James Skelley

Technology Law - IP Prosecution - Transactions

FAQ

(This FAQ is updated irregularly as James finds time / receives new questions, so check back)

Intellectual Property Generally

- Isn't the IP system broken? Why don't we get rid of it?
- What are all these different courts you keep talking about?

Utility Patents

- Is it expensive to get a patent?
- I have an idea! Should I get a patent?
- What can I do with a patent?
- What is the patent process, anyway?
- How long do patents last?
- How do I read a patent?
- What's the deal with Patent Trolls?
- Is the US first-to-file or first-to-invent?
- So-and-so told me it was first-to-invent . . .
- What does that mean for me?

Intellectual Property Generally

- **Isn't the IP system broken? Why don't we get rid of it?** - Back to top

Property allocation has been a problem since the ancient world.

A deaf painter owns a flute and blind musician owns a paintbrush. Does either really own anything in this case? Shouldn't we just force the deaf painter to give her flute to the blind musician, and the blind musician to give his paintbrush to the deaf painter? That tension is unavoidable if you're going to have a property system.

"Exactly! Let's avoid those tensions and just do away with property!"

Ideally, yes, but **historically** such regimes have been difficult to

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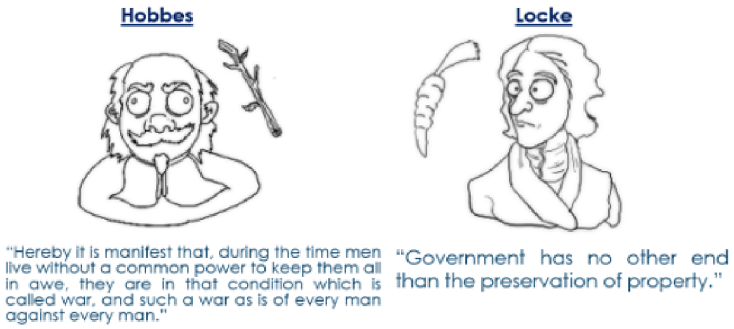
I don't mean to sound dismissive - public ownership IS a noble response to this problem and is worth examining. In *The Republic*, Socrates suggests that his ideal society would be propertyless among the guardians and philosopher-kings. Without private property there can't be any nefarious self-interest.

But *The Republic* is deliberately ironic. Although theoretically ideal, such a situation would require an impractical level of self-abnegation. It may work (passingly) well between spouses, or within a family, but at even a moderately sized society it becomes impractical to decide who gets the flutes and who gets the brushes (and for that matter, who's making that decision anyway?).

Instead, the Enlightenment proposed a sort of "hack" on human nature. Particularly, Enlightenment thinkers suggested that society cater to humanity's more basic needs rather than to our highest ideals. In a sort of "carrot" and "stick" reasoning, Locke and Hobbes argued, respectively, that societes formed to advance private property and to restrain our more violent peers. Private property is the necessary "carrot" for modern society to function.



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As technology and legal entities develop, intellectual property becomes a natural extension of this reasoning.

It's hard to raise a family without a home.
It's hard to develop a drug without a patent.

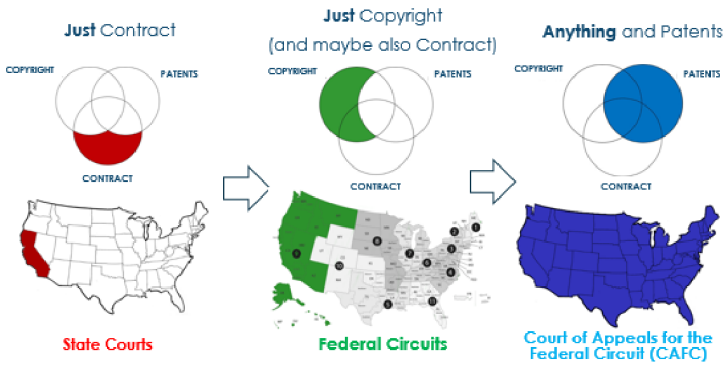
Both are necessary in a large society and both are imperfect (many larger families have smaller homes).

