

Are Patents Worthwhile?

1. You may or may not qualify for a patent.
2. You don't have to have a patent to market a product. Profits from sales is what makes money. And having a patent does not make sales.
3. Less than one patent in a hundred ever makes a nickel for the owner. Patents do not enforce themselves, and enforcing them is very, very costly (e.g., hundreds of thousands of dollars if contested).
4. All patents are not created equal. There are broad patents, but most are narrow because they have to be in order to be valid. And most narrow patents are relatively easy to design around and avoid.
5. Patents are expensive, last only for a limited time, and are not renewable.

So, before deciding that you want a patent, it behooves you to do everything you can to find out if it's (a) really marketable at a profit, and (b) patentable with claims of useful scope.

Getting a patent is not just a matter of completing and submitting forms -- the application must contain a complete written description of the invention, how to make it, how to use it, and how it works. It must also contain drawings illustrating these things. And the application must contain one or more claims defining what is covered by the patent. All of these things are subject to very detailed and complicated format and content requirements. It is definitely not a do-it-yourself project -- you need a professional.

It's also costly. Figure on \$4000 in government fees, and a comparable amount for a patent attorney, just to get a patent and keep it alive for its full term. By the way, the maximum term of a patent is about 18 years - it expires 20 years after the application filing date. And it's not renewable.

Moreover, not everything is patentable, even if it's never been on the market. To be patentable, it must not have been described in any prior patent or printed publication anywhere in the world, and beyond that, it must be inventive, that is, it must not be just a ho-hum routine departure from what is known. Mere ideas are not patentable. You must be able to describe a complete product with sufficient particularity to enable others to make and use it.

You can start with a provisional patent application, government fee \$80 for private inventors, and if you are good on a word processor, you can sensibly do it yourself because there are no format requirements for description or drawings, and no claims to write. That gives you a priority date in the US Patent and Trademark Office for whatever it contains -- whether that will enable you to get a patent later depends on what is shown or described in prior patents and publications, as well as

whether your description is sufficiently complete to enable others to make and use the invention. It buys you up to a year to do market research to see if you really have a winner, have a professional patentability search to determine what scope of patent protection, if any, you are entitled to, write a detailed business plan to see if it should really make money, and build a prototype and see if you can stir up interest on the part of established manufacturers to buy the patent rights or take a license.

You can read up on PPAs, and also on what it takes to get a patent, at the PTO website at

<http://www.uspto.gov>

You can also do a search of prior US patents going back about 25 years, at the PTO website. Use key words to get lists of possibly relevant patents. It's free.

Take a look at <www.money4ideas.com>. Also <www.pelhamwest.com>

Also, read *The Inventor's Desktop Companion* by Richard Levy, a successful private inventor. The public library probably has copies.

And before spending money on going after a patent, spend some quality time at www.willitsell.com -- Jim White has it right and tells it straight. Get his book -- money back guarantee - and follow his advice.

Finally, look up the Federal Trade Commission's materials on invention promotion companies -- basically, stay away from them -- they're scams. See the FTC pages at <http://www.ftc.gov/bcp/online/edcams/invention/index.html>

and

<http://www.ftc.gov/bcp/online/pubs/alerts/invnalrt.htm>

COMMON MYTHS & MISUNDERSTANDINGS ABOUT PATENTS

- 1. The first thing to do with a new idea is to get a patent.**

Wrong. Mere ideas are not patentable. Only useful products and processes can be patented, and you have to be able to describe it with such completeness as to enable others to make or practice and use it.

- 2. If my product has not been on the market before, I can patent it.**

Wrong. That's not enough. If it has been described in a prior printed publication anywhere in the world, it is not patentable. Moreover, merely being different is not enough -- it has to be an unobvious improvement over what is known to the public.

- 3. Having a patent stops others from copying or imitating my product.**

Wrong. Patents are not self-enforcing. You have to identify and pursue copiers, and a patent infringement lawsuit takes years and costs hundreds of thousands of dollars, win or lose.

- 4. Getting a patent is something I can do quickly, at low cost.**

Wrong. The US Supreme Court has characterized a patent as one of the most difficult documents to write. Getting a patent is a highly specialized undertaking which requires the services of a patent attorney or agent. And it takes a couple of years, and costs thousands of dollars, even if no complications are encountered.

- 5. Having a patent is needed to be able to sell my product.**

Wrong. Most products on the market are not and never were patented, and in most cases any applicable patents have expired.

- 6. Having a patent will assure the success of my product.**

Wrong. Fewer than one patented product in a hundred ever makes it to the marketplace.

- 7. Having a patent will assure that I will be able to sell my idea or license it to a big company.**

Wrong. Big companies have many specialists developing new products, and the likelihood that a private inventor without that expertise might come up with

something they haven't thought of is small. Besides, your product would have to be a good fit for all three major company divisions – manufacturing, engineering, and sales/marketing – before a big company would have any interest.

8. I can get a non-disclosure agreement which will give me adequate protection without a patent.

Wrong. Non-disclosure agreements are not all alike, but to be enforceable they must be limited in time and scope. Typically they expire in a year or two, and they cover only specifically disclosed subject matter. Besides, for a manufacturing company, signing such an agreement in advance is like signing a blank check – you simply cannot expect that.

9. Describing my idea in a registered mail letter to myself will protect me.

Wrong. Such documents are useless. They are not even admissible in evidence in the Patent Office or in the courts.

10. So is there anything I can do, without major expense, for at least a measure of protection?

You can file a provisional application in the US Patent and Trademark Office. No search, no claims, and no special format requirements apply, so you can do it yourself provided that you make a complete enough disclosure to enable others to practice the invention by using only ordinary skill in the field to which the invention pertains. For a private inventor or small business, the only cost is a government fee of \$80. For more information, see <http://www.uspto.gov/web/offices/pac/provapp.htm>.

