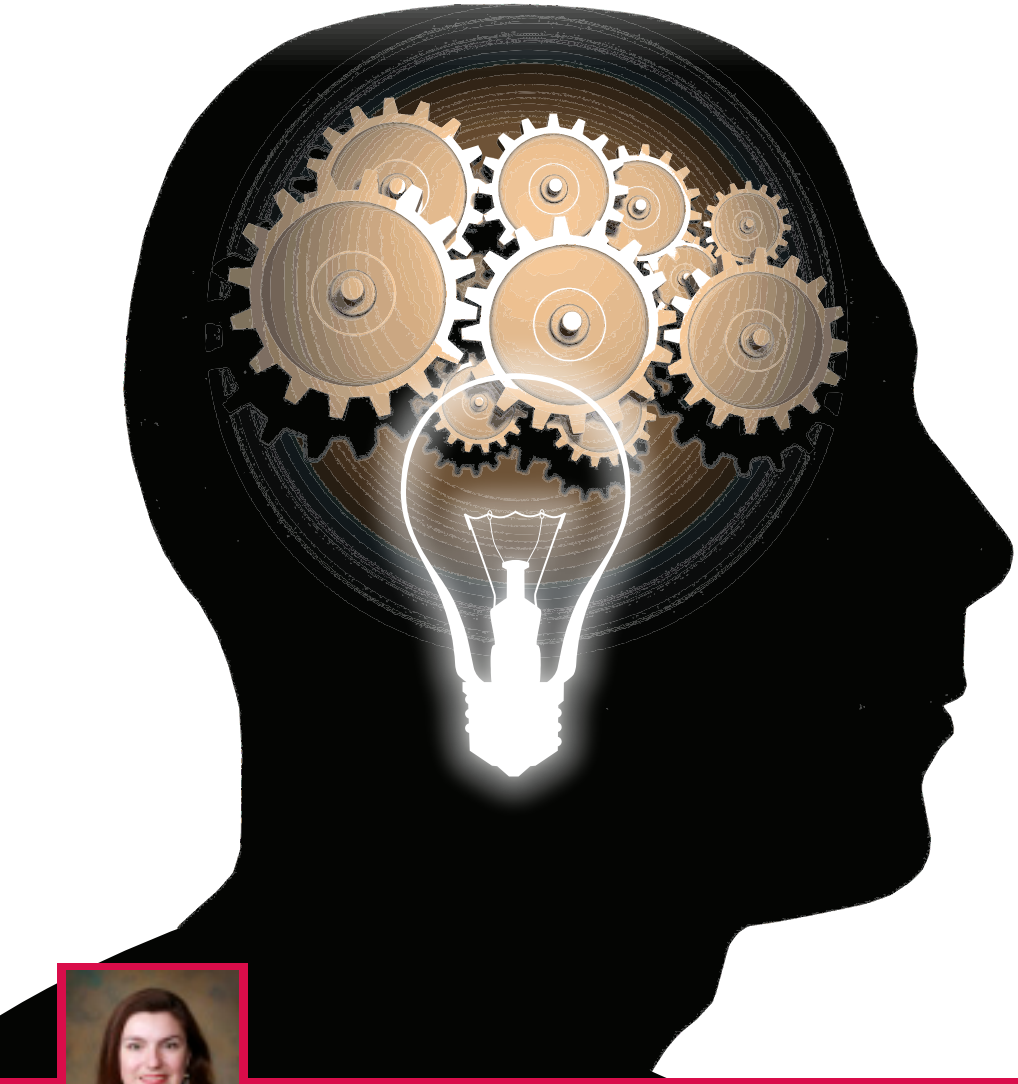
THE 7 BIGGEST Mistakes ENTREPRENEURS Make with INTELLECTUAL PROPERTY



Written by Patent Attorney
Elana A. Bertram

Please note that this is general background information and not legal advice specific to your situation. Likewise, reading or sharing this list does not create an attorney-client relationship between you and Hawley Legal Resources, LLC. However, please feel free to share this information because small businesses are derailed by simple, avoidable mistakes regularly. You should consult your attorney prior to taking any action based on these 7 Mistakes.

