

ENSURING PROPER PATENT PROTECTION

The following is an excerpt from a Legal Issues session presented by Greg Carr at the Southwest Equity Capital Summit, which was held on October 2, 2002 in Richardson, Texas.

THE PATENT PROCESS

For entrepreneurs and industry pioneers, the patent process provides one of the most definitive ways to protect a company's Intellectual Property and to boost company valuation. To put the approach in more tangible terms, this article will review the process using the patent filed by the Wright Bros. for their flying machine.

At first glance, the patent appears to cover two wings strapped together to enable flight. In reality how to get the wings off the ground was not the problem. The problem was "*How do you keep a pair of wings in flight?*"

The salient invention the Wright Bros. developed was the way to control the flying surfaces, shown by dashed lines on Fig. 1 of their patent, so a flyer can actually control the direction of the flying machine. Controlling the flying surface is the difference between a flying machine that will *continue to fly* and a flying machine that will *simply get off the ground*.

Assume, just as an example, that Orville is the more forward thinking of the brothers. Suppose Orville focuses on the value of keeping the wings level for a long time and controlling the direction of flight by turning the wings.

Referring back to the patent drawing, Orville's original thought contributes elements A, B, and C, which together comprise the control mechanism both linking the flyer to the wings and enabling the flyer to bend portions of the wings into a different shape. These are the fundamental features allowing the flying machine to be guided in flight.

FIG. 1.

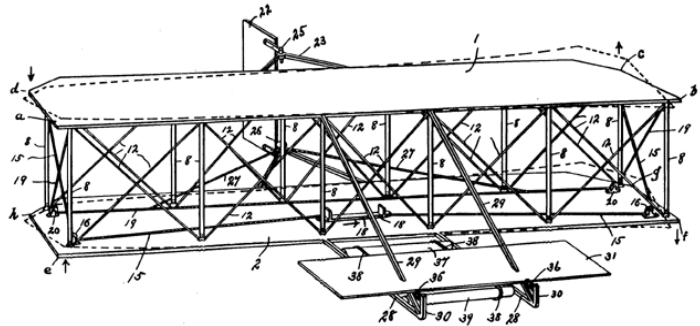
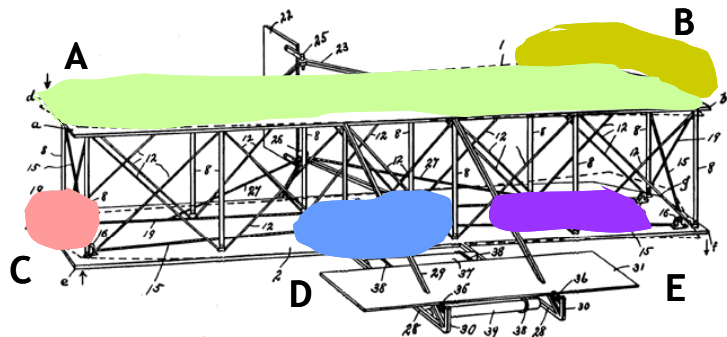


FIG. 1.

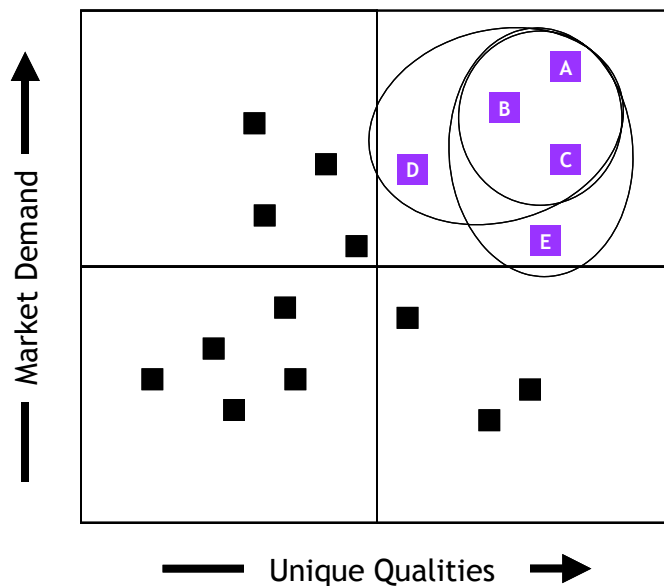


Next, Wilbur develops refinements of the fundamental features Orville contributes, such as a control slide in the center for the flyer to move back and forth, element D in the drawing. A system of wires and pulleys, element E in the drawing, linking the flyer and slide to the control surfaces of the wings, is also suggested by Wilbur instead of levers and rods of Orville's original concept.