A provisional application is not a patent and can never become a patent. It does not enable you to stop others from imitating or copying. What it does is give you an official priority date in the Patent and Trademark Office for the material which it contains. And it holds that date for up to one year, enabling you to test your invention, do market research, have a patentability search, see if you can find prospective licensees, and get other information to help you make the cost/benefit decision on whether it's worth making an \$8000 to \$10,000 commitment to go after a patent. Unless you file a complete application within that year, the provisional application dies and will never be opened to public access.

Having a provisional application on file enables you to mark your invention "Patent Pending", but only while either the provisional or a follow-on complete application is alive. However "Patent Pending" does not mean that others cannot make or sell copies. It is like a "Keep Off the Grass" sign – it has no teeth.

INTERNET REFERENCES

INTELLECTUAL PROPERTY PATENTS, TRADEMARKS, COPYRIGHTS

Prepared by John Pederson
Retired Director of Patents – Major Manufacturing Company
Volunteer counselor – Tucson SCORE Chapter #118

U.S. Patent and Trademark Office

<http://www.uspto.gov>

General Information Re Patents – <http://www.uspto.gov/web/offices/pac/doc/general/>

Search US Patents 1975 to date – <http://www.uspto.gov/patft/index.html>

Basic Facts About Trademarks – <http://www.uspto.gov/web/offices/tac/doc/basic/>

Search TM Registrations– <http://www.tess.uspto.gov/bin/gate.exe?f=tess&state=nsij5v.1.1>

Provisional Patent Applications – <http://www.uspto.gov/web/offices/pac/provapp.htm>

U.S. Copyright Office

<http://www.loc.gov/copyright> - Get Circular 1 for Copyright Basics

Common Myths and Misunderstandings about Patents

http://www.score.org/myths_patents.html

U.S. Federal Trade Commission

<http://www.ftc.gov>

Invention Promotion Firms – <http://www.ftc.gov/bcp/online/pubs/services/invent.htm>

Thomas Register of Manufacturers – American and Global

<http://www.thomasregister.com> – free searching – for global register, <http://www.tgrnet.com>

Search Directories for Unregistered Trademarks

<http://www.bigbook.com>

<http://www.bigyellow.com>

<http://www.thomasregister.com>

Domain Name Registration

<http://www.internic.net> - Lists accredited registrars. Shop for needed services and for price.

Invention Development and Market Research

<http://www.willitsell.com> - James White, marketing pro.

Book – Will It Sell? Order from website - \$19.95 with money back guaranteed satisfaction

<http://www.tsnn.com> – Trade Shows

<http://www.lib.ci.tucson.az.us/> _ Tucson-Pima Public Library

The Inventor's Desktop Companion – Richard C. Levy, successful private inventor and rep

Marketing Your Invention - Thomas Moseley, marketing pro

Patent It Yourself – David Pressman, patent attorney. Information only – title advice bad

Invention Licensing

<http://www.money4ideas.com> – Harvey Reese, independent licensing rep – no hi-tech

Book – How to License Your Million Dollar Idea Amazon.com or public library.

<http://tenonline.org/art/0402.html> - Ed Zimmer, SCORE counselor

Obstacles facing private inventors and small businesses in finding licensees

Inventor Information and Services

<http://www.patentcafe.com> – Andy Gibbs, private inventor

<http://www.patents.com> – Carl Oppedahl, patent attorney. Information, costs, publications

<http://www.kuesterlaw.com> - Jeff Kuester, patent attorney. Legal research.

<http://www.inventorfraud.com> –

International – Information and Services

<http://www.ladas.com> - Ladas and Parry, leading international IP firm

<http://www.european-patent-office.org/espacenet/info/access.htm> - free euro patent searching

Internet Research

<http://www.google.com> – use multiple key words

SCORE

<http://www.score.org> – National organization – email counseling available

<http://www.scorearizona.org/tucson> - Tucson Chapter

So What Do You Do If You're a Little Guy With a Good Idea?

(A dialogue between two SCORE Counselors, one a retired patent attorney)

First, consider whether the idea is really worth patenting. The process is lengthy, costs a lot of money, and may dictate international patenting, which adds considerably to the cost. When you file for a patent, you divulge to the world your basic idea and the plans for its implementation. If the patent is granted, you can stop anyone who tries to steal your idea only by suing, a dubious recourse if you are financially outgunned.

You might be better off not patenting your idea at all. You may possess basic know-how that's crucial to making your invention work. Know-how that's not easily replicated by a competitor may work as a kind of armor plating that deters others from ripping off your idea. The money that you would have spent pursuing a patent will be yours to devote to marketing your product.

I tell clients that if they invest the \$8,000 to \$10,000 cost of obtaining a patent and keeping it alive for its full term (20 years from application date, and not renewable), they should be able to turn it into \$50,000 or more in 20 years, and therefore they should be able to have a realistic plan and expectation of making several times that to make the patent cost worthwhile. As a rule of thumb I suggest to clients that their business plan should indicate a net return of six times the cost of obtaining a patent before making the investment in the patent process. Furthermore, figure at least a year and a half or two years for the patent process to be completed, and figure patent costs at about \$10K per country per invention.

Of course the patent issue is greatly effected by what is being patented. Many items are for retail sale, and this is the area with the greatest challenge to maintaining protection and to prevent being rapidly copied by rip-off offshore firms.

Typically, the private inventor's invention is low tech and in a mature product category. In such cases, the patent protection available, if any, is typically very narrow, which makes getting around the patent a simple matter for imitators and copy artists.

When you file for a patent, don't you divulge to the world your basic idea and the plans for its implementation? Not exactly. Patent applications are held in secrecy (both in this country and abroad) for the first 18 months. And you can prevent publication then by abandoning the application earlier, but of course if you do that, the money spent on filing will have been wasted.

