Mary Juetten, CEO | Traklight
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To Patent or Not to Patent

Top Intellectual Property (IP) Question:

Do I always need a patent for my business idea?

The quick answer is no, not always. But for some reason most people want to patent their idea. **Let's explore.**

How often have you heard someone say, "My idea needs a patent" or "I will make a billion on a patent for my <fill in the blank with exciting billon dollar idea>?"

How about this scenario: A client receives an email from a competitor that demands she stop using its "patented name." Patents are not granted for names. In another situation, the name associated with a patented product may well be a potential trademark or copyright but the name itself is never patentable.

Another extreme is an inventor who had IP tunnel vision in creating his or her product, securing patents, and finding early customers. He or she was successful with all patents but unfortunately, the product's name infringed upon a trademark in a major way. Unravelling that type of mess is expensive; however, the inventor could have avoided it all if he or she had considered every type of IP for each idea or invention.

LEGAL SPEAK

Patent: The right, granted by the federal government, for the owner of an invention to have a complete monopoly over the use of said invention for a period of time as defined by the federal government. This right is the right to exclude others from making the invention. This protection is in exchange for disclosing your invention when filing.

Case Study: Coca-Cola®

Coca-Cola is a comprehensive example of the four kinds of intellectual property.

The trademarked Coke® name on the label means that when you open a bottle marked Coke, you will drink Coke (Coca-Cola) and not Pepsi or a generic store brand. The United States Patent and Trademark Office (USPTO) grants the company an exclusive right to use the name Coke in order to protect consumers.

The Cola-Cola song or the words on the website are the property of the company and are registered under copyright protection. This copyright allows Coke to prevent others from using its words on the website or picture without company permission.

The bottle itself is a design patent and that means others are excluded from creating the exact same bottle for a set period of time.

Not only is Coke a comprehensive example of the four types of IP, but it is also an excellent example of the trade secret advantage. The recipe and process for making Coke is a trade secret, which means as long as it remains a secret, its protection lasts forever. Inventors need to identify and protect trade secrets in a secure location. In the case of the Coke recipe, only a few people know the whole process, and passwords and locks to protect it.

LEGAL SPEAK

Generic: A term that describes all products or services in a category, ensuring the public cannot distinguish with which company to associate the term. Therefore, this term cannot be a trademark.

Trademark: A mark that both identifies the source of the product and distinguishes that product from that of competitors. Protects the public because the trademark is a symbol of the level of quality that can be expected.

Copyright: A mark that identifies the right to stop others from using your creative work without your permission. The use includes the right to copy, distribute, or change your work.

Trade Secret: Information of commercial value that is kept secret and therefore unknown to competitors.

The right to exclude

Tangible products or inventions are traditional candidates for utility or ornamental design patents. Patents are also available for plant varieties, rounding out the three types of patents available to inventors in the US.[1]

The USPTO defines a patent as the right to:

…exclude others from **making, using, offering for sale, or selling** the invention throughout the United States or importing the invention into the United States.[1] (emphasis added)

This right to exclude is given to the patent holder for a defined period of time. The patent holder may stop others from performing the actions, as listed above in bold, for 20 years from the application date for utility patents and 14 years from the grant date for design patents. Note that a patent can take years to obtain in the US.

The US government grants a patent in exchange for the public disclosure or publication of the invention at the time of the grant. The plan, process, and everything will be online at the USPTO for the world to see once the patent issues.

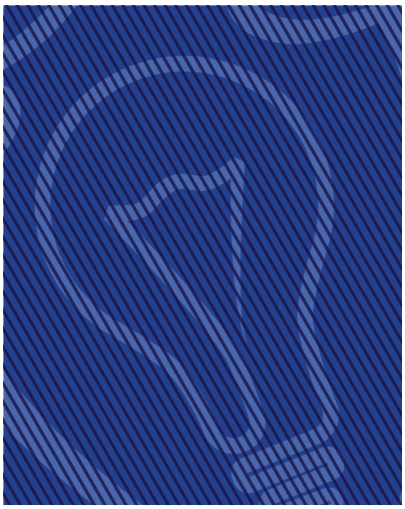
Not a right to make

Public disclosure is the trade-off for the right to exclude all others from making, using, selling, offering for sale, or importing the patented invention. It is important to note that the patent is not the right to make or produce the patented invention, especially if that product relies on others' technology or patents. The patent is simply the right to exclude.

Everything will be online for the world to see once a patent issues.

LEGAL SPEAK

Tangible: An item that exists in a physical form and can be touched.



Case Study: Traklight®

As a startup, Traklight took an inventory of its intellectual property early on. We trademarked our name and the names of our products and taglines so that others cannot provide the same service and use the same names. We did have a challenge with the IP Cloud trademark because the words were too general. Also, there is a band named Traklight; however, it's rare that anyone will confuse our software-as-a-service products with the band, thus we can both use the name.

When we launched our new website, we filed copyright on the words that we put on our website and blog, as well as in our questionnaire and resulting reports.

Our approach to the collection and interpretation of information that allows us to create our reports, which includes potential IP and strategic recommendations, is novel and apparently not obvious because no one else has created such a tool. Thus, we filed a provisional patent and then filed the utility patents in February 2013.

Our trade secrets are something we are not going to disclose because then it would no longer be a secret and we couldn't protect it!

As a startup, Traklight took an inventory of its intellectual property early on because **more than 90% of a startup's value** is IP.

LEGAL SPEAK

Intellectual Property (IP): It's your genius. IP is the result of the human intellect or the product of the creative mind. IP includes inventions, creative works, designs, brands, knowledge, products, and services.

