

Should I patent it?

It depends – What’s your business plan?

By [James E. Hudson III](#)

Inventors and business owners often ask whether utility patent protection, domestic and/or foreign, should be pursued. No one answer exists. The response depends on the value of the patent to the business, according to its business plan and assessed from one or more viewpoints. Ultimately, the answer turns on whether the value of the patent exceeds the cost to obtain.

What is a utility patent?

A patent is a government-issued monopoly, for a limited period of time, afforded in return for the public disclosure of the invention. In the United States, the owner’s rights in the patent are infringed when whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent.¹

When is an invention patentable?

An invention is patentable if it meets statutory requirements. Beneficially, most countries have harmonized their patent systems to generally include similar requirements. In the United States, generally, an invention may be patented if it is statutory subject matter, is novel, and is not an obvious improvement. Statutory subject matter includes processes, machines, manufactures, and compositions of matter, or any new and useful improvement thereof which has utility.² An invention is novel, unless it was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or was described in a patent, or in an application for patent published or deemed published by another effectively filed before the effective filing date of the claimed invention.³ There are limited exceptions to this novelty bar.⁴ An invention is obvious if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.⁵ If all necessary patent maintenance fees or annuity fees are paid, the patent has a lifespan of twenty (20) years from the date of filing.⁶

¹ 35 U.S.C. §271

² 35 U.S.C. § 101

³ 35 U.S.C. § 102(a)

⁴ 35 U.S.C. § 102(b)

⁵ 35 U.S.C. § 103

⁶ 35 U.S.C. §§ 41, 154

What is the patent process?

To obtain a patent, the application is assessed by an Examiner in the relevant patent office for patentability with an opportunity for the applicant to challenge the Examiner's conclusions and to amend the application's claims consistent with the application's disclosure.

In the United States, this process begins with an application for a non-provisional patent.⁷ While the United States affords the opportunity to file a provisional application, the provisional application has a lifespan of one (1) year and is not reviewed for patentability.⁸ The non-provisional application must contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and must set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.⁹ The non-provisional may claim the benefit of the filing date an earlier provisional or co-pending non-provisional application.¹⁰ Additional documents, such as oaths of inventors, assignments, and disclosures of relevant prior art, are also required.¹¹ To better identify the areas of novelty and non-obviousness, a prior art search may be conducted.

Once filed, the Examiner reviews the application, to which the applicant may timely respond. If the Examiner finds the invention, as identified in the claims of the application, to meet all statutory requirements, a Notice of Allowance is issued.¹² If one or more of the claims are held unpatentable for the patentability requirements detailed above, if the claims are indefinite, or if the application is otherwise held to fail any statutory requirement, the Examiner will issue an Office Action, providing a limited time to respond, including curing deficiencies, amending claims, and arguing the error of the Examiner's conclusions.¹³ Ultimately, this may entail multiple communications with the Examiner,¹⁴ and appeals through the administrative and judicial systems.¹⁵ Additionally, other filings and fees may be required.

The process may take a year or may take several years. At eighteen (18) months from the earliest filing date for which a benefit is sought, a pending utility patent application is published, absent a request for earlier publication, a secrecy order, or an express waiver of non-US filing.¹⁶

⁷ 35 U.S.C. § 111

⁸ 35 U.S.C. § 111

⁹ 35 U.S.C. § 112

¹⁰ 35 U.S.C. § 119

¹¹ 35 U.S.C. §§ 111(c), 261; 37 C.F.R. 1.56;

¹² 37 C.F.R. 1.311

¹³ 37 C.F.R. 1.104

¹⁴ 37 C.F.R. 1.104

¹⁵ 35 U.S.C. § 134

¹⁶ 35 U.S.C. § 122

What cost can be anticipated to obtain issuance of a patent and, if elected, to maintain the patent thereafter?

According to the American Intellectual Property Law Association's 2019 Report of the Economic Survey, the national mean cost to prepare and file a relatively-complex mechanical non-provisional application, including the referenced documents, is \$11,008.¹⁷ According to the same source, the prior art search can add a further \$ 1,000 to \$ 5,500, with a median of \$2,962.¹⁸ The costs in arguing patentability in a single office action depend on numerous considerations and are case specific, but may range from \$1,470 to \$9,400.¹⁹ Generally, an applicant faces one or more office actions. Once a Notice of Allowance is issued, a patent will issue upon payment of the issue fee as provided in the current fee sheet.²⁰ Small and Micro entities pay half or one-quarter of the undiscounted issue fee, respectively. Most countries require further payments to maintain the patent for the duration of its potential lifespan, either an annuity or, in the case of the United States, in maintenance fees by the 4th, 8th, and 12th year from issuance. These US maintenance fees, undiscounted, are Sixteen Hundred Dollars (\$1,600), Thirty-Six Hundred Dollars (\$3,600), and Seventy-Four Hundred Dollars (\$7,400), respectively.

What value can a patent, and even the patent process, provide?

With such expenditure, a prospective applicant is best served with a plan to reap from the patent, or its publication, sufficient value from various viewpoints. This may include marketing, dissuading others, asset generation, revenue stream generation, construction of a counteroffensive arsenal, and defensive disclosure.

The filing of a patent application and the issuance of a patent can have marketing value. Press releases can bring attention to the business as a market innovator as can marking the product. Upon the filing of a patent application, the business is able to use the notification "Patent Pending." Upon issuance of a patent, the owner can, and should, give notice of its patent by fixing thereon the word "patent" or the abbreviation "pat.," with the number of the patent or gives an internet path to the patent number, or to the packaging of the patented product.²¹ The business may identify its patent portfolio as proof that its products are inventive when compared to competitors. Some businesses may further market the size of its patent portfolio. This marketing may drive sales and market perception, justifying some portion of the cost of the patent prosecution.