Printed in the United States of America by SPX Multimedia

First Edition

This e-book is available to download at:

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These are the ***7 Biggest Mistakes*** I have seen entrepreneurs and companies make that can devalue their Intellectual Property ("IP") portfolio, damage their brand, or sink a deal. If you are considering turning your idea into a business, read this carefully first.

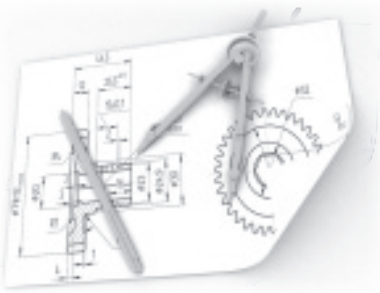
There are other mistakes you can make, but these are the deal-breakers. Any one of these can cost you big bucks, credibility in the eyes of investors and potential partners, and ultimately lead to evaporation of the value of your idea.

- Pitching Your Idea Too Soon
- Ignoring Provisional Patents
- Getting Bogged Down in What Your Invention Looks Like Today
- Skipping a Professional Search Before You Write the Non-Provisional Application
- Not Taking the Time to Understand What Makes Your Product Valuable
- Applying for a Patent When You Don't Really Mean It
- Ignoring International Markets

HLR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

The Biggest, Most Costly Mistake is Mistake #1, Pitching your Idea Too Soon.

The US patent law is clear: any application filed more than one year after a publication or offer for sale of your invention is barred from being granted a patent. If a competitor can demonstrate during examination that you offered your product for sale more than one year prior to your first patent application date, your application is dead in the water.



An "offer for sale" is any proposal of your invention to a third party that includes specifications and a price. *They don't need to buy it*, you just need to make the offer for sale. Why risk thousands of dollars in legal fees to try to argue that you weren't selling your invention when you were? This is a simple problem to avoid: file a provisional patent application before you start pitching your invention to consumers, wholesalers, or investors.

In Europe, the rule is even more strict: if you pitched your idea to someone within the European Union prior to filing an application (including a Patent Cooperation Treaty application that claims priority from an earlier US or other application) you **cannot** get a patent on it. Period.

The underlying concept here is that patents are reserved for "new" inventions to protect you while you build a market for your invention. It doesn't help capitalism, commerce, or the consumer to allow a person to go back and patent the wheel – it's too late, the moment is gone.

You may think, "No one will know;" or, "This partner is a sure thing. Once they see how great my product is, they'll be on my side." This is a deadly error. The patent system is not friendly to handshake agreements or general good intentions; it is concerned only with what you knew and when you knew it. If an anonymous third party submits to the United States Patent & Trademark Office ("USPTO") that you were promoting your invention 13 months before your first application date, you run the risk of losing all patent rights for that invention and any future patents claiming priority to it.

Think about that: patent rights **gone forever** because you didn't count the weeks. Don't make this silly mistake.

This is a simple problem to avoid: file a provisional patent application before you start pitching your invention to consumers, wholesalers, or investors.

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

Mistake #2, Ignoring Provisional Patents

A provisional patent application can be seen as an extraneous expense. It is a placeholder for you to say, "on or before this date, I invented a thing described as…" It establishes a date with the USPTO from which your non-provisional patent application can "claim priority," essentially planting a flag in the sand that you were there first. A provisional application only becomes public during litigation when it is contested that your patented invention was not fully disclosed on the priority date. It gives you the right to claim that your invention is "patent pending," which can be an invaluable deterrent to competitors when you are in the early stages of development.

You may be thinking that filing a patent application is not part of your long-term strategy, but you can still use provisional patents as a tool to protect your ideas while you finalize your strategy and court investors. Imagine how much more powerful your pitch will be when you can present ideas that are "patent pending." You look farther along in development, more prepared, and more professional to investors.