Still, just because things are inevitably imperfect doesn't mean we can't improve upon them - but that's a topic for another question.

- **What are all these different courts you keep talking about?** - Back to top

The US court system, especially in regards to IP, is rather dispersed.

For example, consider a software license.



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A software license violation may implicate: 1) contract issues; 2) copyright issues; and 3) patent issues.

If there are **ONLY CONTRACT** issues, then a state court will hear the case. For a California contract it would be a California State Court. If there was an appeal it would be to the California State Court of Appeals and from there to the California Supreme Court.

But if there is a **COPYRIGHT** issue, or both a **COPYRIGHT AND CONTRACT** issue, then a Federal Circuit Court will hear the case. There are 12 circuits (11 multistate and the District of Columbia) and California is in the 9th. So the appeal chain is a Federal California District Court, to the 9th Circuit Court of Appeals, to the Supreme Court of the United States.

But if there is a **PATENT** issue, or a **PATENT AND COPYRIGHT** issue, or a **PATENT AND CONTRACT** issue, or a **PATENT AND COPYRIGHT AND CONTRACT** issue, then the Court of Appeals for the Federal Circuit (CAFC) will hear the appeal from a Federal District Court, rather than a circuit appeals court (yeah, I know "CAFC" is a confusingly similar name to the federal circuit courts of appeal, but it's a different court from the 12 appeals courts).

Each of the courts have slightly different jurisdictions and authority. The implications for a decision in one court are not always clear for another (especially regarding certain issues).

It is a bit nuanced and it's rare that a news bite captures the full character or implications of a decision. There are actually even more courts than these which are relevant (e.g., the IPR proceedings at the Patent Board, the International Trade Commission, etc.)

When planning an IP strategy, you should consider (among other things):

- If this goes sideways, what remedy do I want?

- Which court can provide that remedy?
- What do I need to do to file in that court?
- How expensive is that court compared to other possible remedies?
- Which law from which courts are relevant to this court's decision to award that remedy?

Utility Patents

- **Is it expensive to get a patent?** - Back to top

Yes.

"Expensive" is obviously a relative term, but even if you're not worried about the USPTO's fees or the attorney's fees, it still consumes a lot of **time**.

Whether you're an organization of 1 or 10,000, drafting, filing, and applying a patent strategically will consume the time of some of your organization's brightest people.

"We've decided to invest the time, but what about the fees?"

The fees are going to vary (wildly) depending upon the type of technology and how aggressive your prosecution strategy is.

Fortunately, Congress has provided two flavors of patent applicatons: provisionals and nonprovisionals. A "provisional" is a "cheap" $140 one-year-placeholder at the patent office. While you may still want to pay an attorney to prepare it, there are cost-cutting strategies that can be used so that you can handle much of the filing on your own.

A non-provisional is a "real" application that begins the ("expensive") prosecution process that results in a patent. You can claim priority to the provisional in your nonprovisional.

"I'm an early stage startup . . . which should I file?"

It depends, but generally, think about it this way:

If you could buy your company a fully-loaded SUV tomorrow and not worry about paying rent this month, you can probably file a nonprovisional if you want to.

If purchasing a $3,000 laptop would be cause for more than 15 minutes of deliberation, you should probably start with a provisional.

(Pro tip: If you file a provisional and later acquire funding within the year, most VCs know to include the expected nonprovisional costs in the funding round.)

- **I have an idea! Should I get a patent?** - Back to top

Maybe.

What do you want to do with it? Bring your co-inventors / cofounders together around a single asset? Entice an investor to fund you? Sue someone?

There are far too many factors to cover in a FAQ like this, but you SHOULD STILL HAVE A PLAN. The plan may change (it probably will change) but patents are too expensive (as regards time if not money) to pursue in an ad hoc manner.