If the patent is granted, you can stop anyone who tries to steal your patented invention only by suing, a dubious recourse if you are financially outgunned. All too true. You might benefit by not patenting your idea at all. Again, for the private inventor, this fits the vast majority of cases.

Less than 1 patented invention in 100 ever makes it to the marketplace.

More Inventions and Patents Advice

(From a number of SCORE Counselors from across the USA)

- Make the product sell it and run. It's just a matter of time until someone from the Far East will copy it...I discourage spending a dime on patents. Private inventors typically view their inventions through rose-colored glasses, and patents will only pay off in far less than one case in a hundred. And then only if the inventor is not greedy.
- A truly excellent website is: <http://www.willitsell.com>. This site's name tells it all and is very frank and realistic about the whole issue of the worth and process of patent protection.
- Patents are useless for the non-rich inventor. The only path I advise is selling the invention to someone that can afford all the problems and is honest and fair enough to share the profits. Patents are also useless in many, if not most, cases for the rich private inventor.
- For most product ideas, the money (if any) is made by being "firstest with the mostest" in the marketplace, patent or no patent.

HOWEVER,

Look up Provisional patent applications (PPA's) at the US PTO website at

<http://www.uspto.gov>

Provisional patent applications? New since 1995, these are an excellent temporary protection tool.

Start by going to the US Patent and Trademark website at

www.uspto.gov

and follow the links to Information and then Trademarks to the PTO brochure on Basic Facts About Registering A Trademark. Print it out.

This is a constructive step a non-rich (or for that matter a rich) inventor can take, available since June, 1995. It's called a provisional patent application (PPA). It provides a low-cost (\$75) way of "trying out" ideas on industry while protecting both the inventor and the companies. How I recommend it be used is outlined in an article, "The Provisional Application" at <http://TENonline.org/faq.html>.

For \$75, a private inventor with a word processor can write up his conception in whatever format he chooses, accompany the description with a sketch (No prescribed format, and no requirement that it be to scale is required. Even freehand is OK as long as it is legible and understandable).

I also have some contacts with manufacturers. You can find more by searching in the Thomas Register of American Manufacturers. It's free online at

www.thomasregister.com

Be realistic about patents.

All patents are not created equal. Getting a patent is easy. Getting one that will stand up and cover rip-offs is another story.

It can cost big bucks to defend against violators and is beyond the budget of most small businesses. (Patent lawyers don't tell you this before you hire them.)

Big bucks in this context means hundreds of thousands -- the family fortune if not more. Patent trials are almost all jury trials too. And even if you win, you don't get back the costs and attorneys' fees unless you can prove deliberate infringement (which rarely happens). Moreover, it takes time, and by the time a judgment is rendered, the product may be obsolete.

It even costs big (though not as big) bucks to get a patent and keep it alive for its full term (20 years from application date). That's an eight to ten grand cost/benefit decision. Over \$3,000 represents government maintenance fees after issue, even with the 50% discount for small entities. These numbers assume using a patent attorney -- doing it yourself costs less, but is Ivory Soap (99 44/100%) certain to yield a useless patent (if any) and is money down the rat hole.

Two inexpensive sources to check out your idea:

University of Wisconsin Innovation Center: <http://wisbus.uww.edu/innovate/innovate.html>

Wal-Mart through University of Southern Missouri:

<http://www.wal-mart.com/win/how.html> Wal-Mart Innovation Institute

- Fill out two simple forms—one a statement that he is a small entity and thus entitled to the government fee discount, and the other a simple cover sheet identifying the inventor, a title for the invention, number of pages of description, number of sheets of drawings, and any other enclosures. Add a check to the Commissioner of Patents and Trademarks for \$75, and send it to the Commissioner of Patents and Trademarks, Washington, DC 20231, Attn: Provisional Patent Application. He will get back an official serial number and filing date.
- What does it do for him? It starts a one-year clock for filing a complete application -- a complete application filed within a year takes the priority date of the PPA filing date for all that the PPA discloses. N.B. Best he include everything he can think of about how to make, how to use, advantages, variations, improvements, everything. If the year expires without a complete patent being filed, the PPA dies and is never opened to the public.

- Now, the inventor has up to a year to find out if he has a winner, and/or if he can sell or license his rights (the buyer or licensee can take over the PPA and the filing and processing of a complete application as a part of the deal). He can discuss it freely with any prospect since he has a protected priority date, and if it's a winner, and patentable, someone will be willing to pay to use or own it. By the way, during the year, he can and should also make a demo unit, do test marketing, market surveys, patentability searches, etc. If it's not a winner, he's only lost \$75 and some personal time.
- Getting a patent and keeping it alive for its full term (it will expire 20 years after its application filing date and is not renewable) is an \$8000 to \$10,000 commitment, even if no complications are encountered. Nearly half is in government fees, including the more than \$3000 in government maintenance fees payable in escalating installments 3 1/2, 7 1/2, and 11 1/2 years after issue. One can turn \$10,000 into \$50,000 in 20 years in mutual funds with a lot less risk, so it only makes sense to go for a patent if you have a reasonable expectation of making much more than that.

**Can Anybody Advise a Client How To Sell The Invention
Without Paying a \$150 To \$250 An Hour For Attorneys Fees?**

- A good patent attorney is worth every bit of that. Just like a good doctor, dentist, surgeon, or other professional who has invested seven or more years in a specialized education and has assimilated more years of professional experience. But the PPA approach can be a good one, leaving the big expense to the buyer. The PPA can have real bargaining value determined by the intrinsic value of the idea and the completeness and understandability of its presentation, because the buyer can buy the priority date as a part of the deal.
- David Pressman's *PATENT IT YOURSELF* is a good reference. But for a layman to try to get his own patent is big money (government fees, which are not insubstantial) down a rat hole -- even if he gets a patent. He might well get one because the examiners get brownie points for issuing patents. But it'll be enforceable and offer valuable protection only as a total accident, and against huge odds. But to assist an inventor in gaining a partial understanding of the process, so that he can take less of an attorney's expensive time the book is worthwhile.
- Another good book is *the Inventor's Desktop Companion*, by successful inventor, Richard Levy. It's available in many public libraries, and you can browse its Table of Contents and more at:

<http://www.aspensite.com/ibc/inventors-desktop-comp.html>

Another way to protect 'Intellectual Property' is to publish it. Several online companies like www.ip.com specialize in publishing Intellectual Property. The premise is that if an idea was published (by extension, available to the public) on a specific date, somebody else trying to patent the same idea at a later date cannot do so, as information pertaining to the invention was 'general knowledge'.