Many people skip a provisional patent or give it little thought because it's just one more date to remember and one more filing fee to pay down a seemingly bottomless pit at the USPTO. However, priority dates are extremely important. After the America Invents Act of 2012, the US changed from a "first-to-invent" system to a "first-to-file" system more like Europe. Quite simply, you **cannot** patent an invention if you file after someone else files the same or similar application.

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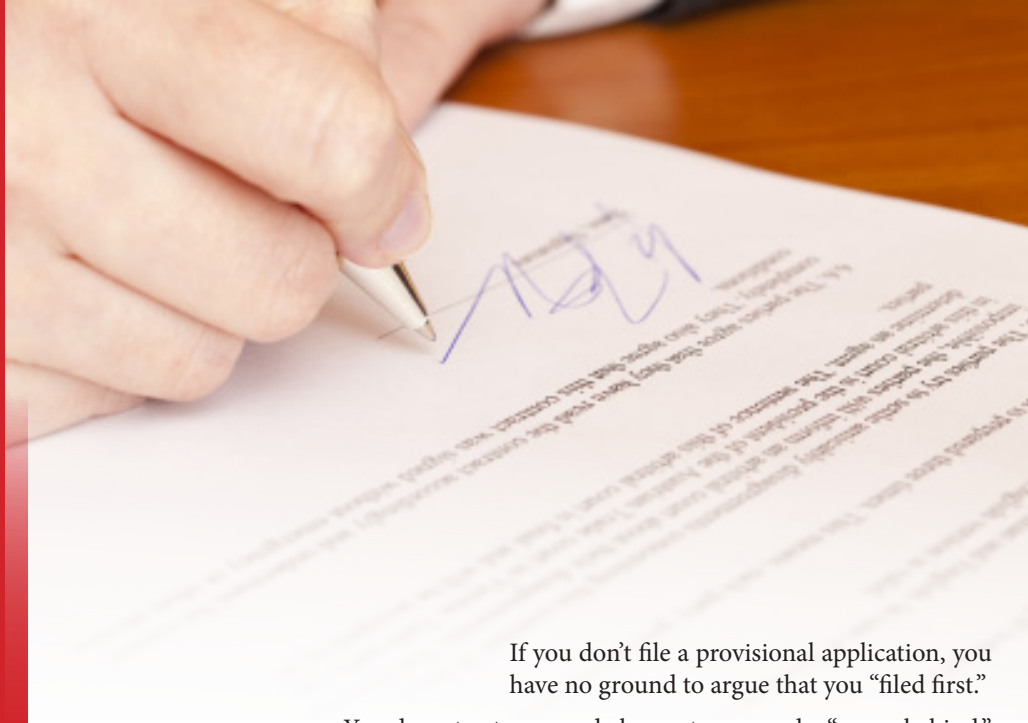
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com



If you don't file a provisional application, you have no ground to argue that you "filed first."

You do not get a second chance to persuade, "swear behind," or submit copies of laboratory notes to the Examiner. Your rights are gone. And, yes, that applies *even if someone stole the idea from you*.

You can still sue the thief, of course, but they filed for the patent first and if a patent issues, the thief is the patentee. If you challenge the patent, the likely result is that the patent will be invalidated, ending the rights for the both of you. It's not like grandmother's priceless ring, where if you can prove that it's yours, a judge will require the other person to give it back to you; instead, the patent is invalidated or cancelled. You could always try to file your own application after the invalidation proceeding, but the risks are huge and the chance of success is slim.

When you file a provisional patent prior to pitching your product to potential investors or consumers, or even prior to sending the specs to a manufacturer, **you** are the "first-to-file." Not only do you establish yourself as a savvy business person who understands that you have valuable IP, but you also block other parties from winning the race to file an application.

For the minimal filing fee, a provisional application can buy you up to one year to perfect your patent application and save you the cost and hardship of fighting over who filed the first application on your invention if something goes wrong during marketing or manufacture.