"Make lots of money" is generally a poor strategy.

"Complement our revenue and partnering strategy with strategic licensing arrangements" is better, but could still be more specific.

As regards the idea itself, think in terms of "how" rather than in terms of "what".

"I want to launch satellites into space with lasers" is much too general an idea for patenting. This is WHAT you want to do.

"I've found that you can stabilize satellite ascent by distributing the Fourier components of certain pre-defined signals across laser transmitters arranged in a semi-Gaussian distribution about the launch site." This is HOW you'll do it.

Not only does the current case law disfavor attempts to patent "what" you're doing, but if you've identified the best "how" it makes for a MUCH MORE compelling licensing proposition.

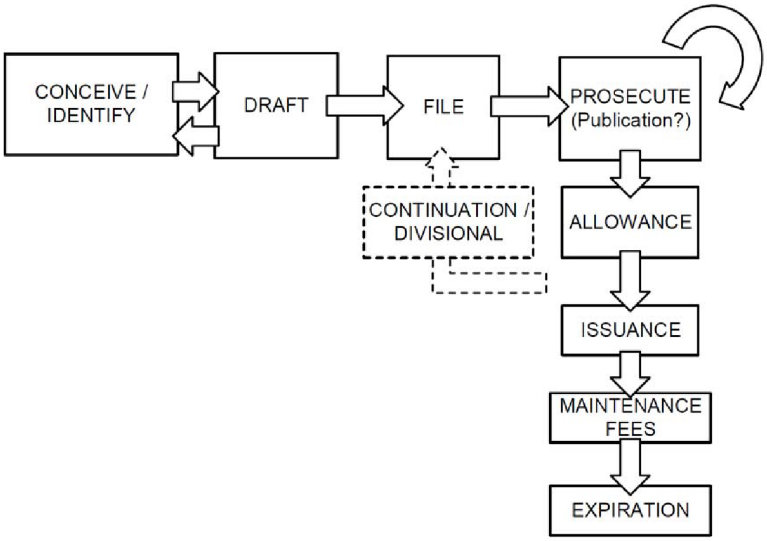
- **What can I do with a patent?** - Back to top

Just a few examples:

- Ensure that your cofounders / inventors commit their concepts to the company
- Entice investors
- Raise your valuation
- Acquire licensing revenue (if the market topology is suitable)
- Have a vehicle for beginning negotiations with potential partners
- Provide collateral / additional assets in the event of bankruptcy
- Signal ("peacocking") commitment in a technical domain
- Sue / block domestic competitors
- Prevent imports from foreign competitors
- And much, much more . . .

- **What is the patent process, anyway?** - Back to top

This is the basic idea:



- **How long do patents last?** - Back to top

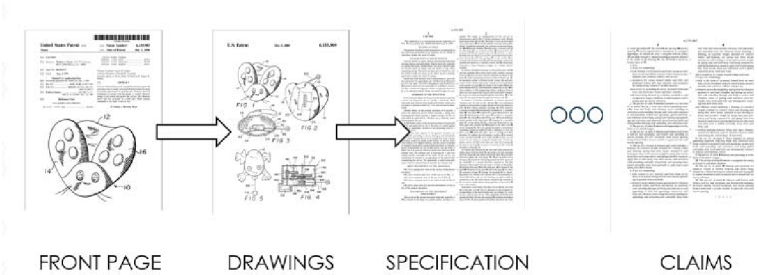
20 years from the first priority date . . . unless that priority date is a provisional. The provisional year doesn't count (provisionals really are pretty great).

To put that in perspective, the clock is ticking EVEN DURING PROSECUTION. So that should be part of your strategy.

- **How do I read a patent?** - Back to top

Haibun is a Japanese art form popularized by Basho. Typically, it involves a few paragraphs of descriptive prose and ends with a haiku that summarizes the prose's theme.