The following is a cut and paste from the FAQs on the ip.com website:

Question: If I had the idea first, doesn't that give me the right to use it?

Answer:

Unfortunately, having the idea first doesn't do anything for you. The only way to prevent another patent from issuing, or defeating one that has already issued, is by being able to prove not only that the idea already existed, but that it was available to the public as well. This is where technical disclosure comes in. Innovation you do not patent is at risk of being patented by others. Publishing that innovation establishes a clear trail of evidence that you had this idea, and made it available to the public. Therefore, it should be considered "general knowledge" by the patent examiners, and not be allowed to be patented. In effect, allowing you to retain your right to use your own innovation, without the hassle and expense of obtaining patent protection.

Protecting Trade Secrets

One of the reasons people start a business is that they have an idea about how to do something better than their competition. If you have such an idea, you probably want to prevent competitors from learning about or using it if you can. Sometimes you can do that by applying for a patent, copyright, or trademark. However, each of those protections has limitations. Trade secret laws help bridge the gaps left by patents, copyrights, and trademarks. For more info go to the following web site.

www.toolkit.cch.com/columns/starting/trade.asp"<http://www.toolkit.cch.com/columns/starting/trade.asp>

What about a Non-disclosure Document?

Fine, if the prospects will sign one. Most big companies won't. Problem is that up front, before the inventor's disclosure, it's a pig in a poke, and for all the company knows, it's something they're already working on, so they understandably don't want to tie their hands or expose themselves to conflict or litigation over using what they have developed themselves. It's like signing a blank check -- very perilous for any company with it's own R&D program. Most companies will decline any request or invitation to sign any non-disclosure or confidentiality agreement before knowing enough to be sure that there would be no conflict or overlap with company knowledge or activities, and that the other party was on the up and up.

Non-Disclosure Agreement Example

This agreement template is geared toward a potential Investor. For use with other types of evaluators of your business plan, carefully edit this agreement to fit your requirements.

Notice: do not use this agreement as is. This agreement is not legal advice. You should have this agreement reviewed and approved by a qualified attorney at law before using it.

The undersigned acknowledges that [Company] has furnished to the undersigned potential Investor ("Investor") certain proprietary data ("Confidential Information") relating to the business affairs and operations of [Company] for study and evaluation by Investor for possibly investing in [Company].

It is acknowledged by Investor that the information provided by [Company] is confidential; therefore, Investor agrees not to disclose it and not to disclose that any discussions or contracts with the [Company] have occurred or are intended, other than as provided for in the following paragraph.

It is acknowledged by Investor that information to be furnished is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by Investor, except as provided in this agreement, may cause serious harm or damage to [Company], and its owners and officers. Therefore, Investor agrees that Investor will not use the information furnished for any purpose other than as stated above, and agrees that Investor will not either directly or indirectly by agent, employee, or representative, disclose this information, either in whole or in part, to any third party; provided, however that

(a) information furnished may be disclosed only to those directors, officers and employees of Investor and to Investor's advisors of their representatives who need such information for the purpose of evaluating any possible transaction (it being understood that those directors, officers, employees, advisors and representatives shall be informed by Investor of the confidential nature of such information and shall be directed by Investor to treat such information confidentially), and

(b) any disclosure of information may be made to which [Company] consents in writing. At the close of negotiations, Investor will return to [Company] all records, reports, documents, and memoranda furnished and will not make or retain any copy thereof.

Signature

Date

Name (typed or printed)

[Investor's Company]

This is a business plan. It does not imply an offering of securities.

INTELLECTUAL PROPERTY WEB SITES FOR PATENTS, TRADEMARKS, COPYRIGHTS

U. S. Patent and Trademark Office

<http://www.uspto.gov>

General Information Re Patents - <http://www.uspto.gov/web/offices/pac/doc/general/>

Search US Patents - <http://www.uspto.gov/patft/index.html>

Basic Facts About Trademarks - <http://www.uspto.gov/web/offices/tac/doc/basic/>

Search TM Registrations - <http://tess.uspto.gov/bin/gate.exe?f=tess&state=nsij5v.1.1>

Provisional Patent Applications - <http://www.uspto.gov/web/offices/pac/provapp.htm>

U. S. Copyright Office

<http://www.loc.gov/copyright>

Circular 1 – Copyright Basics

U. S. Federal Trade Commission

<http://www.ftc.gov>

Invention Promotion Firms - <http://www.ftc.gov/bcp/online/pubs/services/invent.htm>

Thomas Registers of Manufacturers – American and Global

<http://www.thomasregister.com> - free searching.

Search Directories for Unregistered Trademarks

<http://www.bigbook.com>

<http://www.bigyellow.com>

<http://www.thomasregister.com>

Domain Name Registration

<http://www.internic.net>

Lists accredited registrars. Shop for needed services and for price.

<http://www.register.com>

Site to search for and register potential website domain names.

Invention Development and Market Research

<http://www.willitsell.com> - James White, Marketing Pro

Book – Will It Sell? Order from website - \$19.95 – Money back guarantee.