Enforcing or policing the patent

If someone infringes on a patent, for example, by making the exact same product and selling it to competitors, the patent holder has the right to enforce the patent rights. This is where the debate about the worth of a patent starts.

Like any other business decision, companies need to complete a cost/benefit analysis and seek legal counsel. Patent litigation in the US is extremely costly. More importantly, a lawsuit is very time consuming and can divert a small business from the important matters such as growing and running a business.

A pragmatic option is to use the patent to leverage the legal protection and collaborate. Thus, instead of suing, ask the infringer for a partnership or licensing arrangement that benefits both companies.

After the patent expires

A famous example of a company that chose to forego the patent route for a product is Coca-Cola. The Coke formula has been secret for over a hundred years. If the company had taken the patent route, the formula would have been in the hands of the public when the patent was granted and fair game to make, sell, offer for sale, and so on once the patent expired.

Coca-Cola would have been able to prevent others from making Coke using the formula and selling it during the life of the patent, but when the patent expired, anyone could have used the recipe and process to create a Coke product. Instead, the Coke formula is a trade secret that lasts forever without any filing with the US government.

Unsung Heroes: Trade Secrets

Trade secrets don't expire and are substantially less costly than patent protection.

The often undervalued trade secret

Trade secrets are the unsung heroes of entrepreneurship and small business. The cost of keeping the secret is almost always substantially less than patent protection.

Like everything else in business and life, it is all in the planning. Once the secret is out, any protection ends. In the US, trade secret law varies state by state but the underlying theory is that the secret must have value to the business and be difficult to replicate. For example, the Coke ingredients may be easy to discover but the proportions and the process are difficult to create independently.

Each US state has different tests for protection but it boils down to having the secret protected by passwords and locks or being physically guarded; available on a need-to-know basis; identified to employees and contractors as secret; and protected by confidentiality agreements and other contracts. For some extremely valuable secrets, the process can be bifurcated so that no one person knows the entire process. As a hypothetical example in the case of Coke, a few people would know the ingredients and a different set of people would know the process.

LEGAL SPEAK

Employee: A person who is working for a company or firm for pay, is on the payroll, and receive a W2.

Confidentiality: Clause in an agreement that requires the people signing the contract to keep information secret.

LEGAL SPEAK

Intellectual Property (IP) Protection: IP is protected by federal copyright, trade or service marks, patent, or state trade secrets laws.

Legal and business decisions

Deciding upon IP protection is not just a legal issue, but a strategic business decision. Therefore, businesses should give careful consideration to trade secret protection as an alternative to patents.

The cost of patents or patent enforcement should not be the only factors when making that decision. Businesses should also view all the IP as a portfolio that can include using trade secrets.

A note on international patents

The US changed in March 2013 from one of the only places in the world where the first person to invent has patent rights, to a system where the first inventor to file will prevail.

So, when applying for a patent in the US, it will be for the US only. Protecting international patent rights is complex and companies should seek legal counsel very early in the idea stage. The goal is to avoid any inadvertent bar to international patent protection while filing under the current US system.

So the answer to the question: "Do I always need a patent to protect my business idea?" is, "It depends." Depending on your business idea, a patent may or may not offer the protection you need. As we saw in the Coca Cola example, had the company utilized a patent to protect their infamous soda recipe, other companies could have started making it once the patent's life ran out. Instead, keeping their recipe a trade secret made more sense. Leveraging your intellectual property is an important part of your IP strategy, and certainly worth consulting an attorney for legal advice. Start by identifying your IP with Traklight, and follow these steps to create your custom IP strategy.

Don't wait until it's too late to secure your IP—visit traklight.com to start identifying and leveraging your IP today.

Follow these steps to create your custom IP strategy with Traklight:

- QUIZ
- JOIN
- IDENTIFY
- UPLOAD AND PROTECT
- MANAGE AND VERIFY
- LEARN
- MARKET AND SUCCEED

Mary Juetten, Founder and CEO of Traklight.com, created Traklight while earning her Juris Doctorate and launched the software company in 2011.

Traklight offers the only self-guided software platform to create a custom intellectual property (IP) strategy with an integrated storage and filing sharing solution. Our mission is to educate and empower entrepreneurs and small businesses to be proactive in identifying, protecting, and leveraging ideas.

Mary Juetten has dedicated her more-than-25-year career to helping businesses achieve and protect their success. A self-described "recovering accountant," she has conducted financial auditing, provided consulting, and held executive positions with public and private organizations. Mary has a Bachelor of Commerce degree from McGill and a Juris Doctorate from Arizona State as well as her US and Canadian accounting and public accountant certifications.

Mary is an international writer, speaker, Forbes contributor, and mentor, and she co-chairs the Arizona Technology Council's Law and Technology committee. Mary also represents entrepreneurs on the Board of the Crowdfunding Investment Regulatory Advocates and the Emerging Enterprise Committee of the Licensing Executives Society.

Resources

http://www.uspto.gov/trademarks/index.jsp
http://www.copyright.gov/help/faq/faq-general.html#what
http://www.buildingipvalue.com/06intro/008_011.htm, 2005 data.
http://www.piperpat.com/IPManagement/IPAuditFactSheet/tabid/260/Default.aspx
http://www.telegraph.co.uk/motoring/2719772/What-a-carve-up.html
http://www.uspto.gov/trademarks/index.jsp
http://templetonsilver.blogspot.com/2009/07/contest-please-help-us-rename-our.html

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