I usually recommend that you use a patent attorney or patent agent to draft your provisional application. First, in the rare

case that your provisional application comes into question by a third party, you will have a detailed application that contemplates a variety of embodiments and improvements in addition to a description of exactly what you have today. Your patent attorney should push you to consider alternative materials, sizes, applications, and features during the drafting process. It is up to you to be forthcoming with your patent attorney – she can't read your mind! – and work with the application drafter to explore every possible way you can cut your competitors off at the pass when they try to capitalize on **your** great idea.

A word about drawings: you must submit "formal drawings" during the examination of your non-provisional patent. It is expected that a professional draftsman or skilled engineer will prepare these so that they are legible and meet the standards of the USPTO. You don't need to spring for professionally rendered drawings for your provisional application, or even at the initial time of filing your non-provisional application.

Mistake #3 is Getting Bogged Down in what your Invention Looks like Today.

Your idea is awesome. It solves an unmet need and looks good doing it. You're brilliant and you're going to make a lot of money once you get it all together.

However, your invention can be improved.

Blasphemy, I know! You have come up with the best solution for this problem the world has ever seen and no one has thought of it before you! However, during development, beta testing, and market release to real live customers, you **will** identify areas of improvement: The handle will be made more flexible, the cover will be made out of press-fit polycarbonate instead of aluminum, the rough edges will literally be sanded off.

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

It is challenging for entrepreneurs, particularly solo entrepreneurs, to deviate from the solution they have developed. However, when drafting your patent application, endeavor to "zoom out" to alternate solutions to the problem solved by your invention. You don't want to be in a position where you have expressly disclaimed improvements to your invention that may prove useful in later versions. This is why it's important to consult with a patent attorney during the provisional application, not just for the "real" non-provisional application. (In the rare case that you need your provisional application during litigation, you need a good one!) Writing a patent is a skill very different from engineering or expositive writing, and it's a delicate balance to broadly and accurately describe your invention without closing the door to future improvements.

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Relying on a third party at this early stage can open your eyes to alternative embodiments you may not have seen, and then that professional can build those possibilities into the application for future use. Examples of alternative embodiments could be as obvious as providing that the case for a smartphone could be made of plastic, metal, or other suitable material, or it could be a detailed alternate filtration process involving additional ingredients or steps that you haven't tested yet.

Mistake #4 is Skipping a professional patentability search before you write the non-provisional application

A favorable patentability opinion does not guarantee that you will be granted a patent. It also does *not* guarantee that you will not be sued for infringing someone else's patent. (A "Freedom to Operate" opinion will analyze the totality of the competitive product market and estimate your risk of infringing other patents. These are much more expensive and likely not meaningful to a small company, but ask your patent attorney because it varies by industry.) A patentability search and opinion can make clear to you the best, most cost-effective way to write your non-provisional application so that you have as smooth a path to a patent as possible.

Engaging a professional patent searcher can reveal unexpected products from other industries that won't appear in a Google search or in the field of obviously competing products. Consider, for example, a screw designed to help mend fractured bones. Even if a screw with a particular twist doesn't exist in medical devices, it may

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

exist in home construction technology or electronics. Don't kid yourself that you can find this out from simply searching the internet in English. Remember, an existing patent or published idea doesn't ever need to become a commercial product in order to prevent you from getting a patent.

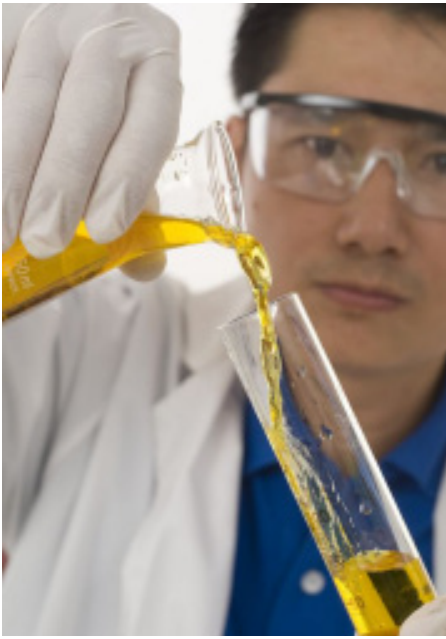
Don't kid yourself that you can find this out from simply searching the internet in English.