<http://www.tscentral.com> - Trade Shows

The Inventor's Desktop Companion – Richard C. Levy, successful private inventor

Marketing Your Invention – Thomas Mosley, marketing pro

Patent It Yourself – David Pressman, patent attorney. Good info but ignore title.

Research Department – 3rd floor – Internet access – Many resources, well informed staff.

Invention Licensing

<http://www.money4ideas.com> - Harvey Reese, independent licensing rep – no hi-tech.

Book – How to License Your Million Dollar Idea. Amazon.com - \$13.96

<http://www.adlenterprises.com> - Arthur D. Little. Very selective.

<http://www.pelhamwest.com/products.htm> - Pelham West Associates. New products wanted.

Inventor Information and Services

<http://www.patentcafe.com> - Andy Gibbs, patent attorney.

Inventor services, info.

<http://www.patents.com> - Carl Oppedahl, patent attorney.

Information, costs, publications.

<http://www.kuesterlaw.com> - Jeff Kuester, patent attorney.

Legal research.

International – Information and Services

<http://www.ladas.com> - Ladas & Parry, leading International IP firm

Internet Searching

<http://www.google.com> - use multiple key words

SURVIVAL TIPS FOR TOY AND GAME INVENTORS

By Richard C. Levy

(1) Avoid invention marketing companies/services. For the most part, they are paracreative sluggards who prey on trusting inventors. I have found that any invention marketing service that advertises on TV, radio or in printed media and over the Internet is a front money fraud. If you need help in marketing, get recommendations for honest brokers through a local inventor organization or a major manufacturer of toys and games, many of which provide lists of qualified agents.

Pay no up-front fees whatsoever! Agents take percentages in the 50% range. Be sure to verify an agent's track record for product placement and reputation.

(2) Know your rights. Nineteen states have legislation to protect inventors from con-men. In my book, "The Inventor's Desktop Companion," there is a list of these states and excerpts from select legislation. A review of "The Inventor's Desktop Companion" can be found at:

<<<http://www.aspensite.com/ibc/inventors-desktop-comp.html>>

(3) Identify your market category, and know it inside and out. Tailor your toy or game to its requirements. One of the amateur inventor's greatest downfalls is inventing in a vacuum, instead of for the marketplace.

(4) The idea is only 10% of the process. Ideas are like belly buttons, every person has one.

You'll find that 90% of the struggle is getting the product wanted and licensed. By the way, when all is said and done, we are selling to the trade (i.e., those who buy the toys and games for Toys R Us, K-mart, Wal-mart, etc.) and not the children from whom they are designed.

(5) Make sure your patent attorney is an expert in your field of invention. For example, if you are patenting an electronic circuit, you want a patent attorney who has a degree in electronic engineering.

(i) If you can find a good one, hire your own professional patent searcher. It's cheaper than going via the law firm.

(ii) If you can find a good one, hire your own professional draftsman. It's cheaper than going via the law firm.

I highly recommend that patent counsel be engaged for all patents. Do-it-yourself books, in my opinion, sell a false sense of security. To put the odds in your favor, get a good patent attorney. Read do-it-yourself books only to inform yourself about patenting processes.

Make sure your patent attorney or patent agent is registered to work before the Patent and Trademark Office. Not every patent attorney is so qualified.

About Copyrights, Trademarks and Searching & Registering Trade names (From an email exchange among SCORE counselors)

I have a client who has a clever company name. I wondered if it wouldn't be smart to use a trade mark symbol with that name.

I would recommend that they do some searching to see if there might be potential conflicts with prior users. They could start with:

<http://www.yellownet.com>
<http://www.switchboard.com>

<http://www.bigbook.com>
<http://www.whowhere.com>

Then, if all shows clear, they could do a search of issued and pending US trademark registrations. They can get one for \$5 from: <http://www.trademarksearch.com>

Of course, they should stay with the \$5 package and not be talked into a more expensive one.

(They are basically a phone operation making polite collection calls to help businesses keep their accounts current and improve cash flow). Since they are a service business, should the mark be a reduced size SM after the "IN" as opposed to a TM? *Yes, SM is correct since they offer only services, not goods.*

I ask because it seems that a TM is more popular. *It comes up more often because most businesses sell goods in addition to or instead of services.*

I understand that they can just use the symbol without registration or any paperwork. *Yes. But it offers no legal protection -- just a marketing tool and a "Keep Off the Grass" sign.*

It is not necessary to register it. Is that correct? *Correct.Ownership comes from use, not from registration. But registration offers many advantages. Go to the US Patent and Trademark Office site at <http://www.uspto.gov> and follow the links to Basic Information About Registering A Trademark.*

NOTE: Copyrights last the "life of the author plus 75 years." Then real copyrights be they written or musical, go into the "public domain." But new musical arrangements of public domain items (like Christmas Carols) can result in a "new copyright".

TRADEMARKS

A. TRADEMARKS are either a word, phrase, symbol, design or a combination of these, which identifies and distinguishes the source of the goods or services of one party from those of others. SERVICE MARKS are the same as trademarks, except that they identify and distinguish the source of a service rather than a product.

B. A mark for goods appears on the product or its packaging; a service mark appears in advertising for the services.

C. The State registration procedure preserves the mark to the registrant throughout the entire state. The Federal registration preserves the mark throughout the United States; but the state registration must be followed.

D. Trademark rights can last indefinitely if the owner continues to use the mark. The term of federal trademark is 10 years with 10 year renewal terms.

E. Applications are filed with the Patent Office, U.S. Department of Commerce, 703 308-HELP. Filing fees are \$245 per trademark application.

F. The symbol of federal trademarks, R in a circle, shows the mark has been registered. Use of an unregistered mark is denoted as "TM" for trademark and "SM" for service mark.

Finally, check the "Thomas Register". <http://www.thomasregister.com> Either on the Business Resource Index at www.score.org or in the library.