Patents are similar:



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The Front Page is just administrative information. The Drawings and Specification are the "prose" provided to explain and provide support for the claim (the, "Here's how I'll sue you" haiku). Things don't infringe the specification, they can only infringe the claims.

Once filed, the Specification and Drawings are set in stone, but you can amend the claims throughout the prosecution process. Thus, when you're working with an attorney to file an application, focus your efforts

on the specification. If the claims are wrong we can (generally speaking) fix them later.

- **What's the deal with Patent Trolls?** - Back to top

Patent litigation is expensive, often millions of dollars.

Realizing that, some people thought it would be a good idea to aggressively assert (sometimes questionable) patents, while offering settlements for much less than the million dollar litigation fees (e.g., $100K). As you can imagine, this is kind of annoying. It's even more annoying when you pay one of them to get rid of them, he tells his friends, and ten more show up tomorrow.

What's tricky is that it's not always clear when someone is gaming the system like that and when they're GENUINELY trying to leverage an IP. People sometimes try to distinguish good/bad behavior based upon whether the patent owner is making the device covered in the patent (a "Non-Practicing-Entity" or NPE). But that's not a good way to think about it. EVERY patent owner is to a certain extent an NPE. Are you practicing ALL the claims in your patent? ALL the claims in the patent family? ALL the inventions you COULD claim, but haven't yet? Most charities and universities are NPEs, for example.

Also, we WANT there to a strong NPE community. Just as the fiction of "money" creates a secondary exchange medium we want the "patent legal fiction" to provide a similar service. Maybe you want to use your patent as collateral on a loan from the bank to get your business started. But the bank isn't going to give you the loan if the patent isn't worth anything to them. And if they have to make a product to use the patent, well . . . you're probably not getting that loan.

There have been legal changes making it easier to nail specious claimants (e.g., the Octane Fitness decision, etc.). Companies are also getting better about having a "We don't negotiate with terrorists" sort of policy. Defendants can often drag their heels to (dramatically) prolong the litigaton process. If the plaintiff was a genuine business interest, they anticipate this heel-dragging as part of a larger business strategy and waiting it out is likely a factor they've considered. Many of the smaller trolls on the other hand are, for lack of a better phrasing, short-sighted and greedy. Playing the defendant's games, paying for expert witnesses (they're expensive), discovery costs, the first interlocutory appeal . . . the second . . . etc. and just the TIME involved make it a much less palatable proposition to these smaller Trolls. This is especially true when companies band together to share litigation fees, even when they aren't being sued themselves (a very prudent strategy, since if your neighbor falls you're guaranteed to see the same Troll tomorrow - but if your neighbor wins, you're not likely to see the Troll again.)

I won't name names, but there are larger institutional Trolls which are a

little more difficult to dispense with in this manner. You have to be a little more sophisticated with them.

(I'll give you a hint: people invest in those instutions because they think their ROI will complement their other investment vehicles within a particular timeframe . . . if it turns out that the ROI DOESN'T meet those expectations, well . . . there can be consequences . . .)

And again, I'm using "Troll" only for that gaming behavior. We DO want litigators who just sit around asserting at least relatively good patents and accepting reasonable royalties in their licenses.

THAT is very healthy for the system.

- **Is the US first-to-file or first-to-invent?** - Back to top

First-to-file.

(i.e., Person A comes up with an idea on Monday, Person B comes up with the same idea on Tuesday. Person B files on Tuesday and Person A files on Friday. Person B will be entitled to a patent over Person A, regardless of the fact that Person A invented it first.)

- **So-and-so told me it was first-to-invent . . .** - Back to top

The law changed in March 2013. Before then we were first-to-invent, now we're first-to-file. First-to-file is more consistent with the rest of the world (and less messy in litigation).

- **What does that mean for me?** - Back to top

A lot, but mostly, file more provisionals.
