

## Mini-Outline for Patent Workshop

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**CONFIDENTIALITY & PRIVILEGE:** You are warned that anything you state in a room in the presence of others is not privileged & that others who hear about your invention are NOT under obligation to not stealing it, nor use it for themselves, nor to give nor sell the information to others. **ALL QUESTIONS MUST BE OF A GENERAL NATURE AND YOU ARE WARNED NOT TO GIVE ANY DETAILS OF YOUR INVENTION!!!!!!**

**Warnings:** Never (1) provisional, (2) Micro entity unless tax return is provided & name is unusual enough to quickly search. Consider disclosing past income on record. (3) Don't assign your patent into an entity as you will probably lose § 1235 tax rights & may lose the patent.

**Avoid Provisional Applications. They are bad because they:** (1) force a double decision & increased cost at 1 year mark. (2) Waste of additional filing fee. (3) If conversion is sought, newly added claims may be rejected for new matter. (4) If conversion is sought, a petition fee is required. (5) If conversion is sought, the USPTO may delay until past the point that foreign filing office requires priority document. (6) Article 4(A)2 of the Paris Convention states " Any filing that is equivalent to a REGULAR NATIONAL FILING under the domestic legislation of any country of the Union or under bilateral or multilateral treaties concluded between countries of the Union shall be recognized as giving rise to the right of priority." Is a provisional a "REGULAR NATIONAL FILING" ??? (7) When a potential licensee sees that you have only filed a provisional, he will know that you have penuriousness-based doubts about the viability of your invention. (8) If the invention is completely developed, there is no need for a provisional. (9) If the invention is not completely developed, two a regular patent filings & a continuation-in-part can provide much more flexibility in deciding to use & keep the first filing under conditions of (a) restriction (both technological & tax), (b) the need to have some inventions issue base solely upon the original filing (without trying to "subtract" text verbatim & lacking claims which would have been part of the disclosure. (10) Provisional filings delay ultimate issue of the patent by at least one year. (11) Perhaps the biggest statistical reason that provisionals are ineffective is that they contain less disclosure by a significant amount, whether or not you include the claims in counting for the omission. (12) Under First-To-File, the factor in (11) becomes doubly important as you cannot recover anything omitted under a patent filing as you might have been able to do under First-To-Invent. (13) Further, drafting & filing claims forces consideration of the scope of the invention & thus forces the drafter to think about what may have been left out. (14) An unethical firm might bait-&-switch a lower overall price based upon the \$500 savings in filing costs & charge additional & more at the 1-year conversion time, costing the client un-necessarily.

### STEPS YOU CAN TAKE

**Steps:** (1) Finish the invention ("If I ordered 100,000 units of product, would you know your cost of production to the penny?") Remember, you can get a patent on a item that you can make for \$100 & sell millions of them for \$5 each. A patented item can lose money. Gather every design approach, especially the approaches your competitors might use to circumvent the principles embodied in your patent, capture all design approaches in the patent application.

- (2) Use a non-disclosure in conjunction with a patent filing, if you make contact with anyone before YOU decide to start publicizing the product. It has been known for potential licensees to PAY to view the patent application after signing a nondisclosure agreement.
- (3) IDENTIFY YOUR TRADE SHOW. You will use it (A) to let you plan the timing of patent preparation & filing, & (B) 2-3 months after filing as a focal point to rally potential licensees & customers at a central location. Meeting with all your potential licensees / distributors under one roof at one time will tend to help you evaluate your markets. This will also combat the tendency for the inventor to become “mesmerized” when one person shows interest & to waste time waiting for them to act (which is exactly what they want-- they want: the longer they can “string the inventor along” without having the inventor actively explore other competitors & comparing the interest, they will tire an inventor out & cause the inventor to settle for far less than the inventor would take under high-energy, competitive circumstances. Meeting with all your potential licensees / distributors under one roof at one time will facilitate getting all the players in one place & let them learn of potential customers’ & each others’ interest in your product.
- (4) Right after filing the case consider buying offensive & defensive patent insurance.
- (5) Use the “newness” of the product to get as much free, news-type, advertising as possible, ESPECIALLY leading up to the trade show. Free new-type advertising may enable enlargement of potential licensee list. Also contact & make arrangements with as many potential licensees for the show as are possible.
- (6) One possible approach at the show is to affirmatively enter the market, or, put another way, make it clear that you do not care whether your product is taken over by a licensee or not. This (A) helps you to focus on the product & not to become obsessed with one potential licensee, & (B) shows licensees that if the price is not right, that you would just as soon be in business for yourself. IF the licensees know that an inventor will never enter business, it will encourage them to lull the inventor into a “wait-sleep-coma.” The potential licensee will simply wait the inventor out, license the invention for pennies, or produce through a seemingly unrelated party.
- (7) Evaluate any licensee offers with regard to exclusivity, tax ramifications, bankruptcy, future development, carrot or stick motivations, strong patent v. weak patent maneuvers, ability of the licensor to expand & improve the technology, payment of patent insurance, triggers to litigate, spin-off products & industries, patent divisibility, asset protection, & annual minimum royalties.

### **SETTING UP YOUR PRODUCTION & SALES**

- (1) Form a protective entity such as LLC or C or S corp. (2) Consider the location requirements in light of sales tax potential & avoid California’s sales tax traps. (3) Consider multiple corporations & segregating a real assets company from the sales & marketing company & possibly a third company to hold trademarks. (4) Consider your contracts & whether or not you subject yourself to other jurisdictions. (5) If manufacturing occurs elsewhere, consider steps taken to insure that your item is not “overproduced” & sold out the back door to competitors & that the item might (a) show up in the U.S. as grey market goods, or (b) overseas as directly competitive goods (audits, secret internal codes, production run numbers, identifiable “production lots” of incorporated components) (if you surrender production details, you will lose control). (6) Consider the extent that you wish to integrate & protect trademarks, trade dress, device housings to force competitors to re-design their knock-offs. (7) Consider a mixed strategy of licensing income at a cheap tax rate combined with a product production entity/function in order to maximize deduction of expenses.