To my knowledge, you can't copyright a name. You can trademark it, and in the US this is done (hopefully with the assistance of an attorney with a check to the Assistant Commissioner for Trademarks in the Amount of \$325. For the most part, this provides a defensive position - if someone else starts using his name, he has recourse to take action to stop them from using it. By the same token, if he holds the trademark in the class that he's indicated, a company using the same name for the same class cannot force him to stop using the name - in the countries where he's registered a trademark.

An Exchange Between Austin Pryor and John Pederson, Patent Attorney (April 2003)

I am not an attorney, but when more than 25 years ago, when I was a VP marketing and introducing new products all the time, we used to sell some of the new stuff across state lines and keep the shipping orders, invoices, receipts etc. That sort of proved we were shipping the product, under that tradename in interstate commerce. This served as a "proof of first use" which was very handy. I suspect our corporate lawyers then went on to register it, but this at least bought us time.

Good practice., per John Pederson

Trademark ownership stems from being first to adopt a mark and use it commercially. Registration is desirable, but optional -- and there can be no federal registration unless and until the mark is used across state lines, i.e., in interstate commerce.

The client should do a search of registered US trademarks and applications at the PTO web site, <www.uspto.gov>, to see if there any priors that might be held to be confusingly similar. The test is likelihood of confusion ,in the marketplace between the new mark and the prior mark, as used commercially by the parties. Marks which sound alike, or look alike, or have similar meanings are usually held to be likely to cause confusion if the goods are similar, or common trade channels are used, etc. So mere misspelling of a mark, for examplly, is not sufficient to avoid infringement or to establish

ownership of the knock-off -- the client should search "custom" as well as "kustom". Note that the rule is different for trademarks than it is for domain names, where any difference is sufficient to enable registration, but note also that having a domain name registration is no defense to a charge of trademark infringement.

The client should also do a search of unregistered marks in general business directories such as

<http://www.bigbook.com>

<http://www.bigyellow.com>

<http://www.thomasregister.com>

And the client should be aware that if a prior mark is close enough to raise a question whether it is too close, it probably is. Defending a trademark conflict is a costly matter win or lose -- it's much better, especially for a startup, to find a mark which is clearly not similar in any way.

John Pederson, SCORE, Tucson and Cyber Chapters
Retired former Director of Patents, Major manufacturing company

USING COPYRIGHTED MATERIAL. You require the permission of the copyright holder --which is always the author (unless the author has explicitly signed away his rights to the publisher). The people requesting reprints are free to make their own copies for their *personal* use -- not for sale or distribution.

A copyright notice is no longer required on written materials -- "all" written materials implicitly carry a copyright (initially) owned by the author. That copyright is sufficient to support a "cease & desist" action by the author. If the author registers the copyright with the Copyright Office, he can also collect damages.

The Copyright Office has a good site at <http://lcweb.loc.gov/copyright/>.

As for sharing revenues -- if you expect to profit from the reprints, I would expect the copyright holder to expect to share in those profits. (If the materials have significant "publicity" value to the author and the expected profits are small, the author might give permission without expecting compensation. On the other hand, if the expected profits are small & the copyright holder is large, permission might very well be withheld on the basis that the expected gain is not worth the hassle. I doubt that there are any firm profit-sharing rules as each situation is likely to be different. I suspect it would come down to whatever you could negotiate.

I believe the person who created the work is the person who can copyright it, unless he or she is an employee, or unless it has been specifically denoted as a "work for hire". In that case the employer owns the rights. The best advice is to get it specified in the contract who is the owner. See below for more information

<http://www.loc.gov/copyright/circs/circl.html#wccc>

Copyright protection subsists from the time the work is created in fixed form. The copyright in the work of authorship immediately becomes the property of the author who created the work. Only the author or those deriving their rights through the author can rightfully claim copyright.

In the case of works made for hire, the employer and not the employee is considered to be the author. Section 101 of the copyright law defines a "work made for hire" as:

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as:
 - a contribution to a collective work
 - a part of a motion picture or other audiovisual work
 - a translation
 - a supplementary work
 - a compilation
 - an instructional text

a test

answer material for a test

a sound recording

an atlas

if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire....

A "work made for hire" is-

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work as a sound recording, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

My experience is that whomever paid for the data owns the rights to the data to the extent spelled out in the contract.

New Product Licensing

2004 TEN paper by Ed Zimmer, 734-663-8000, The Entrepreneur Network, Ann Arbor, MI.
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You have a new product idea that you believe would sell very well were it only available on the market -- but you don't have the time or resources to "venture" the product, i.e., to manufacture it (or have it contract-manufactured) and sell it yourself. What now?

Realistically, the best advice you could be given is to forget the idea -- and get on with your life.

Your only alternative is to try to "license" the product idea, i.e., to find an existing product-line manufacturer already selling other products into your target market -- and try to convince them that they should add your product to their product line -- and share their profits on that product with you (typically by paying you a "royalty" on their sales of that product).

But your odds of licensing that idea are tiny -- no better than 1 in 1,000 (and probably much lower). Why?

1. Your idea is probably not new. Just because you haven't seen it in the market says little. There are many times more products available from specialty catalogs than you'll see in your local stores. (Many of these specialty catalogers now have websites, where you can find their offerings with diligent searching -- but many still do not.) It's possible (even likely) that your idea has already been tried and failed (because of market or technology reasons that still hold true) -- and the only way you can find that out is by talking with old-timers in the industry. And even if it hasn't been tried, it's possible (even likely) that important product features of your idea have been already patented by someone else -- and the only way you can find that out is through a professional patent search (which will cost you upwards to \$1,000.)