For the flying machine to stay in flight, the only required features are A, B and C, which were contributed by Orville. Elements D and E, developed by Wilbur, are marketable refinements, but are not essential to the invention.

ENSURE THE PROPER PROTECTION

In identifying what to patent, it is important to understand the *market demand for* and *unique qualities of* the various features of an invention. The adjacent box with four quadrants represents the flying machine invention, as described in a patent application, with significant structures and functions represented by rectangles within the box. Market demand for the features increases toward the top of the box, while the unique qualities or innovation associated with each feature increases toward the right of the box. The goal is to secure patent protection for those features in the upper right-hand quadrant of the box, which will both provide profits from a high level of market demand and probably be patentable.



Applying this approach to the example of the Wright Bros., Orville contributes items A, B and C that are necessary for the invention to work and bring the greatest market value. These are the features on which patent protection should first focus. Then, protection of the less marketable and innovated slide and pulley features of Wilbur, items D and E, are added. The black boxes represent features of the flying machine that have readily available substitutes, are not necessary to the operation of the invention, or have little additional value in the marketplace.

A similar approach can and should be taken to patenting innovations today.

In this hypothetical example, note that the Wright Bros. included all five features in their patent application, when only Orville's original features (A, B and C) were necessary to build a marketable flying machine and a successful airplane manufacturing business. Even though Wilbur's contributions are unnecessary (Orville's levers could be used instead of the slide and pulleys), Wilbur is still entitled to 50% ownership of the patent. This is because Wilbur's contributions were claimed as part of the invention in the patent application. Each owner of a patent, whether it is a 50% or 1/1000th interest, is entitled to make, use, sell, offer to sell and import the invention, and to authorize anyone else to do so, without having to pay or otherwise account to any other owners. Thus, shared ownership dilutes and tends to destroy the exclusivity of all owners, regardless of the extent of their contributions to the invention.

SECURE AGREEMENTS PRIOR TO COLLABORATION

When there are two or more inventors, it is critical to reach agreement as to the ownership, marketing, use and sharing of profits of the invention, preferably before collaborating or sharing information about the invention. Joint patent ownership by both Orville and Wilbur entitle each to use and commercially exploit the invention without limitation. Without an agreement, if Orville and Wilbur part ways with one brother planning to build an airplane manufacturing business and the other brother planning to authorize Henry Ford to do the same in return for royalties, each will have effectively become the competitor of the other. Whatever returns either brother earns need not be shared with the other. In addition, Wilbur would have received the same benefit of patent ownership as Orville, but for a much less significant contribution to the invention.

If Orville was unable to enter a written agreement with Wilbur governing ownership, use, marketing and sharing revenues, an excellent alternative would have been for Orville to file a patent application for his original invention, even before learning of refinements in the invention at the later meeting with Wilbur. Doing so would secure for Orville a separate patent on the overall concept of the flying machine invention, without sharing joint ownership with Wilbur. A separate application could later be filed and owned, by both Orville and Wilbur, to patent the refinements contributed by Wilbur. However, Orville would retain the right, through his earlier filed patent application on the more general concept, to exclusively determine or negotiate how the flying machine would be brought to market, by whom and the level of compensation afforded those participating in the effort.

For companies today, the best approach is to insist on written agreements in advance of any disclosure or collaboration concerning an invention. Such agreements must at minimum specify that the company will own the resulting inventions or, if joint ownership must remain, specify that use and licensing will be conducted in a coordinated and mutually-beneficial manner, preferably by a single decision-maker or entity.

As an added measure of protection and if a written agreement cannot be obtained in advance, a company or individual should file a provisional or non-provisional patent application for the original idea, before disclosing the invention to others. This approach would have served Orville well by protecting his rights in the fundamental features of the flying machine.

This approach is highly important to protecting a company's patent rights. Without such protection, exclusive rights to an invention could be lost.



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