed subject matter. Proving that you were the first to invent requires you to rely on evidence of the dates on which the invention was conceived and *reduced to practice*. So keeping good records of research work is essential.

One way to keep the path to a patent open in the United States (and in certain other countries) is to file *provisional patent applications*. There are far fewer formal requirements for filing a provisional patent application than for a regular US patent application, and the cost is considerably less. A provisional application can thus be a convenient placeholder while the disclosure of the invention is more fully developed. But there are pitfalls: e.g., filing a provisional application starts the clock running for filing applications outside the United States. So be sure to ask your attorney about their proper use.

PICKING AND CHOOSING

How should you go about developing a patent portfolio? Specifically, what's the best way to decide which inventions or discoveries are worth patenting? And when and where is best to file the applications?

The first thing to do is get some expert help. In any enterprise that will depend on patent rights as the main means of building value, it's best to involve an attorney as early as possible. Getting good advice early is the best way to avoid costly mistakes and channel your available resources in the most productive direction.

What sort of attorney do you need? That might seem like an odd question, but there are reasons to be careful. First, you need a *patent* attorney—not simply an *intellectual property* attorney. As already said, patents and intellectual property are not the same.

Just as important, when your company is young, you don't want—or need—to hire best patent *litigator* you can find. You need the skills and advice of an attorney who has experience helping start-up companies select inventions for protection and obtain the patents that will be most valuable. The time you invest to find an attorney who is skilled in those areas, as well as in the transactions typically encountered by a company the size of yours, will pay rich rewards.

What discoveries should be protected? As you decide, remember that the proper balance of factors will depend on the age and size of your company. Here are some questions to consider.

- Will you use the invention commercially?
- Will you be able to license it to others?
- Will a patent help you competitively?
- Will investors or potential investors consider it a valuable asset?

In general, filing patent applications on as many inventions as meet your company's criteria for importance can help build a broad portfolio. But when considering patent applications outside your home country, more isn't necessarily better. Undertaking a large number of foreign filings can result in quickly mounting costs.

Where should you seek patents? Deciding where to file applications can be a real challenge in a global marketplace. The key is to make the best use of your limited resources. Consider where the invention will be important. Can you identify certain key markets in which protection would have the most value?


Certain international treaties can provide flexibility in choosing when and where to file patent applications. The Paris Convention allows inventors in signatory countries to use the date they filed their first application in their home country as the filing date for any application filed in any other signatory country within twelve months. The European Patent Convention offers a centralized filing system for multiple countries, and the Patent Cooperation Treaty allows inventors to delay the date on which they must file (and pay for) applications in individual countries.

STAYING IN BOUNDS

Watching out for the patents of others will help you avoid disruptions caused by claims of infringement, especially claims that result in litigation. Furthermore, under US law, companies have a duty to exercise due care to avoid infringing the patents of others.

Before heading down a new path of research and development, get a sense of the existing patent landscape. If others already hold patents in the areas you want to pursue, you—and your patent attorney—need to evaluate whether what you intend is different enough to avoid the risk of an infringement claim. This is part of determining whether you have freedom to operate in your area of interest. You should also consult your patent attorney at this point about what kinds of legal opinions you might need.

If your chosen path appears blocked by others' patents, you can consider whether another technical avenue would suit your business objectives or whether obtaining a license under the patents of concern would be an acceptable alternative. Your patent attorney will be a good resource in suggesting and evaluating your options in this situation.

Whether the patent landscape in your chosen field is crowded or wide open, the fundamentals discussed here can help you not only survive but thrive. 

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