2. Manufacturers are not looking for new products. They have a 3-5 year queue of new products and product improvements already in development. They've thoroughly researched the profit potential of each of these -- and are well along in developing them. When you submit your new idea to them, your idea is in competition with what they're already working on. They'll displace or defer one of their projects only if yours shows significantly greater profit potential -- and if you can't quantify and substantiate that profit potential (as thoroughly and accurately as an industry insider), then the profit potential of your idea has to be much greater (and obviously much greater) to tempt them to research that profit potential themselves.

3. It may not be possible to manufacture your product at the cost necessary for it to retail at a price customers will pay. A new consumer product typically must be manufacturable at no more than 1/6 of its retail price to adequately compensate the product's distribution channel (e.g., the manufacturer must sell at 2 times their manufactured cost to cover their operating costs and profit, the wholesaler must sell at 1.5 times their cost and the retailer at 2 times their cost -- $2 \times 1.5 \times 2 = 6$). There are many good product ideas that simply can't be manufactured for the needed cost -- in fact finding a way to manufacture a product at the needed cost is frequently the much more difficult problem than simply designing the functionality.

4. Adequate intellectual property protection may not be available. Understand that a patent does not protect the function you intended -- it protects only your particular design or method -- and only those features of your design or method that have not already been patented (or made known) by someone else. If it is not possible to get a broad patent (i.e., one that protects all economical ways of providing your intended user benefits), it's unlikely anyone will license your idea. Why should they share their profits with you on a product which -- if the product sells as well you hope -- they know that their competitors will soon be selling the same or similar product without having to share their profits.

5. Other. And there are a virtually infinite number of reasons why any single company might not be interested in your product or improvement.

* **The product's potential sales aren't large enough to be of interest.** If expected sales are less than 1% of their current sales into that market, they'll almost certainly not be interested -- it's just not worth the hassle to them. At 1%, they might have interest -- if the product just naturally flows right into their existing manufacturing and marketing structure -- but it will typically take 10% or more for them to have any strong interest. (A large company, like P&G, frequently simply abandons products whose sales, although too low for P&G, would be top-sellers for a smaller company.)

* **The required front-end investment is just too large or too uncertain.** A smaller company can't afford the investment that a larger company can. But even a larger company may not have interest if the engineering costs can't be accurately pinned down -- the risks are just too great. And virtually no company will try to develop a new market (new to them) for a new product from the outside -- that's far too risky.

* **The required operational changes are too great.** Many large companies have so much invested in their existing tooling and training that they're virtually chained to the status quo. General Motors, for example, gets about 25,000 new idea submittals a year -- and, on average, licenses only 1 -- and not because there weren't some very good ideas among them -- but because they simply can't afford to change.

* **They have no interest in outside ideas.** Some companies have decided that looking at ideas from the outside is simply not worth the effort -- and purposefully reject any attempts at submittal. Yes, they may miss something that they may later wish they'd seen -- but they've made the business decision that that possibility isn't worth the time and effort to review all the ones that weren't.

* **You approached them incorrectly.** Companies live by systems and procedures -- without them there'd be chaos. Companies that may have some interest in outside ideas have set up a system and procedure for reviewing those ideas. If you use that system and procedure, your idea will get the most complete review that the company is willing to give -- and if you don't, you'll likely get an incomplete, or no, review.

* **The company's going through hard times...** or a management change... or just have too many new products on their plate right now. If you had approached them last year -- or maybe next year -- they might have been interested -- but not now.

* **Other.** And besides the many objective reasons like those above, there are as many or more subjective reasons: Your presentation wasn't clear enough -- or someone in the decision loop decided you'd be too difficult to deal with -- or there's something about you that they just don't like or trust -- or they were just having a bad day...

You want to try anyway?

You now understand that the odds are stacked heavily against you. But you may have a licensable idea -- it does happen -- people outside the industry sometimes do see things that those inside the industry don't. If you want to give it a shot -- despite the odds -- how can you go about it?

First, avoid the "invention promotion" companies you may see advertised who "promise" to do it all for you -- they almost certainly won't -- despite the substantial monies you'll have to pay them.

There are a few "invention agents" -- who don't advertise (you'll have to dig deeply through the inventor community to find them) -- who might take on your idea on spec (i.e., for a share of your share of the possible profits) -- but they're even less likely to take on your idea than the companies themselves -- and most of them will charge you an "evaluation" fee (which will only evaluate whether they think they can license the idea).

So face up to the fact that if a licensee is to be found for your idea, you are the one who must do it -- there's no one who will do it for you -- and if you feel you can't do it, go back to my original advice to "forget the idea and get on with your life".

What about a patent? If you're thinking that companies might go looking through issued patents to find new products -- they don't. The only reason they look through issued patents is to find "prior art" (i.e., already patented features and methods) that they must design around in the development of their own new products.

Does that mean that patents are a waste of time and money? Generally, "yes". What good will a patent do you if your idea proves not licensable for any of the reasons above? A patent will cost you several thousand dollars -- and your risk/reward ratio is in the same neighborhood as "investing" it in your state lottery. (The lottery's odds are a bit longer, but its jackpot is greater.) And don't expect a patent attorney to tell you whether you can get a sufficiently broad patent -- only you can determine that. The attorney simply doesn't have the market knowledge to assess what's important in your market.

If you're prepared to research your idea -- fully and thoroughly -- see the series of articles by Andy Gibbs for a better understanding of what's involved -- a patent (or more likely patents) may make sense. But do the research first -- as your research will most likely show you why your

idea isn't licensable. And even if it appears to be licensable, you'll find that the time and costs to make it licensable will be substantial -- much greater than simply the patent costs.

When the Provisional Application came into being, I had hopes that people with a new-product idea might finally have a way to safely show their ideas to industry at a reasonable cost -- see The Provisional Application. But that has proved not to be the case.

For a provisional to offer any "protection", it must be both enabling (i.e., must completely and accurately describe how to make and use the device) and thorough (i.e., it must also describe the device broadly enough to provide adequate support for all of the patentable features of the device in a later non-provisional application).