Dissuading others from bringing an otherwise competitive product to market for fear of potential patent litigation, and thereby increase sales, may be a further benefit of a patent. Because the true scope of a patent is not known until the district court construes any claim terms whose meanings are in dispute, there is at least some uncertainty as whether a particular product may give rise to patent liability. Any person or entity who "makes, uses, offers to sell, or sells any patented invention, within the United States" infringes the patent, among other infringing conduct.²² A patent infringement analysis involves

¹⁷ AIPLA, AIPLA Report of the Economic Survey 2019, I-98, I-103, I-104 (Original utility application, relatively complex mechanical (\$9546); Formalities (\$468); Preparing and filing formal drawings (\$580); Preparing and filing Information Disclosure Statement, less than 50 references by Location (\$414);

¹⁸ AIPLA, AIPLA Report of the Economic Survey 2019, I-101

¹⁹ AIPLA, AIPLA Report of the Economic Survey 2019, I-99 (Patent application amendment/argument, relatively complex, mechanical (Preparation and Filing) by Location (Q42i);

²⁰ 37 C.F.R. 1.18(a)(1), currently One Thousand Dollars (\$1000) undiscounted.

²¹ 35 U.S.C. §287. Further, the failure to give notice of the patent precludes recovery of damages absent proof the infringer continued to infringe after actual notice of the patent. *Id.*

²² 35 U.S.C. § 271

two steps. First, the court construes the asserted patent claims.²³ Second, the factfinder determines whether the accused product or method infringes the asserted claim as construed.²⁴ A device that does not infringe a patent claim literally may still infringe the very same claim under the doctrine of equivalents if every limitation of the claim is literally or equivalently present in the accused device.²⁵ The doctrine of equivalents allows a patentee to claim insubstantial alterations that were not captured in drafting the original patent claim but which could be created through trivial changes.²⁶ Each element contained in a patent claim is deemed material to defining the scope of the patented invention, so the doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole.²⁷ The uncertainty of claim term construction and equivalents generates value in that others are reticent to bring competing products to market

Once the patent is obtained, it is also an asset of the business which may justify some portion of the patent cost. Thus, once obtained, the patent can be sold for value or used as security for a loan. A patent has all the attributes of personal property.²⁸ It can be transferred by written instrument.²⁹ Like any personal property, a security interest can be recorded under Article 9 of the Uniform Commercial Code. Best practices also encourage recordation of the security interest at the United States Patent & Trademark Office.³⁰

Short of sale or security, the right to practice the patented invention can be licensed to generate a revenue stream, generating value to the patent owner and offsetting the cost of patent prosecution and maintenance. The patent owner can derive value from an unused or underutilized patent. An exclusive license may be granted, where the licensee alone is granted the right to practice the invention by the patent owner. With the exclusive rights, such a license is the most expensive. If the patent owner does not forego the right to practice the invention in favor of a single licensee, a sole license is granted. Finally, non-exclusive licenses may be granted to a plurality of licensees. Typically, with greater exclusivity, the greater the license fees which can be demanded.

In the long-term strategy, obtaining a patent, or more particularly constructing a patent portfolio, may have long-term value as a defensive position. A patent owner may construct a portfolio of patents including patent families. With such a portfolio, an assertion of patent infringement from a competitor may be prompt a counter-assertion of infringement of one of the patent owner's patents, cross-licensing, and a demand for mutual peace. Absent a portfolio, the same patent owner might have no choice but to acquiesce to the demands of the asserting competitor.

²³ *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995) (en banc).

²⁴ *Id.*

²⁵ *Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc.*, 206 F.3d 1408, 1415 (Fed. Cir. 2000).

²⁶ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 733, (2002) ("Festo VIII").

²⁷ *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29, 117 S. Ct. 1040, 1049, 137 L. Ed. 2d 146 (1997).

²⁸ 35 U.S.C. § 261.

²⁹ *Id.*

³⁰ *Id.*

Finally, even if a patent is not ultimately obtained, a prospective patent owner may leverage the patent prosecution process as a defensive measure against competitors who might otherwise obtain problematic patent protection. Published patent applications may be patent-barring prior art against a competitor, regardless of whether a patent ultimately issues.³¹ If the application remains pending eighteen (18) months after the priority date and if the potential patent owner has not explicitly requested non-disclosure in consideration of waiver of foreign filing rights, then the application will be published at eighteen months.³² Publication is not without risk, however, as third parties are provided a limited opportunity to disclose material prior art to the US Patent & Trademark Office which might narrow or even bar patent protection.³³ If the patent owner does not elect non-publication, the resulting publication provides an opportunity for a potential patent owner to disclose subject matter, including that which might now be independently patentable, to ensure that subject matter considered by the potential patent owner to be well-known is clearly available to the US Patent & Trademark Office.

Conclusion

When an inventor or business evaluates whether to pursue patent protection, the decision must turn on the value which can be recouped from a patent. The determination may include the value derived from marketing, from dissuading others from competing, from asset generation, from revenue stream generation, from construction of a counteroffensive arsenal, and from defensive disclosure. One of these alone may be insufficient, but the combination may justify the expenditure. But these options require assessment before starting the patent prosecution process.

About the Author:

Jim Hudson is a member of Crain Caton & James's Intellectual Property Group. A registered U.S. Patent Attorney, he assists clients in protecting their intellectual property, including patents, trademarks, copyrights, and trade secrets and defending their rights to continue in business.



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³¹ 15 U.S.C § 102, 103

³² 37 C.F.R. 1.211

³³ 35 U.S.C. § 122(e)