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# U.S. PATENTS:

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## 30 Factors for Contracts Professionals to Consider

BY JOHN "JOHNNY" E. MILLER



Before applying for a patent, take into account all of the commercial, business, technical, and legal implications.

# AS CONTRACTS PROFESSIONALS, we are sometimes asked by management to consider the merits of pursuing a potential United States patent on an invention.

During my 30-year contracts career, I have compiled a checklist of practical benefits and drawbacks in obtaining a U.S. patent. Before discussing with management the pros and cons of potentially obtaining a patent on an invention, I first review this checklist as a refresher.

The idea of federally granted patents in the United States is derived from the Constitution. Article 1, Section 8, Clause 8 states, “The Congress shall have power...to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries....”

The U.S. Patent Law (Title 35, Section 101) states, “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of any matter, or any new and useful improvements thereof, may obtain a patent therefore....”

The courts over the years have further interpreted and defined U.S. patent law. Because the government desires to promote progress by disseminating new ideas, patent protection is given only in exchange for a full written disclosure of the invention. A patent is

effective only in the territory under the jurisdiction of the country granting it and for the limited term specified by that country’s laws.

A patent gives its holder the right to exclude others from making, using, or selling the invention “claimed” in the patent deed for 20 years from the date of filing a successful patent application, provided certain fees are paid. (The term of a patent that is in force on or that results from an application filed before June 8, 1995, shall be the greater of the 20-year term or 17 years from the actual patent grant.)

The patent does not give its owner the right to make the patented item, but only to exclude others from making the patented item. Thus, a patent is a “negative grant” to exclude others from making the patented item.

A patent is in the nature of a contract—one between the government and the inventor or the inventor’s assignee. In return for the patent, the inventor discloses the invention, in the patent, in such full and complete detail as to enable others in the field to make and use the patented item. In return for this full disclosure (or teaching), the government grants the inventor a patent, i.e., the right to prevent others from making, using, and selling the patented invention.

The next time you are asked by management to consider the merits of pursuing a potential U.S. patent on an invention, review this checklist first to ensure that you have considered all of the commercial, business, technical, and legal factors. You will be surprised how many important issues the checklist will generate for consideration. **CM**

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## ABOUT THE AUTHOR

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## ADVANTAGES OF PATENT CREATION

<b>1</b>	Protects patent owner from the copying of innovations or inventions in his or her products or services;
<b>2</b>	Insulates patent owner's products and services, to some extent, by legally hampering competition;
<b>3</b>	Potentially used as bargaining chips in the settlement of controversies or in agreements;
<b>4</b>	Encourages innovation by recognizing patent owner's inventions;
<b>5</b>	The business area may be one in which patent owner's competitors traditionally obtain patents;
<b>6</b>	Discourages offshore competition;
<b>7</b>	Potentially creates assets to increase patent owner's company worth;
<b>8</b>	Potentially produces a more valuable asset for a stream of incoming licensing royalty income;
<b>9</b>	Used to protect patent owner's research and development (R&D) expenditures;
<b>10</b>	Protects inventions from wrongful misappropriation by patent owner's employees and others;
<b>11</b>	Documents patent owner's innovations to his or her customers;
<b>12</b>	Potentially could contribute to the sale of patent owner's applicable products and services in terms of dollars;
<b>13</b>	Reverse engineering is a possible threat;
<b>14</b>	Public disclosure of invention may soon be required; and
<b>15</b>	The invention is likely to be independently invented by others in the future.

## REASONS FOR DECIDING AGAINST OBTAINING PATENT PROTECTION

<b>16</b>	Invention may lack sufficient commerciality;
<b>17</b>	Entry barriers in the business area may naturally limit competition, and thus, there may be no need to patent. It may be too difficult for competitors;
<b>18</b>	A certain market may consist of a limited number of buyers who are locked into a limited number of sellers ("exit barriers");
<b>19</b>	Certain business areas may not traditionally copy each other;
<b>20</b>	Design-around may be easy;
<b>21</b>	Patent creation costs may outweigh the value of the patent;
<b>22</b>	Patent enforcement costs may far outweigh costs of obtaining a patent;
<b>23</b>	Money may be made by being first to the market;
<b>24</b>	Profits may be of short duration and not patent-dependent;
<b>25</b>	Innovations may be best kept as trade secrets;
<b>26</b>	There may be no way to identify patent infringers;
<b>27</b>	The life of a product or service may be over before a patent is issued;
<b>28</b>	Profits can result from manufacturing efficiency, thus taking the cost out of making products or performing services;
<b>29</b>	In the applicable area, a dominant sales team and outstanding management vision may be more important than the applicable patent; or
<b>30</b>	Your company may not be "patent-friendly" and it may not be equipped with a tight patent strategy.