New patent laws are changing the landscape for entrepreneurs who want to protect their ideas from competitive threats. Many business builders who are seeking protection from competitors via the U.S. Patent Office have found the experience frustrating and disappointing. To improve the situation, Congress recently passed a law that will significantly modify the patent process. In part, the law will switch the U.S. from a first-to-invent system to a first-to-file system in effort to expedite the process as well as to align the U.S. Patent System with the patent regulations of foreign countries.

I asked Scott Marty, an experienced patent attorney at Ballard Spahr in Atlanta, what this change means for inventors.

“Alan,” he said, “In reality, the Leahy-Smith America Invents Act (AIA), while billed as an extreme reformulation of the U.S. patent process, will likely not revolutionize many of the important decisions inventors and investors have to make.”

Scott continued: “The AIA has established mechanisms to: 1) decrease the fees companies or individuals have to pay, therefore making the U.S. patent system more affordable for some, and 2) by changing to a first–to-file system, the AIA will likely force patent decisions to be made faster, and 3) decisions on whether to seek patent protection will continue unchanged, and lastly 4) AIA has introduced post issuance proceedings in an effort to ensure only “good” patents survive after the examination procedure is concluded.”
“The new law has made a serious change to the litigation system employed by non-practicing entities (sometimes referred to as patent trolls). Many of the changes effecting potential litigants may ultimately trickle down to inventors and investors, especially if part of the perceived value of the patent is ultimate enforceability and enforcement of the patent.”

“While the AIA has set forth quite a few changes, the US court system is also in the process of greatly changing the law through the judicial system. The courts are also revolutionizing the decisions inventors and investors must make. Decisions on what can actually be patented (otherwise referred to as being “patent eligible subject matter”) have recently been determined and more cases are on deck for next year. Recent verdicts from the Supreme Court have greatly affected how inventors and investors will now approach the patent process.”

Several years ago, as an angel investor, I funded a startup company that filed for a patent that was ultimately declined. The loss opened the doors to competitors to enter the market with a vengeance. Without exclusion, hopes of dominating the opportunity were dashed. Management believed they had an idea that was truly patent eligible and spent piles of money to win it. Looking back, I wonder what went wrong.

**Patent Strategy**

Once again, I asked Scott Marty for his opinion on the matter. What do you advise business leaders to consider when thinking about a patent? What are the right steps? What options are there?

“When faced with a decision on whether to seek patent protection I always try to focus on what the ultimate value of having a patent is,” he said. “In my experience, many inventors and investors initially fail to recognize that a patent is not an affirmative right to use the invention. An issued patent gives the owner the right to exclude others from using the claimed invention. Put differently, an individual or company may be successful in obtaining a patent on a new widget, but competitors may also have patents that can be used to enforced and prohibit the claimant from making, using or selling his new widget.”

“Based on this issue, I always counsel my clients to have some sort of an idea about their ultimate business objectives before proceeding with a patent strategy. If they have a solid business plan, we then look at whether the invention falls within the scope of patent eligible subject matter AND patentable subject matter. All of this analysis costs time and money. Thus another issue we discuss is the possible return on investment. Obtaining patent protection can also be difficult and expensive. I want my clients to know the average costs before we start, so that they can make the right decisions early and often.”
“In many cases, the patent process may not be the right answer. Other routes to protect an idea may be through trade secrets (this works for Coca Cola), brand protection and marketing (ever heard of vitamin water?), or in-licensing (see Under Armor). No matter what, the right steps always involve the right legal team. Because of the recent AIA and court decisions, finding the right patent attorney who understands these new issues is a must for today’s entrepreneurs.”

Scott, as a patent attorney working with scores of companies, can you describe a client’s success story?

“One of my favorite stories comes out of the University setting. A couple of brilliant scientists began a project to discover the genetic markers of breast cancer. The group was successful in both identifying early markers of the disease including a diagnostic procedure and testing kit. The University of Utah (a Ballard Spahr client) licensed the technology to Myriad Genetics, which then began marketing the invention throughout the world. This powerful product, BRACAnalysis, is now the gold standard in clinics everywhere. The company’s patent excluded others from using the product and has allowed the organization to continue developing its evaluation solution while at the same time also protecting the integrity of the original work done by inspired scientists.”

Key Questions

In sum, before moving forward with a patent on a new concept, there are several key questions to answer, as follows:

- Is the pursuit of a patent worth the time and money?
- To succeed as a business, must the company have a patent?
- Can it prosper without one?
- Is the invention key to building a profitable organization?
- Will the new idea generate a sufficient return on investment?
- Are there other strategies that might be pursued to secure a competitive advantage?
- Are there sufficient funds to research patent eligibility and patentability?
- Are there funds to obtain the patent and potentially defend it?
- Even with a patent, could a competitor prevent the invention from being made and sold?
- Can the organization wait until a patent is issued?
- Can the company engage an experienced patent attorney for assistance?
- Is there someone in the organization who can manage the patent process?

These are critical decisions to make at the outset of the product or company launch. As Scott Marty has noted, finding and engaging the right legal resources is key. What has been your experience in the realm of finding and securing U.S. patents? Do you have words of advice or opinions to share? I welcome your thoughts, either through this column or via my personal website at www.AlanEHall.com.
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