By getting, at a bare minimum, a professional patentability search, you can see what you are up against across industries. It gives you and your patent attorney an opportunity to A) see if it's even worth pursuing a patent at all, B) determine exactly which features about your invention are truly new and worth marketing, and C) help sculpt the non-provisional application to streamline the examination process and build in enough material to anticipate and overcome rejections.

A patentability search will give you a ton of information that may immediately impact your strategy. Discuss with your patent attorney whether a full patentability opinion is also appropriate for your product. If so, spending a few thousand dollars today could save you tens of thousands of dollars and hours of wasted time down the road.

Mistake #5 is Not Taking the Time to Understand What Makes Your Product Valuable.

Just because you *can* get a patent doesn't mean you should. Your business may be valuable because you do something that has been done before, but you provide better customer service or a personal touch that makes it special. In this situation, what you really need are trademarks and a strong branding strategy, not a patent. Likewise, a patent won't protect your secret recipe – you're better off keeping it a secret.



Patents have several downsides. A patent buys you the right to sue other people for practicing – making, using, selling, or offering to sell – your invention **exactly** as the patent describes.

If a competitor works around a key claim of your patent, the competing product does not infringe your patent, so you can't sue them. Your patent has given them a precise roadmap of what **not** to do in order to avoid infringing the patent.

Additionally, even if they did blatantly infringe, you still have to initiate (and win) a lawsuit to prevent them from selling an infringing product.

Patents expire 20 years after the first filing date, which means if it takes you 15 years to build a solid market share, you only have 5 years of patent protection left before your competitors can swoop in and make a product identical to yours. On the other hand, the secret formula for WD-40 and the recipe for Coca-Cola have remained secret for decades and have never been commercially replicated.

Patents are also public information. Think of it as a trade-off with the government: You get a limited monopoly in exchange for releasing the instructions for your invention to the public for free use after your monopoly expires. If you don't spring for global patent coverage, international competitors can take your patent publication and use it to make a comparable product overseas. So long as they only sell it outside the US, you have no legal action available to stop them. Your patent is geographically limited to the US if you only get a US patent, so you lose out on potential revenue internationally while helping competitors make your product.

In many industries, a patent is crucial to protect your market share. In other industries, having a plethora of patents and patent applications has substantial value even if you aren't practicing them in commercial products. The right decision for you depends on your goals. Consult with your patent attorney as to why a patent is the right way to protect your invention…

At HLR, we are not afraid to counsel clients **not** to pursue a patent application when we think it doesn't offer a reasonable return on investment to safeguard the value of your IP.

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(203) 491-0313
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Mistake #6, Applying for a Patent When You Don't Really Mean It

Patents are cool. Every entrepreneur wants to be able to say they are listed as the first inventor on a patent. You get a shiny, frame-worthy certificate, a unique serial number, and credibility when you have an issued patent. There are a lot of business reasons to get a patent as well, particularly if you are trying to license or sell your idea to others instead of manufacturing it yourself.

In ***Mistake #5***, we talked about some reasons a patent isn't always the right move for your invention. Being coy about your pending patent applications can be a ***Mistake*** unto itself.

Ask yourself **why** customers buy your product.

Patents are expensive. The utility application alone can cost upwards of $10,000, and you must plan to spend at least that much again over the 2-3 years after filing to respond to the objections and rejections of the USPTO Examiner. After all that, there is **no guarantee** you will get a patent.