Evidence indicates that most people trying to use the provisional cannot do this even close to adequately -- and if they go to a patent attorney to draft it for them, they find that the cost is almost as much as filing a non-provisional patent application (and many practitioners will, rightly, urge them to bypass the provisional and simply file the non-provisional).

So we're back to where we were before the provisional came into law -- spend a lot of money -- to safely show a new product to industry -- that they probably don't want.

There is a solution.

In the "old days" (before the provisional), cost-conscious inventors would try to arrange with their patent attorney to hold their important intellectual-property papers in the attorney's file -- and then contact their licensing prospects to see if there was any interest. This was a relatively "safe" method because -- if a company was interested -- and knowing that a patent attorney was involved -- it would be extremely unlikely that the company would try to do anything with the idea without at least talking with the patent attorney. And if it appeared that useful patent protection could be obtained, the attorney and the company would work together to ensure that the best possible protection was obtained (and that the inventor received a "fair" deal).

This is still a fine approach to licensing. However... You'll find it difficult to find a patent attorney who will work with you in this way -- you're a "nuisance" to his normal workflow. And even if you do find one, he will likely insist that you first pay him to do a professional patent search -- if one of the companies you contact does contact him, he needs to be prepared to discuss with the company exactly what might be patentable. And you may find it awkward -- when the licensing prospects you contact ask whether your idea is patented -- to explain that no it isn't, but your important intellectual-property papers are in your patent attorney's files.

Although the provisional does not provide the low-cost vehicle that I had hoped it would, its existence in current law does open up a variation on the old approach that avoids the difficulties. Here are the steps:

1. Compile a list of your licensing prospects. See The Provisional Application article for how to do this.

2. Write up and file a provisional application. It doesn't have to be a "good" write-up because you're never going to show it to anyone

3. Contact all the companies on your "prospects" list. When they ask whether your idea is patented, say that it's "patent-pending". If they ask if that's by provisional or non-provisional, say "provisional". If they ask what the idea is, tell them as much as they want to know -- there's nothing to gain by holding anything back (and much to lose if you do). If they want to see more information, send them a clear and complete description of the product or improvement -- but not one that looks like it might have been written as a provisional application.

As noted above, you'll probably find that none of your prospects are interested -- however it's only cost you the provisional application filing fee (currently \$80) and a couple of months of emails and phone calls.

But, hopefully, one of those prospects is interested. They'll ask to see your provisional. Do not show it to them -- put them off by saying something like, "I've made some design changes since the provisional -- so I won't be citing the provisional in my formal application". (Never give any indication that you might not be following through with a formal application.)

Then negotiate with them to pay for the formal application. The cost to them is trivial compared with the other costs they face in bringing the product to market -- and if a broad patent is possible, that's as much in their interest as in yours. (The patent will be in your name, as only the true inventor can file for patent.)

If the company likes your product and wants to bring it to market, you've put them in a bind:

* They can't go ahead without you -- because they don't know what you're patenting -- they have to assume it's the broadest patent possible -- and they have to assume that you'll be following through with your formal application, so that -- about the time they get the product to market -- and it's starting to make money for them -- they have to expect that they'll be faced with your patent issuing.

* And they can't "wait you out" -- because a patent can take several years to issue -- and it will be a long time (probably past the market window) before they can be sure you didn't follow through with your formal application.

Their only rational business decision is to work with you.

Understand that this approach has nothing to do with "intellectual property law" (other than that the existence of the provisional in the law makes it possible). What you're doing here is running a business bluff -- but a bluff in which no one can ever see your hand, unless you accidentally show it -- or you allow someone to trick or coerce you into showing it.

The people you'll be contacting are pros -- they're fully capable of bluffing back. You're very likely to hear, "We're very interested in licensing your idea -- but we can't move forward until we

see your provisional". You have to be prepared to simply say goodbye. They weren't really interested in licensing at all -- all they wanted was to see what you were planning to patent.

Summary

Given a product idea -- that you're not prepared to "venture" -- you really have only three choices that are at all rational:

1. Go about it "right" -- the Andy Gibbs approach cited earlier. Do the research and prepare a presentation that offers -- not just an invention -- but a documented, substantiated profit-making opportunity. This is the approach used by the "pros" -- the "professional" inventors. It provides by far the greatest odds of successfully licensing -- not because the pros are necessarily more creative, but because -- as they research their ideas -- and encounter the obstacles that are always present -- they improve their inventions to overcome or bypass those obstacles -- and, hence, when they're ready to present -- they have something they know will license -- and generally to who -- and why.

2. Use the "business bluff" approach outlined above. The odds of successfully licensing are obviously much lower than the first choice (but certainly better than not trying to license at all). This isn't likely to get you a license with any of the giant companies (but neither is any approach other than choice 1). But it may well get you a license with a company that is not the market giant -- and it may get you a license even if there are serious patent obstacles. If you present them with a patent (or provisional) that they can design around, they will very likely do so. But if you leave the patent issue up to them, they may well decide that they don't care about patent protection -- that first-to-market is enough for them. And even if they do care, you've given them the opportunity to get the broadest possible patent protection -- which it's unlikely you would have discovered (or have paid for) on your own.

3. Or "forget the idea and get on with your life".

Any approach you try between the extremes of choices 1 and 2, will almost certainly be a waste of time and money. Yes, you may well get a license with a only a half-baked patent and mere submittal of your "invention" -- but if that's the case, you would have obtained that same license with choice 2 -- without the front-end costs and hassle.

One final note... I've used the word "idea" throughout this paper -- substitute the word "invention". An "invention" is an idea "reduced to practice" -- see Ideas vs. Inventions for a better understanding. Ideas are not licensable -- only inventions are. Do not use choice 2 to try to license an idea -- doing so will only make it more difficult for others with actual inventions to get industry to look at them.