If you are using your IP portfolio, for example, as collateral for a business loan, a lender will scrutinize its vitality. Filing a bunch of patent applications and then abandoning them at the first unfavorable Office Action (formal USPTO communication) gives the impression that you A) have no money or no brains to continue pursuing valuable rights, or B) your patent applications are weak. Worse yet, repeatedly continuing and abandoning patent applications can be an indicator that you are infringing on existing patents and are just abusing the system until your funding comes through. Neither are good business practices and neither will fool potential investors.

Take stock of the **value** of your ideas as described above. Ask yourself **why** customers buy your product. If money is tight early on, you need to triage with discipline. Target the areas of your business

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

that drive revenue and focus on protecting those parts first and best. Be sure to ask your patent attorney about ways to spread costs out over time. You may be able to save more than $10,000 in initial costs by holding off on filing continuations and divisional patent applications on derivative features until new funding comes in. You may find that having many patent applications pending leads to spiraling costs with minimal returns. This isn't to say that you should avoid patents, but if you're concerned you won't be able to afford a patent attorney to continue responding to Office Actions over time, you are better served by having one or two patents issue on major innovations that drive value than file and abandon ten patent applications.

Mistake #7 is Ignoring International Markets

Venturing into patent protection overseas is expensive. Even established companies may balk at the costs because each patent office has its own rules and fees, some far higher than in the US. However, if your product is going to be sold overseas, you need patent protection overseas. As mentioned above, each country or region has its own rules and deadlines for patent applications. Europe is unified at the early stages, but you still must pay each country individual filing fees after your patent is granted there, then yearly fees thereafter to continue protection. Don't be caught by surprise when you are asked to pay "annuities" on your pending applications, even when they haven't been touched by a foreign Examiner yet. In some Asian countries, your application can sit for years without being examined, but if you miss an annuity payment, your application is considered abandoned permanently. (The US system is somewhat more forgiving.)

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

This is a tricky venture. Your US patent attorneys will delegate much of the work to local counsel, potentially doubling the cost of each Office Action. There will be substantial expenditures for translation not only of your own applications but also when foreign-language prior art is cited against you. Even more intimidating, you have a duty to report foreign Office Actions to the USPTO if your US application is pending at that time, which can impact the cost and duration of the examination of the US application.

Despite the substantial costs, international patent protection can make or break your market share. Some products are naturally limited by the varied patent rules. For example, one cannot get a patent on a genetically modified cell in India. Some products, however, will have their widest use in countries other than the US, such as drought solutions or portable sanitation devices. Entertainment media and devices are hot in Asia, and you need to tread carefully when you seek to manufacture products there. I would never advise a client to pitch an idea to a manufacturer overseas without already having a pending application in that country. Additionally,

... if your product is going to be sold overseas, you need patent protection overseas.

other options may be available to protect your ideas in other countries. For example, some countries like Germany and China offer a middle level of protection called "utility model" patents, which for a lower cost and a lower level of examination, you get a lower level of protection for some consumer products.

This is an area where even your patent attorney might need to consult a textbook, but it's a discussion worth having. It may take longer than you think to realize your big dreams of becoming a global mogul. On the other hand, your product might be wildly attractive in markets other than the country you call home. Don't ignore international patent protection because the clock is ticking – you cannot file later if you change your mind.

HLR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

I hope you found this list of ***Mistakes*** soon enough to avoid costing you money. Even if you fear you've made one or more of these ***Mistakes***, it may be possible to right your ship. Seek a patent attorney who offers strategic planning that recognizes both your personal goals and the full potential of your inventions.

HR
Hawley Legal Resources LLC
(203) 491-0313
AttorneyBertram@HawleyLegalResources.com

Patent Attorney Elana A. Bertram founded Hawley Legal Resources, LLC to serve first-time entrepreneurs and startups so they avoid the *7 Biggest Mistakes* outlined above – and more. HLR is Connecticut's premier full-service small business intellectual property law firm and we serve patent and trademark clients from around the country and around the world. To schedule your consultation today, call (203) 491-0313 or email AttorneyBertram@HawleyLegalResources.com.

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